

**LOUISIANA
LOTTERY
CORPORATION**

**LOUISIANA LOTTERY CORPORATION
A COMPONENT UNIT OF THE STATE OF LOUISIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

LOUISIANA LOTTERY CORPORATION
A COMPONENT UNIT OF THE STATE OF LOUISIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

PREPARED BY ACCOUNTING DEPARTMENT

KAREN B. FOURNET

SENIOR VICE PRESIDENT

SECRETARY TREASURER

This document was produced by the Louisiana Lottery Corporation, 555 Laurel Street, Baton Rouge, Louisiana 70801. Thirty-five copies of this public document were produced at an approximate cost of \$430.

**LOUISIANA LOTTERY CORPORATION
A COMPONENT UNIT OF THE STATE OF LOUISIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION	
LETTER OF TRANSMITTAL	1
ORGANIZATIONAL CHART WITH PRINCIPAL OFFICIALS.....	7
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING.....	8
 FINANCIAL SECTION	
INDEPENDENT AUDITOR' S REPORT.....	9
MANAGEMENT' S DISCUSSION AND ANALYSIS	11
BASIC FINANCIAL STATEMENTS	
PROPRIETARY FUND - ENTERPRISE FUND	
STATEMENT OF NET ASSETS.....	19
STATEMENT OF REVENUES, EXPENSES, AND CHANGES	
IN FUND NET ASSETS	20
STATEMENT OF CASH FLOWS.....	22
NOTES TO THE FINANCIAL STATEMENTS	24
SUPPLEMENTAL INFORMATION SCHEDULES	
SCHEDULE OF PROFESSIONAL SERVICE FEES.....	40
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS	41
 STATISTICAL SECTION	
LOUISIANA LOTTERY STATISTICS	42
REVENUE	43
INCEPTION-TO-DATE REVENUE DISTRIBUTION.....	44
SALES BY PRODUCT	
FISCAL YEARS 1995 THROUGH 2004.....	45
SALES BY FISCAL YEAR BY PRODUCT LINE	
FISCAL YEARS 1995 THROUGH 2004	46
EXPENSES AND PAYMENTS.....	48

TABLE OF CONTENTS

	PAGE
EXPENSES AND PAYMENTS AS A PERCENTAGE OF TOTAL REVENUE	49
EXPENSES AND PAYMENTS FISCAL YEARS 1995 THROUGH 2004	50
PAYMENTS TO STATE TREASURY INCEPTION-TO-DATE	51
PARTICIPATION OF ALL PLAYERS BY DEMOGRAPHIC GROUPS	54
U.S. LOTTERY STATISTICS	55
FISCAL 2003 SALES BY GAME	56
FISCAL 2003 SALES, PROFIT & EXPENSE ANALYSIS	57
 REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....	 58



August 30, 2004

Board of Directors, Louisiana Lottery Corporation
Charles R. Davis, President, Louisiana Lottery Corporation

INTRODUCTION

The Louisiana Lottery Corporation is pleased to submit its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. Lottery management is responsible for the accuracy and completeness of all data and disclosures in this report. To the best of our knowledge, the information presented is accurate and complete in all material respects and fairly depicts the financial activities and position of the Lottery.

This report is organized into three sections. The introductory section includes this letter of transmittal and an organizational chart. The financial section includes the independent auditor's report, management's discussion and analysis, and the audited financial statements with accompanying notes. Historical, demographic, and industry comparative data are presented in the statistical section of this report. A report on compliance and internal control is included in the last section.

The Louisiana Lottery Corporation was created in October 1990, and began operating on January 15, 1991. Ticket sales began on September 6, 1991. The Lottery is considered a component unit of the State of Louisiana and is reported as an enterprise fund within the state's Comprehensive Annual Financial Report. The fund is operated in a manner similar to a private business enterprise.

During its thirteen years of operation, the Lottery has offered a variety of instant and on-line products. The instant games consist of preprinted "scratch-off" tickets, which contain various symbols and captions covered by latex material. Players instantly determine the winning or non-winning status of their tickets by removing the latex. On-line game tickets are produced through terminals at lottery retailer locations based on player instructions for number selection. Drawings are conducted to determine winning combinations. Historical data for all lottery products are presented in the financial and statistical sections of this report.

MAJOR ACCOMPLISHMENTS

Financial accomplishments are included in *Management's Discussion and Analysis* beginning on page 11. Other accomplishments in fiscal year 2004 included the following:

- Introduced a retailer incentive program that promotes the sale of instant ticket games.
- Enhanced the on-line and instant game product information database for internal reporting.
- Successfully converted the Corporation's employee retirement plan administration to a new service provider.

GOVERNMENT FINANCE OFFICERS ASSOCIATION CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting (see page 8) to the Louisiana Lottery Corporation for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the sixth consecutive year that the Lottery has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

FINANCIAL INFORMATION

Enterprise Operations:

The corporate structure of the Lottery enables it to be managed in an entrepreneurial and business-like manner. The Louisiana Lottery's basic business purpose is to provide enjoyable and secure lottery games to the people of the state of Louisiana while maximizing transfers to the state's Lottery Proceeds Fund. The operations involve the sale of lottery tickets, the determination of winning tickets, the payment of prizes, compensation to lottery retailers, and all necessary administrative functions. As intended by the enabling statutes, the Corporation is accountable to the governor, the legislature, and the

people of the state through a system of audits, reports, legislative oversight and thorough financial disclosure.

Operational results are included in the financial and statistical sections of this report.

Internal Control Framework:

Management is responsible for the design and operation of the control environment and corporate policies and procedures. This internal control structure should provide reasonable assurance that corporate objectives will be achieved in the following categories:

- Reliability of financial reporting
- Safeguarding of corporate assets
- Compliance with applicable laws and regulations

Management has assigned responsibilities and designed processes in an attempt to prevent potential conflicts of interest or unilateral control of critical functions. The Lottery has segregated duties in several key areas including the following:

- Human resources and payroll processing
- Daily cash management and bank account reconciliations
- Cash disbursement authorization and bank account reconciliations
- Purchasing and accounts payable
- Cash disbursement authorization and accounts payable
- Retailer licensing and retailer accounts receivable
- General ledger accounts receivable and retailer accounts receivable
- Data center processing and programming
- Drawing department and information systems department

Operational policies and procedures have been established to communicate management guidelines and requirements for daily operations. Employee compliance with these standards is constantly monitored and evaluated.

Budgetary Controls:

The Corporation is required to submit its annual fiscal year budget to the Board of Directors and the Joint Legislative Committee on the Budget for review and approval. All levels of management are involved in the budgeting process. Available resources are determined based on projected revenue and are allocated to specific areas based on the goals and objectives contained in the Lottery's annual business plan. Operational efficiency is emphasized to direct resources to areas that are expected to maximize revenues, profitability, and the return to the State of Louisiana.

Actual performance is compared to the approved budget on a monthly basis by department managers and senior management. Variances are monitored and future plans are reviewed for potential adjustments.

Debt Administration:

Lotto and Powerball game grand prize winner installment obligations are funded by investments in U.S. Treasury zero coupon bonds as required by statute. These liabilities are paid as the bonds mature at or near the winning draw date anniversaries.

Cash Management:

Cash due from retailers for lottery transactions is collected on a weekly basis through an electronic funds transfer system and deposited into an operating account. Operating cash balances are used to fund daily lottery operations such as prize and vendor payments. Minimal operating account balances are maintained and are invested overnight in U.S. government securities repurchase agreements. Excess operating funds are invested daily in short-term U.S. government securities money market mutual funds. Funds not needed for liquidity purposes are invested in a portfolio of long-term U.S. government and agency securities. All investment purchases are restricted by guidelines contained in a board-adopted Investment Policy Statement and all associated state statutes.

Risk Management:

The Lottery has purchased various commercial insurance policies for protection from significant economic loss. These policies include coverage for standard automobile liability, general liability, worker's compensation claims, property, electronic data processing equipment, employee crimes against the corporation, directors' and officers' liability, and retirement plan fiduciary liability. In addition, contracts for major purchases of goods or services contain requirements for vendor indemnification of the Lottery and vendor insurance and performance bond coverages. Management has also segregated a portion of net assets for a litigation and prize reserve to cover unanticipated losses.

ECONOMIC CONDITION AND OUTLOOK

The United States and global economies rebounded during the 2004 fiscal year. The end of major fighting in Iraq, a 45-year low in short-term interest rates, low inflation, and a new tax stimulus package aided the recovery. Corporate profits increased because of improvements in consumer confidence, consumer and business spending, and productivity gains.

The changes in the economy could cause positive changes in personal disposable incomes and spending patterns. These conditions could impact Lottery sales.

Competitor trends may also affect the performance of the Louisiana Lottery. The video poker industry, riverboat casinos, and Indian casinos continue to perform well and are strong competition for gaming dollars. In addition, the recent increase in oil and gasoline prices may create some positive economic changes for those industries in Louisiana but, may negatively impact retail sales, including lottery ticket sales, because personal disposable incomes will decrease.

MAJOR INITIATIVES

Management has developed the Corporation's objectives and goals for the 2005 fiscal year. Several of the major initiatives are as follows:

- Exceed budgeted levels for revenue, net income, and transfers to the state treasury
- Complete a procurement process for a new instant scratch game ticket printing contract
- Upgrade the Corporation's web site to enhance communications with players and retailers

INDEPENDENT AUDIT

The Louisiana Legislative Auditor performs an annual audit of the Lottery's financial statements as required by Louisiana statutes. The audits are conducted in accordance with generally accepted auditing standards and generally accepted government auditing standards. The independent auditor's opinion on the Lottery's financial statements for the years ended June 30, 2004, and June 30, 2003, is included in the financial section of this report.

ACKNOWLEDGMENTS

The Accounting Department staff prepared each section of the Comprehensive Annual Financial Report. Their efforts have greatly contributed to the success of this informative document. In addition, we appreciate the efforts of the Legislative Auditor's Office in providing assistance with technical requirements.

We are committed to providing thorough and relevant financial information to the users of our financial statements. Our preparation of this Comprehensive Annual Financial Report reflects this commitment. The additional presentations and disclosures required will assist readers in obtaining an understanding of the Lottery's historical and current financial results.

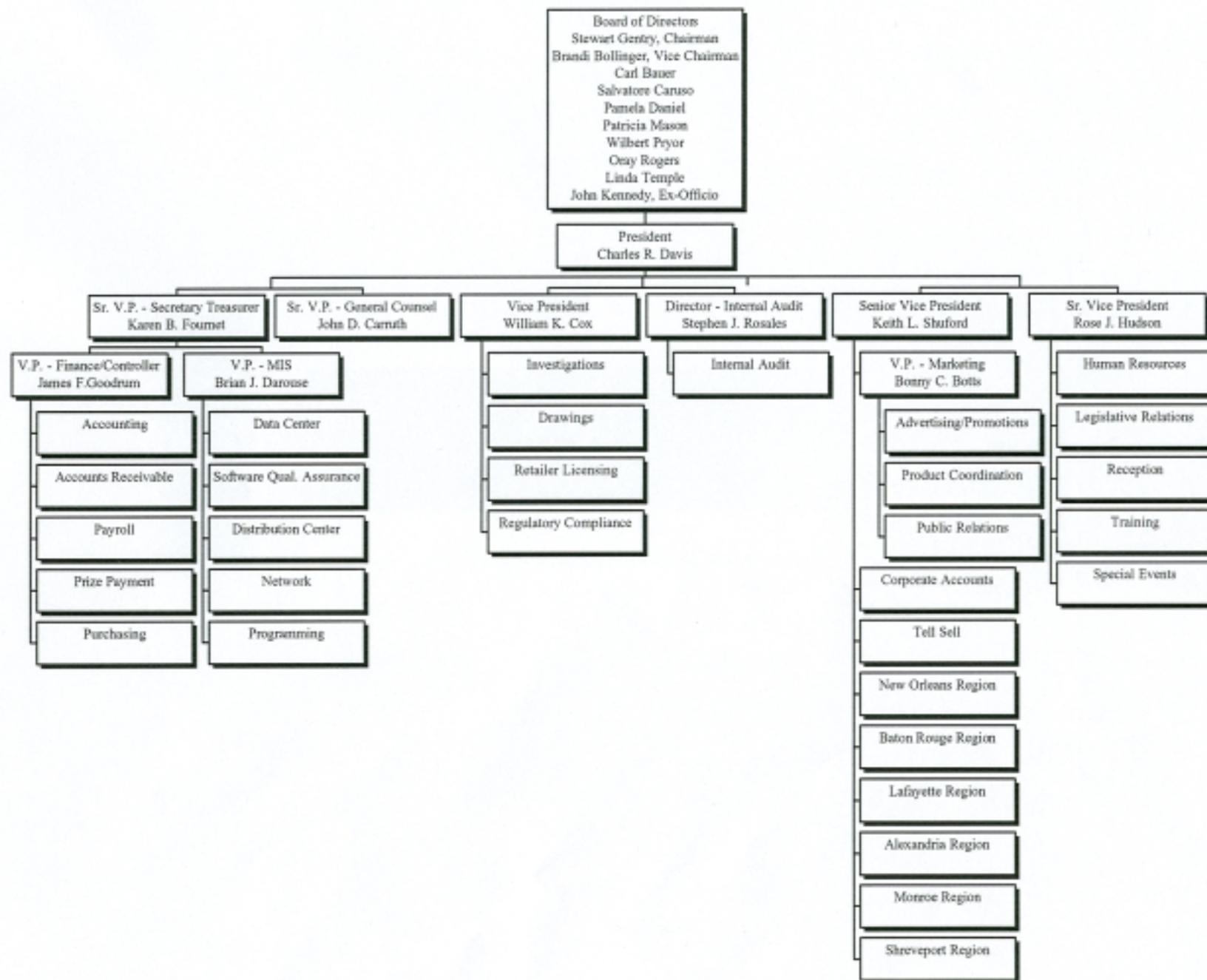
Respectfully submitted,

LOUISIANA LOTTERY CORPORATION

A handwritten signature in cursive script, appearing to read "Karen Fournet".

Karen B. Fournet
Senior Vice President and Secretary Treasurer

**LOUISIANA LOTTERY CORPORATION
Organizational Chart with Principal Officials**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Louisiana Lottery Corporation

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870
www.lla.state.la.us

August 13, 2004

Independent Auditor's Report
on the Financial Statements

BOARD OF DIRECTORS
LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Louisiana Lottery Corporation, a component unit of the State of Louisiana, as of and for the years ended June 30, 2004, and June 30, 2003, as listed in the 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Lottery Corporation as of June 30, 2004, and June 30, 2003, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-F to the basic financial statements, the Louisiana Lottery Corporation implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, for the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2004, on our consideration of the Louisiana Lottery Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in

LEGISLATIVE AUDITOR

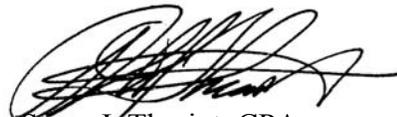
**BOARD OF DIRECTORS
LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**
Audit Report, June 30, 2004
Page 2

accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 11 through 18 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 principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana Lottery Corporation's basic financial statements. The accompanying supplemental information schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplemental information schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

CR:WDD:THC:dl

LLC04

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

**Management's Discussion and Analysis
For the Years Ended June 30, 2004 and June 30, 2003**

This discussion of the Louisiana Lottery Corporation's financial statements provides an overview and analysis of the Corporation's financial results and position for the fiscal years ended June 30, 2004 and June 30, 2003. Please read it in conjunction with the financial statements and notes to the financial statements.

Our annual report consists of three types of financial statements and accompanying notes that provide narrative explanations and additional details of accounting policies, account balances and activities. Account balances and activities are shown as of and for the fiscal year ended June 30, 2004, with comparative totals for June 30, 2003. The statement of net assets; the statement of revenues, expenses, and changes in fund net assets; and the 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 cash flows reflects cash receipts and disbursements during the fiscal year.

The statement of net assets on page 19 includes all assets, liabilities, and net assets of the Corporation. Assets consist of money held in investments and bank accounts, amounts owed to the Corporation from licensed lottery retailers and other outside parties, inventory, property, and other financial resources. Liabilities represent amounts owed to vendors, employees for wages and benefits, prize winners and the state treasury. Assets and liabilities are classified as either current or noncurrent. A current classification indicates that an asset or liability is expected to be received or paid, respectively, within the subsequent one-year period while a noncurrent classification indicates a period of greater than one year. Net assets represent the portion of assets that are not encumbered by liabilities. It serves as an indicator of the net worth of the Corporation.

A summary of the financial results of operations for the reported twelve-month period is presented in the statement of revenues, expenses, and changes in fund net assets on pages 20 and 21. The categories of activities included on this statement provide reasons for increases or decreases in net assets. Operating revenues include sales of lottery tickets and other fees associated with the Corporation's network of retailers and operations. Direct costs and administrative expenses comprise the operating expenses section of this report. Direct costs are variable expenses that fluctuate with the level of sales. Marketing and overhead costs are included in the administrative expenses category. Nonoperating revenues and expenses consist of interest and market value gains or losses from investments, any recognized gain or loss from the disposal of capital assets, and the accrued required and surplus remittances to the state as explained in note 15 to the financial statements on page 38.

The statement of cash flows on pages 22 and 23 includes cash receipts and disbursements from operating, noncapital financing, capital financing, and investing activities. This statement also consists of a reconciliation of operating income presented on the accrual basis of accounting to net cash provided by operating activities.

The notes to the financial statements that begin on page 24 present information on accounting policies, cash, investments, accounts receivable, prepaid expenses, capital assets, deposits, prizes payable, vacation and sick leave, retirement benefits, litigation, risk management, lease and rental commitments, net assets, payments to the state treasury, and the board of directors. These notes are an integral part of the financial statements.

These statements and notes provide information that is necessary to evaluate the Corporation's financial performance and condition. Each fiscal year's performance affects the end of year financial position. To assist readers with this evaluation, a condensed comparison of financial results between the current year ended June 30, 2004, and the prior years ended June 30, 2003 and June 30, 2002, is presented below followed by further analysis of changes in key performance indicators.

	As of and for the Year Ended June 30, 2004	As of and for the Year Ended June 30, 2003	As of and for the Year Ended June 30, 2002
Operating revenues			
Instant ticket sales	\$111,430,717	\$102,548,975	\$111,272,825
On-line sales	228,661,508	208,907,156	200,349,020
Allowance for uncollectible accounts	(74,046)	(39,659)	(25,000)
Other operating revenues	100,259	108,569	16,882
Total operating revenues	340,118,438	311,525,041	311,613,727
Operating expenses			
Direct costs:			
Prize expense	169,776,455	155,908,816	155,559,230
Retailer commission and incentives	18,664,893	17,072,192	17,284,582
Other direct costs	12,842,890	11,992,751	11,839,126
Total direct costs	201,284,238	184,973,759	184,682,938
Administrative expenses	17,609,168	17,769,718	17,506,929
Total operating expenses	218,893,406	202,743,477	202,189,867
Operating income	121,225,032	108,781,564	109,423,860
Nonoperating revenues	370,105	2,263,456	2,725,645
Payments to state treasury	(121,196,935)	(110,840,420)	(111,029,075)
Changes in net assets	\$398,202	\$204,600	\$1,120,430

The Corporation's financial performance for the fiscal year ended June 30, 2004, improved from the results experienced in the fiscal year ended June 30, 2003. Total treasury payments were approximately \$121 million in fiscal year 2004. This represented an approximate \$10 million increase from both fiscal year 2003 and 2002 results. Net assets increased for both fiscal years presented in the financial statements. The reasons for the activity in each component outlined below provide the rationale for these positive results of operations.

Operating revenues

For the year ended June 30, 2004

Operating revenues of over \$340.1 million were \$28.6 million higher than prior year amounts and represented the highest revenue generated since fiscal year 1994. On-line and instant ticket sales increased by \$19.8 and \$8.9 million, respectively. Powerball on-line sales of \$118.3 million were at the highest level since the introduction of this multi-state game in Louisiana. Several large jackpots during fiscal year 2004 contributed to the record sales for this game. Pick 3, Pick 4, and Cash Quest all increased while sales for the Lotto game decreased slightly. The increase in instant sales was caused by improvements in inventory management and prize structure distribution.

For the year ended June 30, 2003

Total operating revenues were consistent with the prior year amounts. On-line sales increased by \$8.6 million while instant ticket sales were \$8.7 million lower than the previous fiscal year. Powerball on-line sales reached a record high of \$105.3 million. In May 2003, the Cash Quest game was modified to increase the number of drawings per week from two to five. This game's sales increased by 17% in fiscal year 2003. Pick 3 sales slightly increased while sales for the Pick 4 and Lotto games increased by 18% and 10%, respectively. The decline in instant sales may have been caused by a shift of players' preferences from instant games to on-line games.

Historical sales data for all games are presented in the statistical section of this report.

Nonoperating revenues

Earnings on investments decreased almost \$1.9 million in fiscal year 2004 and \$475,000 in fiscal year 2003. As stated in note 3 to the financial statements, a major portion of the Corporation's investment portfolio consists of short-term government securities. In an effort to stimulate the economy, the Federal Reserve lowered short-term interest rates 11 times during the 2001 calendar year and several more times in the years 2002 and 2003. These rates remained at a 45-year low in the fiscal year 2004. These decreases had a direct effect on the amount of short-term investment income earned by the Corporation. The average rate of return earned on short-term investments in the fiscal years ended

June 30, 2004 and June 30, 2003, was 0.96% and 1.21%, respectively, as compared to a rate of 2.19% in the fiscal year ended June 30, 2002.

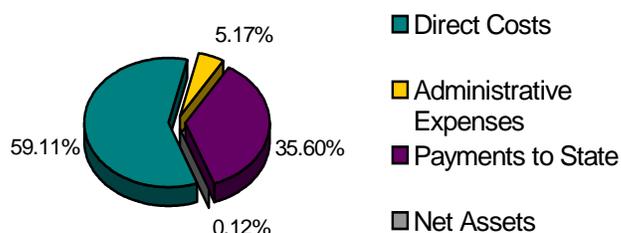
The Corporation's investment return from its long-term portfolio of U.S. government and agency securities consists of interest earned on investments and changes in the fair value of investments as follows:

	<u>For the Year Ended June 30, 2004</u>	<u>For the Year Ended June 30, 2003</u>	<u>For the Year Ended June 30, 2002</u>
Interest	\$1,146,349	\$1,172,949	\$1,329,583
Change in Fair Value	<u>(1,171,452)</u>	<u>498,679</u>	<u>418,422</u>
Total	<u>(\$25,103)</u>	<u>\$1,671,628</u>	<u>\$1,748,005</u>

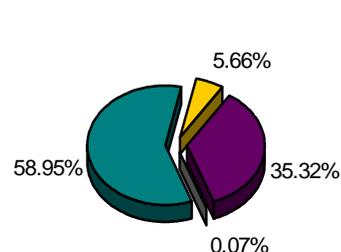
The decrease in fair value was caused by the inverse relationship of the market value of long-term debt securities to long-term interest rates. Ten-year treasury bond yields increased by 1.09% in fiscal year 2004. The increase in long-term rates resulted in the decrease in fair value of \$1.2 million. Most increases or decreases in fair value are not realized by the Corporation. Further disclosures on investments and interest rate risk are included in note 3 to the financial statements on page 26. Net realized losses from disposals of investments were only \$32,000 in fiscal year 2004.

Total revenues earned during the 2004 and 2003 fiscal years were \$340.5 million and \$313.8 million, respectively. The allocation of these funds for expenses, transfers, and changes in net assets is presented below.

For the year ended June 30, 2004



For the year ended June 30, 2003



Direct costs

Direct costs are expenses that fluctuate directly with the level of sales. The changes in sales for the fiscal years presented resulted in corresponding changes in direct costs.

Administrative expenses

These marketing and overhead costs remained fairly constant over the three fiscal years presented in this discussion.

Payments to state treasury

Note 15 to the financial statements on page 38 includes a discussion of the statutory requirements for payments to the state treasury. Payments increased by \$10.4 million to approximately \$121 million in fiscal year 2004 because of higher operating revenues as compared to fiscal year 2003. Remittances in fiscal year 2003 were consistent with prior year amounts. The payments for fiscal year 2004 included a \$2 million additional transfer for surplus at June 30, 2004. The surplus transfers for both fiscal years 2003 and 2002 were \$1 million. Total payments to the state treasury since the Lottery's inception have exceeded \$1.5 billion.

The positive financial performance of the Corporation resulted in an overall improvement in financial position at June 30, 2004 and at June 30, 2003. A summarized version of the statement of net assets presented below reflects the Corporation's overall change in financial resources and claims on those resources.

	As of and for the Year Ended June 30, 2004	As of and for the Year Ended June 30, 2003	As of and for the Year Ended June 30, 2002
Assets			
Current assets	\$50,418,090	\$51,207,025	\$48,630,827
Noncurrent assets:			
Capital assets	6,140,678	6,454,388	6,933,380
Other noncurrent assets	134,385,446	152,147,497	149,851,363
Total noncurrent assets	140,526,124	158,601,885	156,784,743
Total assets	190,944,214	209,808,910	205,415,570
Liabilities			
Current liabilities	47,156,928	47,872,045	44,425,044
Noncurrent liabilities	118,477,118	137,024,899	136,283,160
Total liabilities	165,634,046	184,896,944	180,708,204
Net assets			
Invested in capital assets	6,140,678	6,454,388	6,933,380
Unrestricted	19,169,490	18,457,578	17,593,296
Restricted			180,690
Total net assets	\$25,310,168	\$24,911,966	\$24,707,366

Current assets

The fluctuation of current assets for the three years presented was mainly caused by changes in retailer accounts receivable balances. These changes were the result of increases and decreases in sales volume due to different Powerball jackpot levels at the end of the fiscal years. The balances due from the retailers were collected after June 30 of each year.

Capital assets

Capital assets slightly decreased in fiscal years 2004 and 2003 because depreciation expense was greater than capital asset acquisitions. Details of capital asset additions, deletions, and depreciation are included in note 6 to the financial statements on page 30.

Other noncurrent assets

The difference between the reclassification of annual grand prize payments, with a face value of \$15,627,000, from noncurrent assets to current assets and the change in the market value of noncurrent investments in prize annuities accounts for some of the change in this asset category for both fiscal years. This annual transfer between asset categories is a result of the maturities of investments in prize annuities for the payment of current year obligations and the classification of all investments scheduled to mature within the next fiscal year as current investments in prize annuities. The market value adjustment is necessary to reflect the investment balances at fair value as required by governmental accounting standards. This adjustment is dependent upon the investments' face values, purchase prices, stated interest rates, maturity dates, and market interest rates at the end of the fiscal year. These recurring annual changes in these investment accounts resulted in a net decrease of \$17.7 million in fiscal year 2004 and a net increase of \$735,000 in fiscal year 2003. Additional information on investments in prize annuities is included in note 3 to the financial statements on page 26 and the related prizes payable information is contained in note 8 on page 32.

In addition, a remaining prepaid expense of \$1.8 million for the use of a new instant ticket accounting and administrative computer system increased noncurrent assets at June 30, 2003. Note 5 to the financial statements includes a description of this asset.

Current liabilities

Current liabilities decreased by \$715,000 in fiscal year 2004 because of the following factors:

- Accounts payable decreased by \$390,000 because of payments in 2004 for prior year accrued expenses and fewer accrued expenses at June 30, 2004, than at June 30, 2003.
- The accrued payment to the state treasury includes the required remittances (see note 15) incurred in June to be paid in the following July and any accrued surplus transfers. The accrued required payment at June 30, 2004, was approximately \$1.45 million less than the required payment at June 30, 2003, because of higher revenue in June 2003 due to a large Powerball jackpot. The surplus payment portion of the accrual was \$1 million higher than the payment for the previous fiscal year.
- Wages, benefits, and withholdings payable increased by \$178,000 because of accrued contributions for the Corporation's retirement plans and accrued payroll taxes. These accrued balances were related to the last payroll processed for the fiscal year and 2% discretionary contributions allocated to participants of the supplemental retirement plan.
- The remaining decrease of approximately \$53,000 is related to variances in prizes and withholdings payable and compensated absences payable. The components of these categories are presented in note 8 and note 9 to the financial statements on pages 32 and 33, respectively.

Current liabilities increased by \$3.4 million in fiscal year 2003 because of the factors presented below:

- Accounts payable decreased by \$940,000 because of payments in 2003 for prior year accrued expenses and fewer accrued expenses at June 30, 2003, than at June 30, 2002.
- The accrued required payment at June 30, 2003, was approximately \$1.6 million greater than the required payment at June 30, 2002, because of increased revenue in June 2003 due to a large Powerball jackpot. The surplus payment portion of the accrual was equal to the \$1 million payment for the previous fiscal year.
- Prizes and withholdings payable increased by \$2.7 million because of increases in the amount due to the Multi-State Lottery Association for the Powerball prize pool from the large jackpot, the projected net use of unclaimed prizes to fund instant game prize structures within the next fiscal year, and instant and on-line prizes payable. The components of this liability category are presented in note 8 to the financial statements on page 32.

Noncurrent liabilities

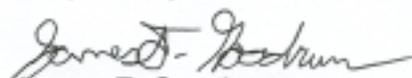
The changes in noncurrent investments in prize annuities discussed above caused equal changes in the corresponding noncurrent liabilities to prize winners. In addition unclaimed prizes decreased by \$840,000 because of increased funding of instant ticket prize structures caused by increases in instant ticket sales. Further disclosures on noncurrent prizes payable are included in note 8 to the financial statements on page 32.

Net assets

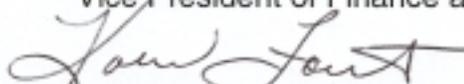
Finally, net assets increased by \$400,000 in fiscal year 2004 and \$200,000 in fiscal year 2003 because of the income generated during these years. The specified uses of unrestricted net assets are presented in note 14 to the financial statements on page 37.

This financial overview of the Louisiana Lottery Corporation is provided as a supplemental analysis of the financial position and activities of the Corporation as of and for the years ended June 30, 2004 and June 30, 2003. 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 the Corporation.

Respectfully submitted,



James F. Goodrum
Vice President of Finance and Controller



Karen B. Fournet
Senior Vice President and Secretary Treasurer

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statement of Net Assets, June 30, 2004
(With Comparative Totals for June 30, 2003)

	<u>2004</u>	<u>2003</u>
ASSETS		
Current assets:		
Cash (note 2)	\$67,134	\$24,727
Investments (note 3)	22,061,077	21,831,381
Accounts receivable, net (note 4)	10,904,490	12,319,311
Investments in government securities (note 3)	251,563	205,000
Investments in prize annuities (note 3)	15,498,183	15,548,434
Prepaid expenses (note 5)	1,621,946	1,263,104
Other current assets	13,697	15,068
Total current assets	<u>50,418,090</u>	<u>51,207,025</u>
Noncurrent assets:		
Capital assets:		
Land (note 6)	1,542,415	1,542,415
Depreciable capital assets, net (note 6)	4,598,263	4,911,973
Investments in government securities (note 3)	19,997,347	19,713,443
Investments in prize annuities (note 3)	105,555,102	123,235,158
Deposits with Multi-State Lottery Association (note 7)	7,322,222	7,417,646
Prepaid expenses (note 5)	1,510,775	1,781,250
Total noncurrent assets	<u>140,526,124</u>	<u>158,601,885</u>
TOTAL ASSETS	<u>190,944,214</u>	<u>209,808,910</u>
LIABILITIES		
Current liabilities:		
Accounts payable	2,473,398	2,863,430
Wages, benefits, and withholdings payable	188,100	10,246
Accrued payment to state treasury	10,336,200	10,785,365
Prizes and withholdings payable (note 8)	33,849,040	33,918,980
Compensated absences payable (note 9)	310,190	294,024
Total current liabilities	<u>47,156,928</u>	<u>47,872,045</u>
Noncurrent liabilities:		
Noncurrent prizes payable (note 8)	118,332,548	136,884,889
Retailer security deposits	144,570	140,010
Total noncurrent liabilities	<u>118,477,118</u>	<u>137,024,899</u>
TOTAL LIABILITIES	<u>165,634,046</u>	<u>184,896,944</u>
NET ASSETS		
Invested in capital assets	6,140,678	6,454,388
Unrestricted (note 14)	19,169,490	18,457,578
TOTAL NET ASSETS	<u>\$25,310,168</u>	<u>\$24,911,966</u>

The accompanying notes are an integral part of this statement.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statement of Revenues, Expenses, and
Changes in Fund Net Assets
For the Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Instant ticket sales	\$111,430,717	\$102,548,975
On-line sales	228,661,508	208,907,156
Allowance for uncollectible accounts	(74,046)	(39,659)
Retailer license fees	12,900	12,350
Miscellaneous revenue	87,359	96,219
Total operating revenues	<u>340,118,438</u>	<u>311,525,041</u>
OPERATING EXPENSES		
Direct costs:		
Instant ticket prize expense	56,667,693	51,764,873
On-line prize expense	113,108,762	104,143,943
Retailer commission	17,239,905	15,880,681
Retailer incentives	1,424,988	1,191,511
Lottery system vendor fees	10,342,602	9,474,763
Communications	(82,654)	62,498
Cost of instant tickets	2,109,397	2,078,108
Courier service	473,545	377,382
Total direct costs	<u>201,284,238</u>	<u>184,973,759</u>
Administrative expenses:		
Advertising	7,544,935	7,764,974
Contract labor	209,562	218,803
Depreciation	638,114	750,588
Equipment lease (note 13)	37,609	36,932
Insurance	489,540	433,047
Postage	94,504	79,165
Professional fees	152,289	297,823
Rent (note 13)	211,718	215,783
Repairs and maintenance	332,878	372,014
Salaries, benefits, and taxes	6,690,479	6,278,216
Supplies	297,926	313,437
Telephone	217,914	327,968
Travel	105,570	108,181
Utilities	135,586	147,463
Other general and administrative	450,544	425,324
Total administrative expenses	<u>17,609,168</u>	<u>17,769,718</u>
Total operating expenses	<u>218,893,406</u>	<u>202,743,477</u>

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statement of Revenues, Expenses, and
Changes in Fund Net Assets
For the Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	<u>2004</u>	<u>2003</u>
OPERATING INCOME	\$121,225,032	\$108,781,564
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments	1,524,103	1,706,209
Net (decrease) increase in the fair value of investments	(1,171,452)	498,679
Net gain on disposal of assets	17,454	58,568
Payments to state treasury - required (note 15)	(119,196,935)	(109,840,420)
Payments to state treasury - surplus (note 15)	<u>(2,000,000)</u>	<u>(1,000,000)</u>
Total nonoperating revenues (expenses)	<u>(120,826,830)</u>	<u>(108,576,964)</u>
CHANGES IN NET ASSETS	398,202	204,600
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>24,911,966</u>	<u>24,707,366</u>
TOTAL NET ASSETS AT END OF YEAR	<u><u>\$25,310,168</u></u>	<u><u>\$24,911,966</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statement C

Statement of Cash Flows
For the Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Cash received from retailers - net of commission and incentives	\$325,776,092	\$293,737,324
Cash from other sources	101,634	12,439,485
Cash payments for prizes and related taxes	(186,263,825)	(181,148,189)
Cash payments to suppliers of goods or services	(27,201,129)	(28,129,076)
Cash payments to employees for services	<u>(5,710,787)</u>	<u>(5,516,749)</u>
Net cash provided by operating activities	<u>106,701,985</u>	<u>91,382,795</u>
Cash flows from noncapital financing activities		
Cash payments to the Lottery Proceeds Fund	<u>(121,646,100)</u>	<u>(109,215,645)</u>
Cash flows from capital financing activities		
Proceeds from disposal of capital assets	17,453	61,051
Payments for acquisition of capital assets	<u>(261,795)</u>	<u>(974,660)</u>
Net cash used in capital financing activities	<u>(244,342)</u>	<u>(913,609)</u>
Cash flows from investing activities		
Receipts of interest	1,335,478	1,458,197
Net (deposits) withdrawals of short-term investments	(229,696)	940,794
Proceeds from restricted assets - investments		180,690
Proceeds from investments in government securities	4,122,289	6,739,439
Payments for investments in government securities	(5,624,207)	(6,199,466)
Maturity of investments in prize annuities (note 3)	<u>15,627,000</u>	<u>15,627,000</u>
Net cash provided from investing activities	<u>15,230,864</u>	<u>18,746,654</u>
Net increase in cash	42,407	195
Cash at July 1	<u>24,727</u>	<u>24,532</u>
Cash at June 30	<u><u>\$67,134</u></u>	<u><u>\$24,727</u></u>

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statement C

Statement of Cash Flows
For the Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	<u>2004</u>	<u>2003</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$121,225,032	\$108,781,564
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	638,114	750,588
Accrued capital financing activities	(62,609)	700,587
Multi-State Lottery Association operating costs	230,361	227,685
Uncollectible accounts	79,440	42,889
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	1,357,457	(3,593,183)
(Increase) in prepaid expenses	(88,362)	(1,708,081)
Decrease in other current assets	1,375	20,155
Decrease in deposits with Multi-State Lottery Association	31,612	8,821
(Decrease) in accounts payable	(390,033)	(941,612)
Increase in wages, benefits, and withholdings payable	177,854	1,216
Increase in compensated absences payable	16,166	25,048
(Decrease) increase in prizes and withholdings payable	(891,982)	2,689,588
(Decrease) in annual grand prizes payable	(15,627,000)	(15,627,000)
Increase in retailer security deposits	4,560	4,530
Total Adjustments	<u>(14,523,047)</u>	<u>(17,398,769)</u>
Net Cash Provided by Operating Activities	<u>\$106,701,985</u>	<u>\$91,382,795</u>
Non Cash Investing, Capital, and Financing Activities		
Net (decrease) increase in the fair value of investments	(\$1,171,452)	\$498,679
Interest accrued on deposits with Multi-State Lottery Association	\$166,548	\$261,715

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**

Notes to the Financial Statements
For the Year Ended June 30, 2004

INTRODUCTION

The Louisiana Lottery Corporation (the Corporation) is created in accordance with Louisiana Revised Statutes (R.S.) 47:9000-9081 and 14:90(C) and began operating January 15, 1991. The Corporation is organized to provide for lottery games, operations, activities, and the payment of prizes. The affairs of the Corporation are administered by a board of directors appointed by the governor, subject to confirmation by the Senate. The Corporation is domiciled in East Baton Rouge Parish and operates five regional offices. For the fiscal years ended June 30, 2004, and June 30, 2003, the Corporation employed 156 employees and 165 employees, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Governmental Accounting Standards Board (GASB) Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Louisiana Lottery Corporation is considered a component unit of the State of Louisiana because the state has financial accountability for fiscal matters as follows: (1) the board of directors is appointed by the governor; (2) upon dissolution of the Corporation, title to all property owned by the Corporation shall vest in the State of Louisiana; and (3) the Corporation provides financial benefits to the state in the form of transfer of funds to the state treasury. The accompanying financial statements present information only as to the transactions of the programs of the Louisiana Lottery Corporation, a component unit of the State of Louisiana. The Corporation is reported as an enterprise fund within the State of Louisiana's Comprehensive Annual Financial Report.

B. BASIS OF PRESENTATION

The Corporation uses a proprietary fund (enterprise fund) to report on its financial position and results of operations. The enterprise fund accounts for the activities relative to conducting a lottery, including, but not limited to, incurring and paying administrative costs and payment of prizes. The fund is operated in a manner similar to a private business enterprise where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, management control, accountability, or other purposes. Activities accounted for in the proprietary fund follow all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, but not after this date.

C. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, and the measurement focus refers to what transactions and events should be recorded. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized when they are earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Revenue

Operating revenue includes sales of lottery tickets and other fees related to operations. Nonoperating revenue includes investment earnings and gains from the disposal of assets. Sales are recognized when instant ticket packs are activated for sale and on-line game tickets are sold to the public by contracted retailers.

Prizes

Prize expense is recognized based on a predetermined prize structure for each instant ticket and on-line game as revenue is recognized. A portion of the instant ticket prize structures is funded with unclaimed prize money pursuant to R.S. 47:9025(D).

D. CAPITAL ASSET POLICY

The Corporation has established a \$1,000 threshold for capitalization of purchases of assets that have an estimated useful life of at least three years. In addition, substantial purchases may be capitalized even though the per unit cost may be less than \$1,000. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are derived from realistic expectations of the longevity of the assets based on past experience, published guidelines, and industry experience. The useful lives used in determining depreciation for the various types of assets are found in note 6 on page 30.

E. LEGISLATIVE BUDGET OVERSIGHT

R.S. 47:9010(A)(7) requires the Corporation, not later than 30 days before the beginning of each 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. The Corporation submitted its budget for fiscal year ended June 30, 2004, on February 24, 2003. The budget was approved by the Joint Legislative Committee on the Budget on March 21, 2003. A formal budgetary comparison is not required by GASB reporting standards for

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

proprietary funds and, therefore, a budgetary comparison for the fiscal year ended June 30, 2004, is not presented.

F. ADOPTION OF NEW ACCOUNTING PRINCIPLE

For the year ended June 30, 2004, the Corporation implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3.

G. NONOPERATING EXPENSES

Nonoperating expenses only include payments to the state treasury.

2. CASH

Cash includes petty cash on hand of \$2,000 and demand deposits of \$65,134 at June 30, 2004, and \$22,727 at June 30, 2003. 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.

Under state law, demand deposits 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. These pledged securities are held in a joint custody safekeeping account in the name of the Corporation and the fiscal agent bank in the form of book entry deposits in the Federal Reserve Bank of Chicago. The Corporation has deposit balances (collected bank balances) of \$67,409 at June 30, 2004, and \$26,629 at June 30, 2003, secured from risk by \$100,000 of federal deposit insurance.

3. INVESTMENTS, INVESTMENTS IN GOVERNMENT SECURITIES, AND INVESTMENTS IN PRIZE ANNUITIES

In accordance with state law and the Corporation's formal investment policy, funds may be invested in U.S. Treasury obligations and U.S. government agency obligations or in eligible mutual funds that invest in these securities, direct security repurchase agreements, and time certificates of deposit. The amount invested in U.S. agency securities cannot exceed sixty percent of all investments with maturities of thirty days or longer. In addition, for the purpose of payment of deferred prizes to winners, the Corporation may only invest in securities that are direct obligations of the U.S. Treasury. No specific credit ratings are required by the policy, but credit quality is inherently high because of limitations imposed by the policy.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Investments at June 30, 2004 consist of the following:

Investment Type	Fair Value	* Credit Quality Rating	% of Investments	Investment Maturities (In Years)				
				Less Than 1	1-5	6-10	11-20	21-30
Investments:								
One Group Treasury Only Money Market Fund	\$22,061,077	Aaa	13.50%	\$22,061,077				
Investments in government securities:								
United States Treasury Notes	10,027,471	1	6.14%		\$4,466,678	\$5,560,793		
Federal Farm Credit Banks (FFCB) Bonds and Notes	1,189,796	Aaa	0.73%		238,572	951,224		
Federal Home Loan Banks (FHLB) Bonds	1,130,285	Aaa	0.69%		556,300	573,985		
Federal Home Loan Mortgage Corporation (FHLMC) Notes	593,720	Aaa	0.36%		593,720			
Federal National Mortgage Association (FNMA) Notes	1,456,104	Aaa	0.89%	251,563	1,094,667	109,874		
FHLMC Mortgage-Backed Securities	1,797,526	unrated 2	1.10%		45,946	479,707	\$1,165,659	\$106,214
FNMA Mortgage-Backed Securities	3,441,550	unrated 2	2.11%		497,520	1,552,187	1,013,777	378,066
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	612,458	1	0.37%			263,684	91,284	257,490
	20,248,910		12.39%	251,563	7,493,403	9,491,454	2,270,720	741,770
Investments in prize annuities:								
United States Treasury Zero Coupon Bonds	121,053,285	1	74.11%	15,498,183	56,638,540	44,983,748	3,932,814	
Total Investments	\$163,363,272		100.00%	\$37,810,823	\$64,131,943	\$54,475,202	\$6,203,534	\$741,770

* Credit quality ratings obtained from Moody's Investors Service.

1 Credit quality ratings not required for U.S. government and agency securities that are explicitly guaranteed by the U.S. government.

2 FHLMC and FNMA mortgage-backed securities are implicitly guaranteed by the U.S. government, but are not rated by Moody's Investors Service.

Investments represent the fair value of U.S. Treasury money-market mutual fund shares held by the Corporation to finance daily operations. Investments in government securities are funds not needed for liquidity purposes that are invested in a portfolio of direct longer-term investments in U.S. government and agency securities. These securities are also recorded at fair value.

Investments in prize annuities totaling \$84,275,863 at June 30, 2004, and \$97,205,557 at June 30, 2003, are in the form of U.S. Treasury zero coupon bonds. These investments were purchased to finance the grand prizes of the Lotto game and the selected top prizes of two instant ticket games that are payable over a 20-year period.

Investments in prize annuities totaling \$36,777,422 and \$41,578,035 at June 30, 2004, and June 30, 2003, respectively, were purchased to finance the Louisiana grand prize winners of the Multi-State Lottery Association (MUSL) Powerball game. The MUSL purchased U.S. Treasury zero coupon bonds to fund the grand prizes that are payable over 20 years. As the bonds mature, the funds are transferred to the Corporation for the annual prize payments to the winners.

The zero coupon bonds are reported at fair value as required by GASB Statement 31. The corresponding liability to the prize winners is recorded in prizes payable and is disclosed in note 8. Cash receipts from the maturity of investments in prize annuities totaled \$15,627,000 in fiscal year ending June 30, 2004, and in fiscal year ending June 30, 2003. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments that

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

are in the possession of an outside party. Louisiana state law requires that securities purchased as investments by the Corporation are issued in the name of the Corporation and safekept at a custodian financial institution or Federal Reserve Bank domiciled in the state of Louisiana. Investments, investments in government securities, and the investments in prize annuities purchased by the Corporation are held by the custodial bank's trust department in the Corporation's name. The investments in prize annuities purchased by MUSL are held by MUSL's custodial bank's trust department in the name of MUSL with the Corporation as the beneficiary.

Interest rate risk is the risk that an investment's fair value decreases as market interest rates increase. Typically, this risk is higher in debt securities with longer maturities. The Corporation's investment policy states that investment maturities must be scheduled to coincide with cash requirements. Interest rate risk is managed according to the purpose of the investments and the projected time frame for the use of these assets.

As stated previously, the investments in the money market fund are used to fund daily operations. These investments are not subject to interest rate risk because the underlying investments in treasury bills and notes have very short-term maturities, funds can be deposited and withdrawn daily, and the fund's share price remains stable.

Investments in government securities consist of funds that are not expected to be needed in the near future. Investment maturities for this portfolio are scheduled for an average intermediate time horizon. The portfolio is managed to provide investment allocations, characteristics, and yields consistent with its benchmark, the Lehman Brothers Intermediate Government Bond Index. Interest rate risk is managed by structuring the average maturity and duration of the investments to the benchmark.

The investments in mortgage-backed securities are based on flows from payments on the underlying mortgages that contain prepayment options which causes them to be highly sensitive to changes in interest rates. Generally, when interest rates fall, obligees tend to prepay the assets, thus eliminating the stream of interest payments that would have been received under the original amortization schedule. This reduced cash flow diminishes the fair value of the asset-backed investment.

The risk that the Corporation will actually realize material losses from its investments in government securities resulting from changes in market interest rates is mitigated by the low probability that these securities will have to be sold prior to maturity.

The investments in prize annuities are also subject to fluctuations in fair value due to interest rate risk, but these bonds are held to maturity to satisfy the annual installment obligations to the prize winners. The fair value at maturity is the face value of the bonds, regardless of the fluctuations in value during the time period that the investments are outstanding.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

4. ACCOUNTS RECEIVABLE

As reflected on the statement of net assets, the receivables of the Louisiana Lottery Corporation are as follows:

	As of June 30, 2004	As of June 30, 2003
Retailer accounts receivable	\$10,477,472	\$11,970,141
Interest receivable	272,123	250,047
Miscellaneous receivable	191,209	113,356
Allowance for uncollectible accounts	<u>(36,314)</u>	<u>(14,233)</u>
Total	<u>\$10,904,490</u>	<u>\$12,319,311</u>

Retailer accounts receivable includes an uncollected balance of \$358,705 due from a former major lottery retailer with multiple locations that filed for bankruptcy protection in October 2002. The Corporation has filed a lawsuit in a U.S. bankruptcy court in an attempt to recover these funds. These proceedings should conclude with a court decision during the upcoming fiscal year ending June 30, 2005. The probable outcome of this case and the ultimate collectibility of this account cannot be reasonably determined at this time.

The allowance for uncollectible accounts is based on an analysis of accounts receivable that considers the age of the accounts and the expected collectibility of each account.

5. PREPAID EXPENSES

Prepaid expenses represent unsold instant ticket inventory held by the Louisiana Lottery Corporation and its licensed retailers, insurance paid for coverage after the fiscal year-end, and prepayments for postage, advertising, maintenance agreements, and other expenses. Ticket inventories are valued at cost and are expensed over the life of each game as they are sold to the public. Unused and returned tickets are written off at the end of each game.

In addition, the unamortized portion of a one-time lump sum payment for the use of an instant ticket accounting and administrative computer system for eight years beginning July 1, 2002, is included in prepaid expenses. The total fee of \$2,375,000 was paid to the system vendor in July 2002 upon the successful implementation of all required hardware and software. An annual amortization of \$296,875 is included as a direct cost in lottery system vendor fees on Statement B.

The balances of prepaid expenses are as follows:

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

	As of <u>June 30, 2004</u>	As of <u>June 30, 2003</u>
Current prepaid expenses:		
Ticket inventory	\$935,165	\$548,822
Insurance	154,648	91,302
Lottery system vendor fees	296,875	296,875
Miscellaneous	<u>235,258</u>	<u>326,105</u>
Total	<u>\$1,621,946</u>	<u>\$1,263,104</u>
Noncurrent prepaid expenses:		
Lottery system vendor fees	\$1,484,375	\$1,781,250
Miscellaneous	<u>26,400</u>	<u></u>
Total	<u>\$1,510,775</u>	<u>\$1,781,250</u>

6. CAPITAL ASSETS

Capital assets of the Corporation are included on the statement of net assets at historical cost. Depreciable capital assets are shown net of accumulated depreciation. Depreciation of capital assets is charged as an operating expense. Depreciation for financial reporting purposes is computed by the straight-line method over the estimated useful lives of the assets. As assets are retired or sold, the cost and related accumulated depreciation are removed from the appropriate property and equipment accounts. The resulting gain or loss on disposal is reflected in nonoperating revenues and expenses. A summary of changes in capital assets follows:

	<u>June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2004</u>
Land	<u>\$1,542,415</u>	<u>NONE</u>	<u>NONE</u>	<u>\$1,542,415</u>
Depreciable Capital Assets:				
Land improvements	\$2,490			\$2,490
Buildings	3,849,715			3,849,715
Building improvements	9,667			9,667
Leasehold improvements	151,713	\$7,968		159,681
Furniture and fixtures	561,684		(\$4,892)	556,792
Equipment	1,227,390	26,156	(53,416)	1,200,130
Data processing software and equipment	4,366,888	130,447	(2,910,904)	1,586,431
Communications	404,303		(53,844)	350,459
Automobiles	<u>1,033,154</u>	<u>159,834</u>	<u>(169,276)</u>	<u>1,023,712</u>
Total	<u>11,607,004</u>	<u>324,405</u>	<u>(3,192,332)</u>	<u>8,739,077</u>
Less - accumulated depreciation:				
Land improvements	(187)	(249)		(436)
Buildings	(136,939)	(99,739)		(236,678)
Building improvements	(553)	(644)		(1,197)
Leasehold improvements	(114,260)	(20,891)		(135,151)
Furniture and fixtures	(165,700)	(101,515)	4,892	(262,323)
Equipment	(962,092)	(78,459)	53,416	(987,135)
Data processing software and equipment	(4,197,491)	(124,907)	2,910,904	(1,411,494)
Communications	(386,840)	(8,792)	53,844	(341,788)
Automobiles	<u>(730,969)</u>	<u>(202,919)</u>	<u>169,276</u>	<u>(764,612)</u>
Total accumulated depreciation	<u>(6,695,031)</u>	<u>(638,115)</u>	<u>3,192,332</u>	<u>(4,140,814)</u>
Net Depreciable Capital Assets	<u>\$4,911,973</u>	<u>(\$313,710)</u>	<u>NONE</u>	<u>\$4,598,263</u>

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

	<u>June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2003</u>
Land	<u>\$1,542,415</u>	<u>NONE</u>	<u>NONE</u>	<u>\$1,542,415</u>
Depreciable Capital Assets:				
Land improvements		\$2,490		\$2,490
Buildings	\$3,829,447	20,268		3,849,715
Building improvements		9,667		9,667
Leasehold improvements	767,861	2,468	(\$618,616)	151,713
Furniture and fixtures	857,258	53,167	(348,741)	561,684
Equipment	1,193,499	38,529	(4,638)	1,227,390
Data processing software and equipment	4,360,405	57,370	(50,887)	4,366,888
Communications	398,303	6,000		404,303
Automobiles	1,145,626	84,114	(196,586)	1,033,154
Total	<u>12,552,399</u>	<u>274,073</u>	<u>(1,219,468)</u>	<u>11,607,004</u>
Less - accumulated depreciation:				
Land improvements		(187)		(187)
Buildings	(37,378)	(99,561)		(136,939)
Building improvements		(553)		(553)
Leasehold improvements	(704,104)	(27,834)	617,678	(114,260)
Furniture and fixtures	(415,153)	(98,704)	348,157	(165,700)
Equipment	(886,192)	(80,538)	4,638	(962,092)
Data processing software and equipment	(4,085,341)	(163,037)	50,887	(4,197,491)
Communications	(360,369)	(26,471)		(386,840)
Automobiles	(672,897)	(253,703)	195,631	(730,969)
Total accumulated depreciation	<u>(7,161,434)</u>	<u>(750,588)</u>	<u>1,216,991</u>	<u>(6,695,031)</u>
Net Depreciable Capital Assets	<u>\$5,390,965</u>	<u>(\$476,515)</u>	<u>(\$2,477)</u>	<u>\$4,911,973</u>

The estimated useful lives used in determining depreciation for the various types of assets are as follows:

Land improvements	10 years
Buildings	30 to 40 years
Building improvements	15 years
Automobiles	36 months
Data processing equipment	60 months
Data processing equipment	36 months from January 1, 1998
Data processing software	36 months
Equipment	60 months to 120 months
Furniture and fixtures	60 months
Leasehold improvements	36 months
Communications	36 months

7. MULTI-STATE LOTTERY ASSOCIATION

The Multi-State Lottery Association (MUSL) is an unincorporated government-benefit voluntary association created for the purpose of administering joint lottery games. MUSL currently includes 27 state lottery entities, the District of Columbia, and the Virgin Islands. This association offers the Powerball on-line game, several other on-line games, and a game show funded from sales of Powerball instant tickets in participating states. The chief executive officer of each member lottery serves on the MUSL board of directors.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

During the fiscal year, the Louisiana Lottery Corporation participated in the MUSL Powerball on-line game and the Powerball instant ticket game show. As a member of MUSL, the Corporation is required to contribute to various prize reserve funds maintained by MUSL. The prize reserve funds serve as a contingency reserve to protect MUSL from unforeseen prize liabilities. All funds remitted, and the related interest earnings, will be returned to the Corporation upon leaving MUSL, less any portion of unanticipated prize claims, which may have been paid from the fund.

The Corporation has contributed all required reserve funds. As of June 30, 2004, and June 30, 2003, the Corporation had deposits with MUSL of \$7,322,222 and \$7,417,646, respectively, representing the Corporation's deposits of reserve funds and the deposit for the Corporation's share of related interest earnings on these funds.

A copy of the MUSL financial statements may be obtained by submitting a written request to MUSL, 4400 N.W. Urbandale Drive, Urbandale, Iowa 50322.

8. PRIZES PAYABLE

Prizes for the on-line games are redeemable for 180 days after a drawing. Prizes for instant games are redeemable for 90 days after the announced end of the game. All prizes not claimed by the applicable deadline are classified as unclaimed and added to the pool from which future prizes are to be awarded or used for special prize promotions pursuant to R.S. 47:9025(D).

Lotto grand prizes of \$1 million or more and grand prizes of two instant ticket games are payable in 20 annual installments. The first installment is paid on the day the prize is claimed. The 19 subsequent equal annual payments are funded with U.S. Treasury zero coupon bonds purchased by the Louisiana Lottery Corporation.

On March 23, 1995, the Lotto Game Play Directive was amended to state that Lotto grand prizes shall be paid in a single lump-sum payment. The first Lotto drawing with a grand prize winner under this new directive was on July 29, 1995.

The Corporation also has Powerball grand prize winner installment obligations. The MUSL purchased U.S. Treasury zero coupon bonds to fund the grand prizes that are payable over 20 years. As the bonds mature, the funds are transferred to the Corporation for the annual prize payments to the winners.

The liabilities for the grand prize installments are recorded at the fair value of the investments purchased to fund these obligations. All income generated from these bonds, including changes in fair value, accrues as a liability to the prize winners.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

	<u>As of</u> <u>June 30, 2004</u>	<u>As of</u> <u>June 30, 2003</u>
Current Prizes and Withholdings Payable:		
Annual grand prize payments (face value)	\$15,627,000	\$15,627,000
Less imputed interest	<u>(373,987)</u>	<u>(382,037)</u>
Net present value of annual grand prize payments	15,253,013	15,244,963
Adjustment to current fair value	<u>245,170</u>	<u>303,471</u>
Fair value of prize annuities	15,498,183	15,548,434
Instant prizes payable	6,190,616	5,434,298
On-line prizes payable	9,542,903	8,846,531
Unclaimed prizes payable	1,324,949	1,866,786
Due to MUSL prize pool	1,219,733	2,085,876
Tax withholdings payable	<u>72,656</u>	<u>137,055</u>
Total Current Prizes and Withholdings Payable	<u><u>\$33,849,040</u></u>	<u><u>\$33,918,980</u></u>
Noncurrent Prizes Payable:		
Annual grand prize payments (face value)	\$130,738,000	\$146,365,000
Less imputed interest	<u>(29,176,488)</u>	<u>(35,961,194)</u>
Net present value of long-term annual grand prize payments	101,561,512	110,403,806
Adjustment to current fair value	<u>3,993,590</u>	<u>12,831,352</u>
Fair value of prize annuities	105,555,102	123,235,158
MUSL prize reserve payable	5,738,116	5,769,728
Unclaimed prizes payable	<u>7,039,330</u>	<u>7,880,003</u>
Total Noncurrent Prizes Payable	<u><u>\$118,332,548</u></u>	<u><u>\$136,884,889</u></u>

9. VACATION AND SICK LEAVE

Corporation employees earn vacation leave at various rates depending on the employee's position and the number of years of service. All employees must complete six months of service, measured from the date of hire, before they are eligible to use accrued vacation or receive termination payment for unused vacation. Vacation leave may neither be carried forward into the next year nor shall the employee receive additional pay for unused vacation at year-end. Upon termination, employees will be paid in full for unused eligible and current year's accrued vacation leave. Employees earn sick leave at the rate of eight days per year after the completion of six months of continuous employment. Sick leave may be carried forward to the next year and accumulated to a maximum of 20 days. Employees are not paid for accrued sick leave upon termination. At June 30, 2004, and June 30, 2003, the total value of compensated absences payable are \$310,190 and \$294,024 respectively.

10. RETIREMENT BENEFITS

A. AUTHORIZATION AND BASIS OF ACCOUNTING

R.S. 47:9015(A) states that the Corporation shall provide or arrange for a retirement plan. The retirement plans described below have been established pursuant to this statute. The plans' provisions and contribution requirements are established and amended by the Board of Directors of the Corporation. A financial and compliance audit has been performed on all the Corporation's retirement plans described below for the plans' year ending December 31, 2003. A copy of the audit reports may be obtained by submitting a written request to the Louisiana Lottery Corporation, 555 Laurel Street, Baton Rouge, Louisiana 70801.

Administrative and investment services were provided by Pan American Life Insurance Company through November 3, 2003. On November 4, 2003, Principal Life Insurance Company assumed these services for the plans.

The financial statements of the Corporation's plans are accounted for using the accrual basis of accounting. Investments are reported at fair value, which is based on deposit values and quoted market prices.

B. BASIC AND SUPPLEMENTAL RETIREMENT PLANS

1. 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.

LOUISIANA LOTTERY CORPORATION
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.

2. 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.

As of June 30, 2004, there were 166 participants in the Basic Plan and 137 participants in the Supplemental Plan.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

For the fiscal year ended June 30, 2004, employer and employee contributions to the Basic Plan were \$253,796 and \$311,649, respectively. The employer contributions for the Supplemental Plan were \$312,258.

C. OPTIONAL SAVINGS PLAN
(DEFERRED COMPENSATION 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 Internal Revenue Service (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. Any forfeiture of nonvested amounts is reallocated to the matching accounts of all the remaining participants.

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 June 30, 2004, there were 129 participants in the Optional Savings Plan.

For the fiscal year ended June 30, 2004, employer and employee contributions were \$109,608 and \$232,085, respectively.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

11. LITIGATION

The Corporation has been named in three lawsuits. The Corporation's legal counsel does not anticipate a potential loss to the Corporation resulting from these lawsuits.

12. RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts, theft of, damage to and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation has purchased commercial insurance to cover these risks. In addition, management has established a litigation and prize reserve of \$6,200,000 within the Corporation's net assets to cover unanticipated losses (see note 14). The amount of commercial coverage has not decreased nor has the amount of settlements exceeded coverage in any of the past three fiscal years.

13. LEASE AND RENTAL COMMITMENTS

The Corporation has noncancelable operating leases with the following annual rental payments for the next six years:

	<u>Equipment</u>	<u>Facilities</u>	<u>Total</u>
2004-2005	\$91,364	\$150,529	\$241,893
2005-2006	98,844	117,327	216,171
2006-2007	98,844	57,171	156,015
2007-2008	90,517	47,394	137,911
2008-2009	89,760		89,760
2009-2010	7,480		7,480
Total	<u>\$476,809</u>	<u>\$372,421</u>	<u>\$849,230</u>

The total operating lease payments for the years ended June 30, 2004, and June 30, 2003, were \$249,327 and \$252,715, respectively.

The Corporation has no capital leases at June 30, 2004.

14. NET ASSETS

The Corporation has unrestricted net assets at June 30, 2004, of \$19,169,490. As presented in the 2004-2005 fiscal year budget approved by the Joint Legislative Committee on the Budget on April 16, 2004, management has specified that net assets of June 30, 2004, be used for the following purposes:

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

Specified Uses of Net Assets	
Capital asset replacement reserve	\$5,900,000
Instant ticket accounting and administrative computer system	1,781,250
New capital expenditure purchases - other	537,450
Instant ticket inventory	950,000
Litigation and prize reserve	6,200,000
Deposits	15,000
New game development, retailer incentives, and future expenditures	<u>2,500,000</u>
Total budgeted net assets	17,883,700
Plus - difference in budgeted net assets and actual	<u>1,285,790</u>
Total unrestricted net assets	<u><u>\$19,169,490</u></u>

15. PAYMENTS TO THE STATE TREASURY

The Corporation is required to transfer each year not less than 35% of gross revenues to the state treasury. In addition, the amount of gross revenues less costs that is determined to be surplus to the needs of the Corporation must be remitted to the state treasury.

16. BOARD OF DIRECTORS

The board of directors consists of nine members appointed by the governor and confirmed by the Senate. No member shall serve more than two consecutive four-year terms. The board of directors must meet at least bimonthly and at such other times as the chairperson or the president may determine.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
For the Year Ended June 30, 2004**

SCHEDULE OF PROFESSIONAL SERVICE FEES

Schedule 1 presents professional service fees for the years ended June 30, 2004, and June 30, 2003. This schedule is prepared in compliance with Senate Concurrent Resolution No. 35 of the 1974 Session of the Louisiana Legislature.

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

Schedule 2 presents the compensation paid board members for the years ended June 30, 2004, and June 30, 2003. Louisiana Revised Statute 47:9004(D) provides that appointed members of the board of directors shall be entitled to \$15,000 per year, except for the chairperson, who shall receive \$25,000 per year. This schedule is prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**

**Schedule of Professional Service Fees
For the Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)**

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Abbott & Hayne, Counselors-at-Law - legal counsel		\$1,721
Attorney General's Office, Department of Justice - legal counsel	\$88,875	88,875
Department of Revenue - retailer background investigations	1,379	10,213
Gaming Laboratories - automated drawing machine certification	3,540	6,596
Miscellaneous		1,028
Oberthur - marketing research	(25,000)	25,000
Office of Legislative Auditor - financial and compliance audit and observations of on-line drawings	116,761	108,261
Phelps Dunbar, Counselors-at-Law - legal counselors (1)	(33,266)	26,629
Progressive Security - internet audit		29,500
	<u> </u>	<u> </u>
Total	<u><u>\$152,289</u></u>	<u><u>\$297,823</u></u>

(1) Includes \$16,734 of current year expenses reduced by \$50,000 of insurance reimbursements for current and prior year expenses.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**

**Schedule of Compensation Paid Board Members
For the Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)**

	<u>EFFECTIVE DATE OF TERM</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
James David Cain, Jr.	January 1, 1995	\$10,000	\$15,000
Stewart Gentry, Chairman	June 24, 1994	25,000	25,000
Lyn Hayward	March 26, 1996	10,000	15,000
Oray P. Rogers	January 1, 1998	15,000	15,000
Patricia C. Mason	February 27, 1997	15,000	15,000
Carl W. Bauer	January 4, 1999	15,000	15,000
Wilbert D. Pryor	November 20, 1998	15,000	15,000
Linda Temple	January 8, 1999	15,000	15,000
Brandi Bollinger	July 28, 2000	15,000	15,000
Salvatore A. Caruso, Sr.	April 1, 2004	3,750	
Pamela Daniel	April 26, 2004	2,708	
		<u>2,708</u>	
Total		<u>\$141,458</u>	<u>\$145,000</u>

STATISTICAL SECTION

(UNAUDITED)

LOUISIANA LOTTERY STATISTICS

The Louisiana Lottery Corporation began operating in January 1991 and commenced ticket sales in September 1991. Data from the last ten fiscal years of lottery operations are presented in the following charts. The pie charts that illustrate the allocation of revenues include data from the inception of the Corporation through June 30, 2004.

The information presented in the charts is as follows:

Sales

Instant Tickets - represent the face value of tickets activated by retailers.
On-line - represents the face value of tickets sold to the public.

Revenue

Includes sales, interest income, increases in the fair value of investments, retailer license fees, miscellaneous revenue, and gains on disposal of assets.

Prizes

Represent the accrued expenses for instant tickets and on-line game winners based on established prize structures.

Retailer Compensation

Represents 5% base sales commission and incentive payments.

Direct Operating Expenses

Expenses which fluctuate with sales volume including commission paid to the on-line vendor, the cost of purchasing instant tickets, the cost of delivery to retailers, and on-line network communication costs.

General Operating Expenses

Include all other costs of operating the Lottery.

Payments

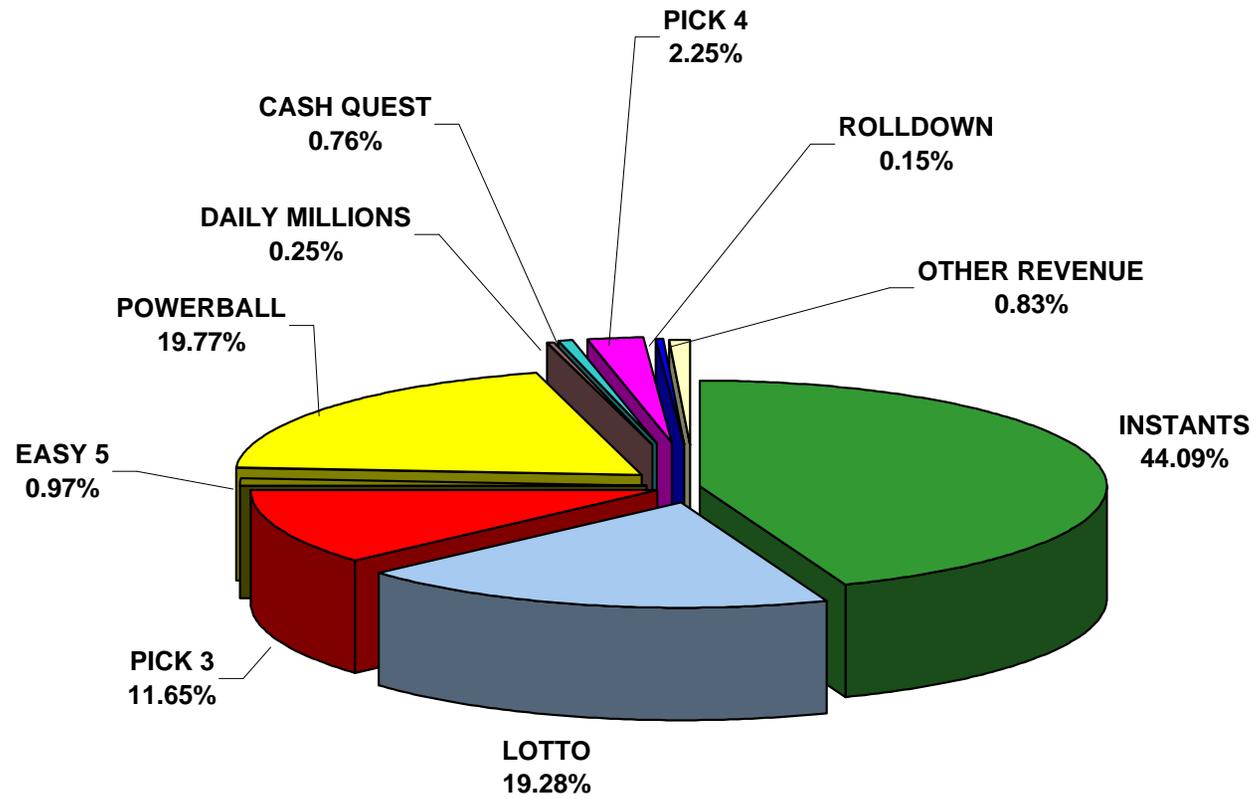
Represent the payment of net revenues to the State Treasury Lottery Proceeds Fund as required by Louisiana Lottery Law.

Unless otherwise noted, the source for the data contained in the following charts is the Accounting Department of the Louisiana Lottery Corporation.

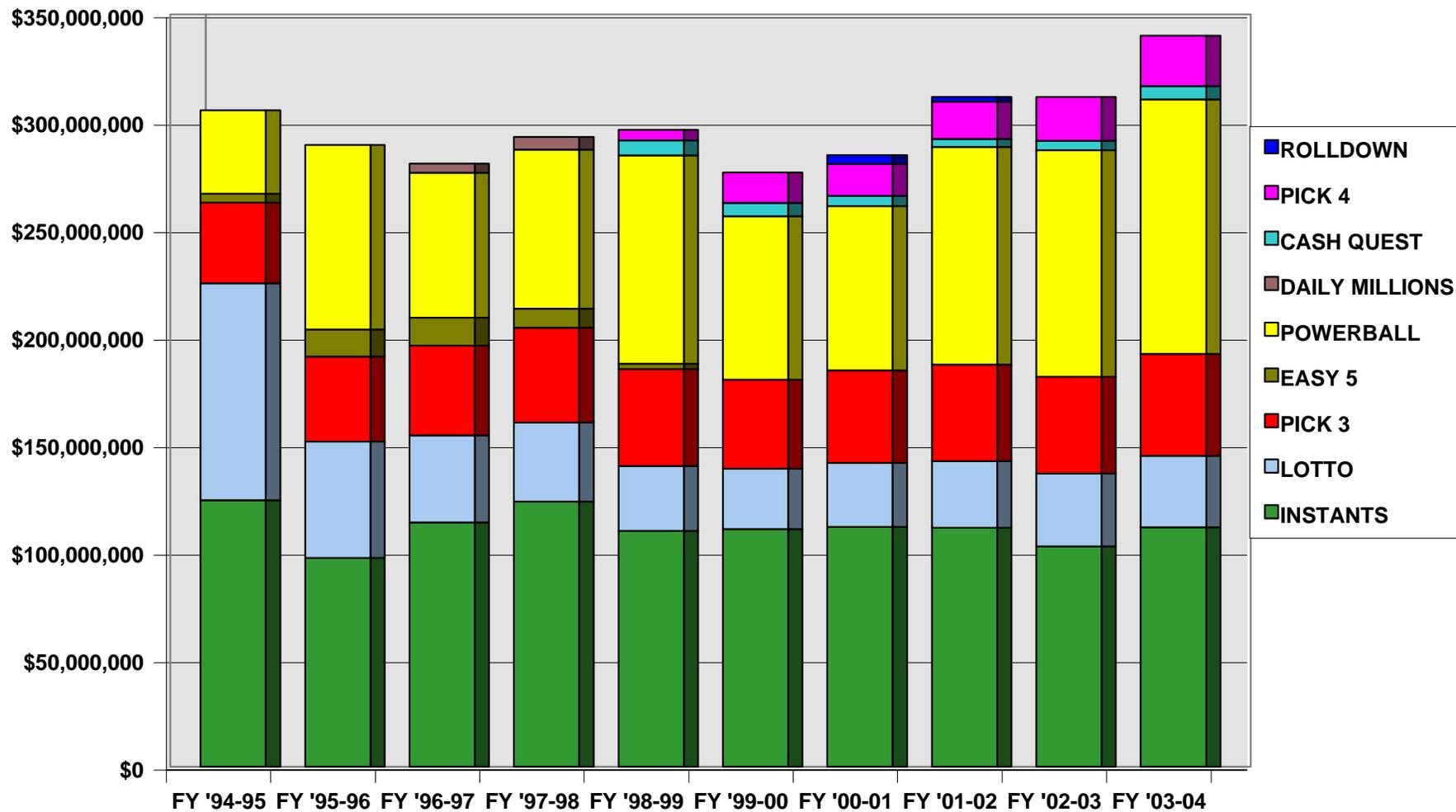
**LOUISIANA LOTTERY CORPORATION
REVENUE
(UNAUDITED)
FISCAL YEARS 1995 THROUGH 2004**

	<u>FY 1994-95</u>	<u>FY 1995-96</u>	<u>FY 1996-97</u>	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
SALES										
INSTANT TICKETS	\$124,092,199	\$97,132,942	\$113,626,649	\$123,273,680	\$109,663,765	\$110,565,624	\$111,610,821	\$111,272,825	\$102,548,975	\$111,430,717
ON-LINE:										
LOTTO	100,742,068	54,150,821	40,416,940	36,876,518	30,128,516	28,162,106	29,676,878	30,827,589	33,741,468	33,117,070
PICK 3	37,449,548	39,440,324	41,743,623	43,977,773	45,073,532	41,230,679	43,069,697	44,902,518	45,119,544	47,445,594
EASY 5	4,178,518	12,572,638	13,139,044	8,896,149	2,551,846	0	0	0	0	0
POWERBALL	38,791,478	85,926,297	67,288,303	73,907,516	96,785,043	75,913,752	76,391,929	101,111,768	105,256,703	118,284,225
DAILY MILLIONS	0	0	4,439,290	5,963,955	0	0	0	0	0	0
CASH QUEST	0	0	0	0	7,041,397	6,339,545	4,676,082	3,727,622	4,358,907	6,128,809
PICK 4	0	0	0	0	4,986,511	14,171,768	14,894,112	17,329,613	20,430,534	23,685,810
ROLLODOWN	0	0	0	0	0	0	4,149,373	2,449,910	0	0
TOTAL ON-LINE	<u>181,161,612</u>	<u>192,090,080</u>	<u>167,027,200</u>	<u>169,621,911</u>	<u>186,566,845</u>	<u>165,817,850</u>	<u>172,858,071</u>	<u>200,349,020</u>	<u>208,907,156</u>	<u>228,661,508</u>
TOTAL SALES	305,253,811	289,223,022	280,653,849	292,895,591	296,230,610	276,383,474	284,468,892	311,621,845	311,456,131	340,092,225
OTHER REVENUE										
INTEREST EARNED ON INVESTMENTS	3,145,779	3,468,537	3,114,069	3,210,947	3,113,666	3,425,513	3,408,868	2,261,711	1,706,209	1,524,103
NET INCREASE/(DECREASE) IN THE FAIR VALUE OF INVESTMENTS	0	0	27,217	174,129	(449,863)	(276,126)	654,715	418,422	498,679	(1,171,452)
RETAILER LICENSE FEES	41,925	34,475	33,125	34,075	29,600	12,495	12,025	12,500	12,350	12,900
MISCELLANEOUS REVENUE	17,495	23,490	12,430	16,372	63,780	68,894	23,939	4,382	96,219	87,359
GAIN ON DISPOSAL OF ASSETS	23,897	85,963	34,832	27,770	20,449	35,847	25,885	45,711	59,515	17,454
TOTAL OTHER REVENUE	<u>3,229,096</u>	<u>3,612,465</u>	<u>3,221,673</u>	<u>3,463,293</u>	<u>2,777,632</u>	<u>3,266,623</u>	<u>4,125,432</u>	<u>2,742,726</u>	<u>2,372,972</u>	<u>470,364</u>
TOTAL REVENUE	<u>\$308,482,907</u>	<u>\$292,835,487</u>	<u>\$283,875,522</u>	<u>\$296,358,884</u>	<u>\$299,008,242</u>	<u>\$279,650,097</u>	<u>\$288,594,324</u>	<u>\$314,364,571</u>	<u>\$313,829,103</u>	<u>\$340,562,589</u>

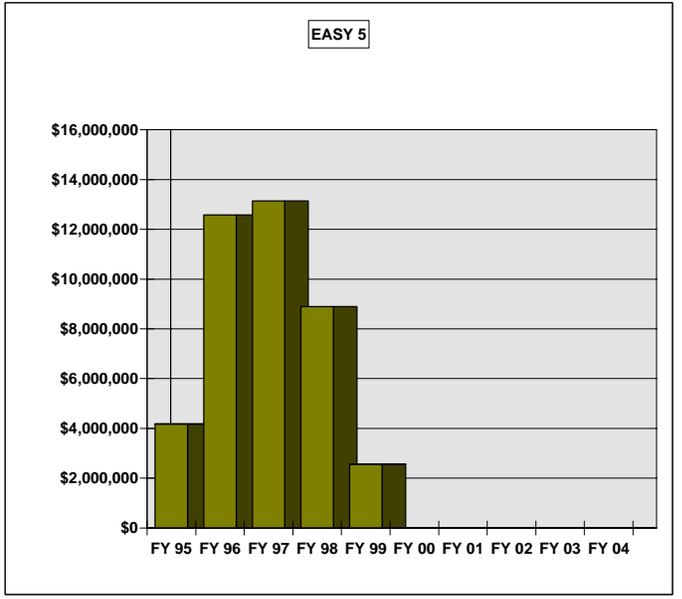
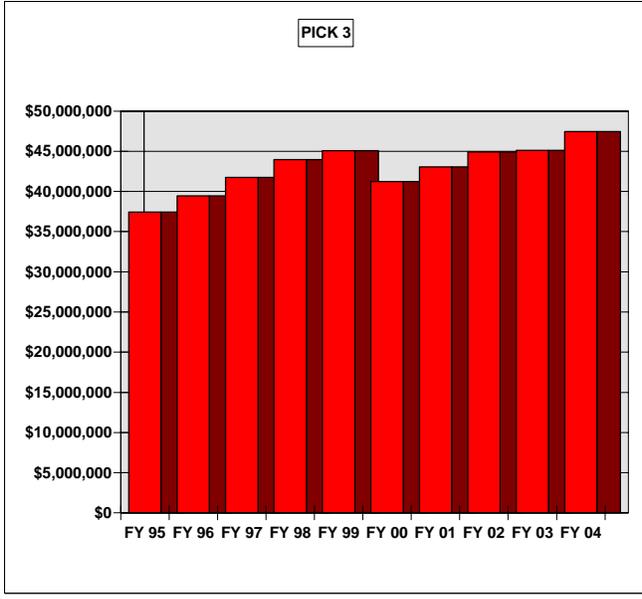
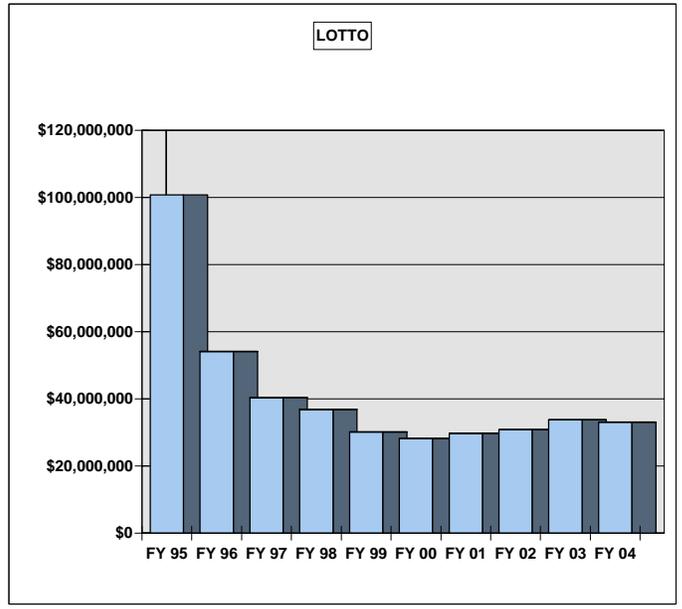
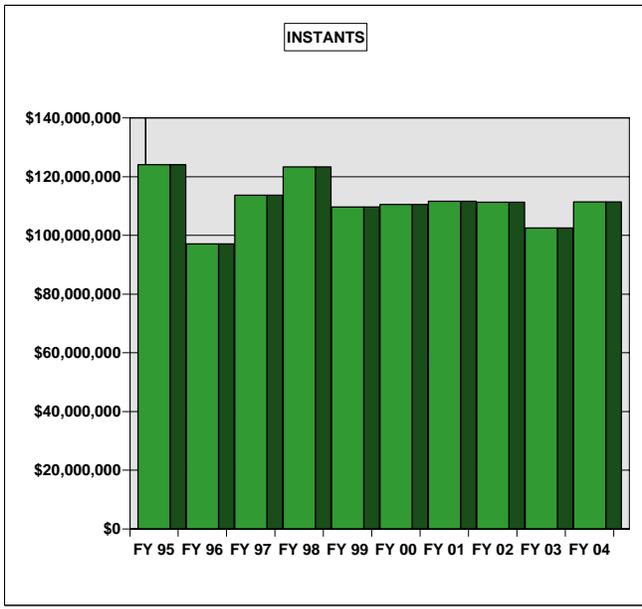
**LOUISIANA LOTTERY CORPORATION
INCEPTION-TO-DATE REVENUE DISTRIBUTION
(UNAUDITED)**



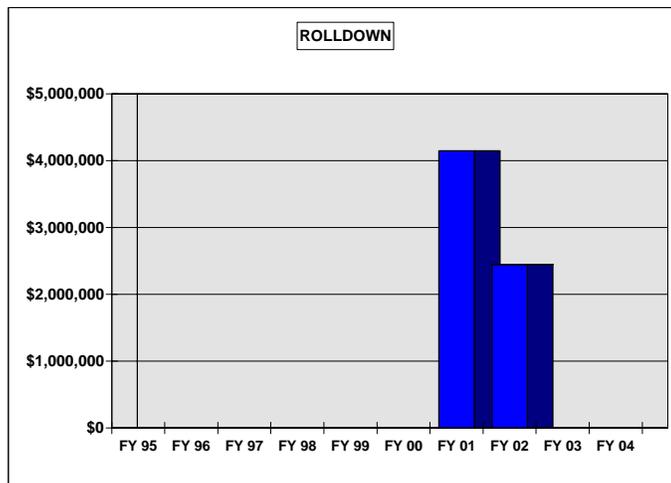
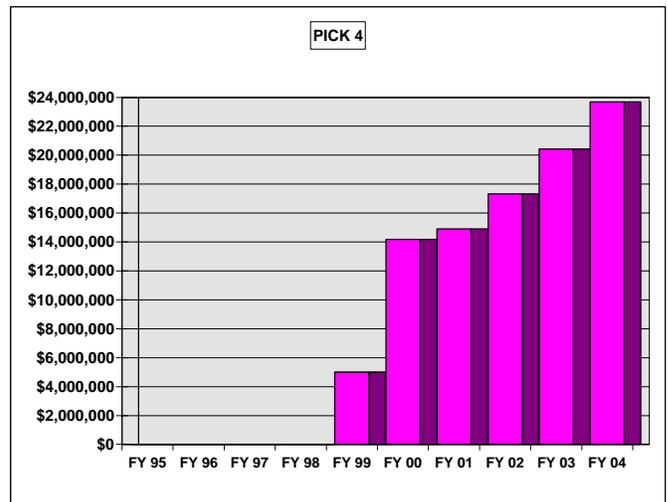
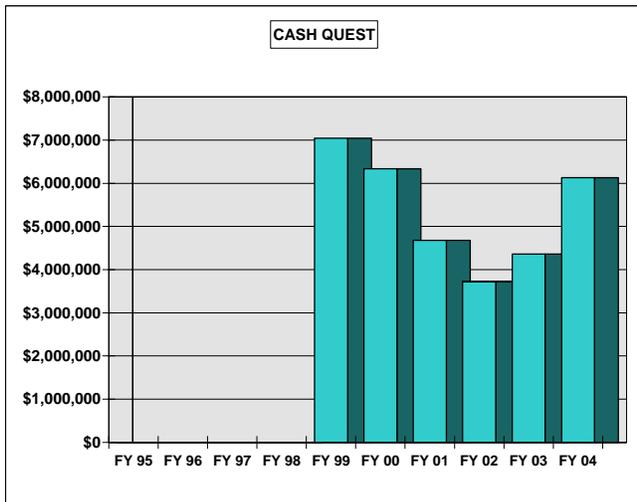
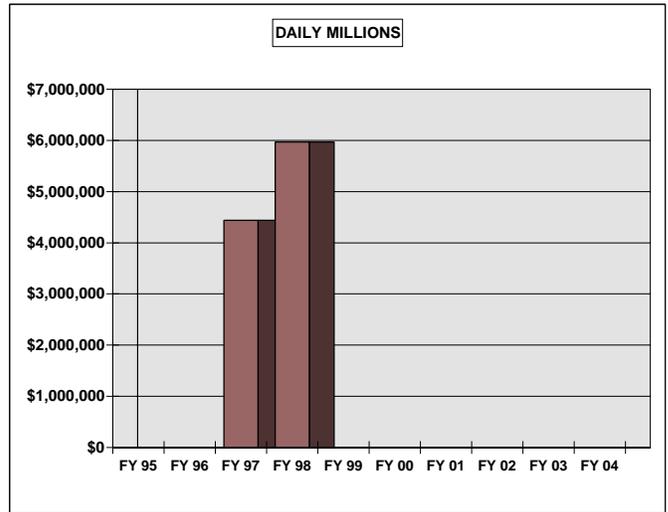
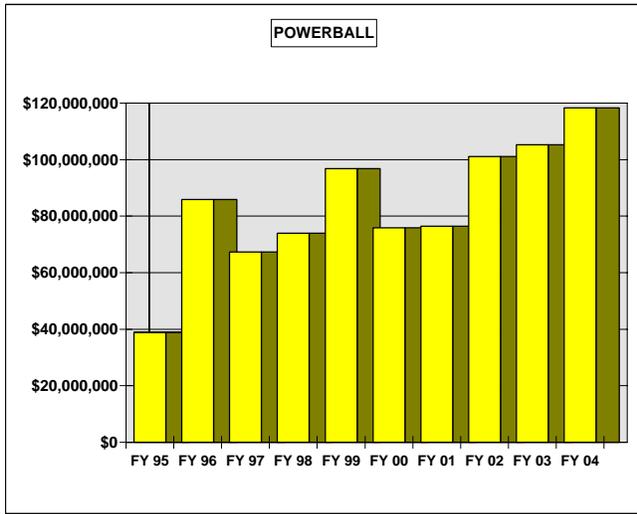
**LOUISIANA LOTTERY CORPORATION
SALES BY PRODUCT
(UNAUDITED)
FISCAL YEARS 1995 THROUGH 2004**



**LOUISIANA LOTTERY CORPORATION
SALES BY FISCAL YEAR BY PRODUCT LINE
(UNAUDITED)
FISCAL YEARS 1995 THROUGH 2004**



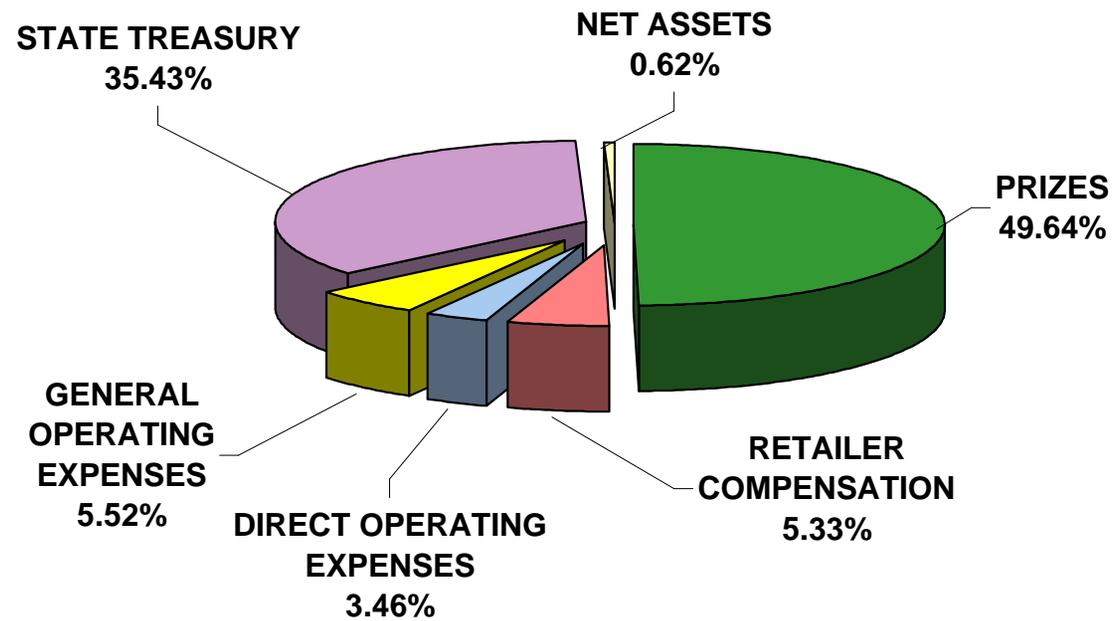
**LOUISIANA LOTTERY CORPORATION
SALES BY FISCAL YEAR BY PRODUCT LINE
(UNAUDITED)
FISCAL YEARS 1995 THROUGH 2004**



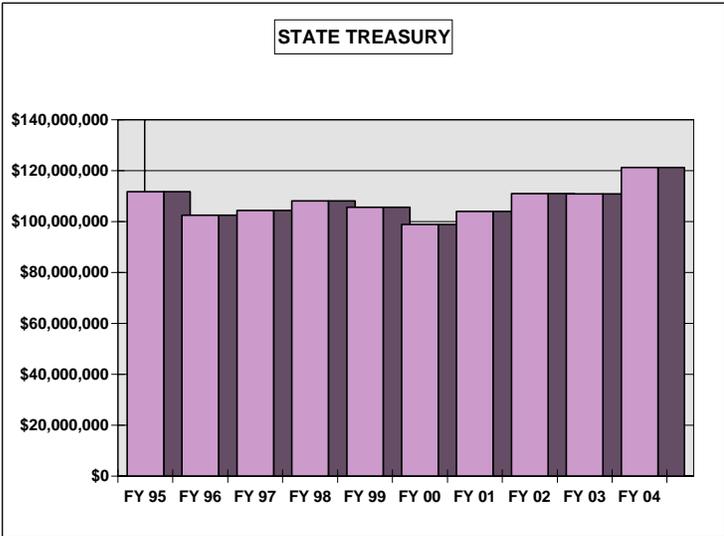
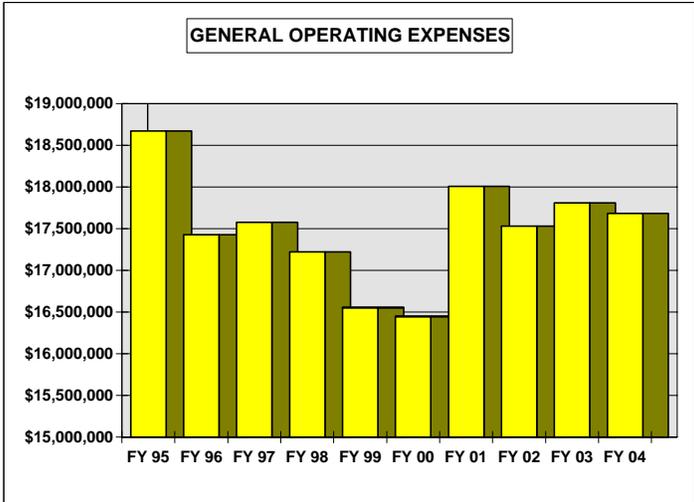
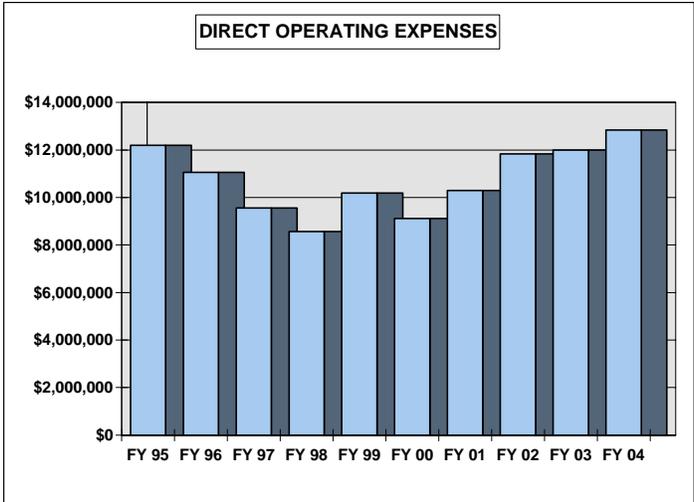
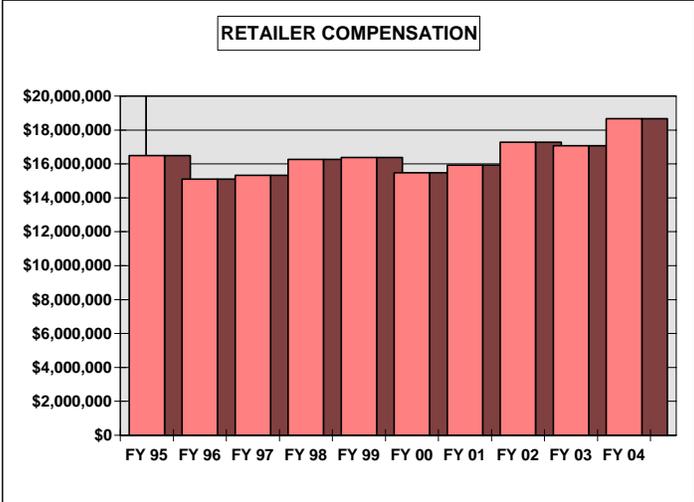
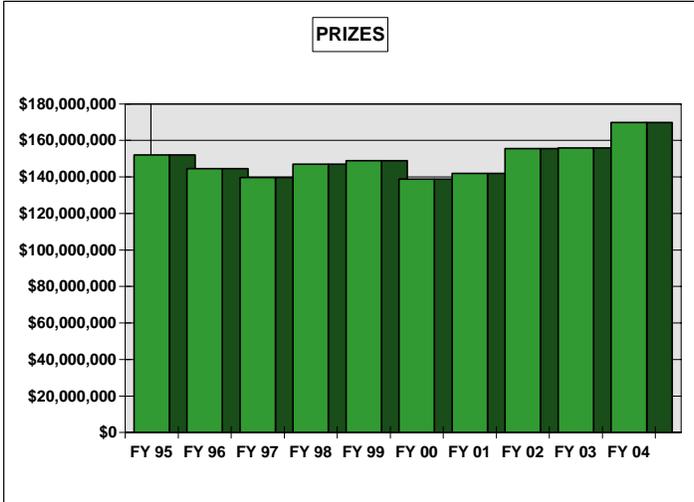
**LOUISIANA LOTTERY CORPORATION
EXPENSES AND PAYMENTS
(UNAUDITED)
FISCAL YEARS 1995 THROUGH 2004**

	<u>FY 1994-95</u>	<u>FY 1995-96</u>	<u>FY 1996-97</u>	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
EXPENSES										
PRIZES	\$152,025,516	\$144,589,840	\$139,773,269	\$147,071,812	\$148,940,656	\$138,747,688	\$142,025,272	\$155,559,230	\$155,908,816	\$169,776,455
RETAILER COMPENSATION	16,486,645	15,104,325	15,325,737	16,270,676	16,371,789	15,482,787	15,923,481	17,284,582	17,072,192	18,664,893
DIRECT OPERATING EXPENSES	12,192,815	11,061,649	9,560,285	8,569,499	10,189,939	9,120,072	10,294,618	11,839,126	11,992,751	12,842,890
GENERAL OPERATING EXPENSES	18,672,710	17,429,161	17,575,489	17,220,780	16,552,741	16,450,183	18,007,067	17,532,128	17,810,324	17,683,214
TOTAL EXPENSES	<u><u>\$199,377,686</u></u>	<u><u>\$188,184,975</u></u>	<u><u>\$182,234,780</u></u>	<u><u>\$189,132,767</u></u>	<u><u>\$192,055,125</u></u>	<u><u>\$179,800,730</u></u>	<u><u>\$186,250,438</u></u>	<u><u>\$202,215,066</u></u>	<u><u>\$202,784,083</u></u>	<u><u>\$218,967,452</u></u>
PAYMENTS										
STATE TREASURY	<u><u>\$111,770,000</u></u>	<u><u>\$102,492,420</u></u>	<u><u>\$104,346,906</u></u>	<u><u>\$108,038,552</u></u>	<u><u>\$105,655,165</u></u>	<u><u>\$98,877,708</u></u>	<u><u>\$104,008,334</u></u>	<u><u>\$111,029,075</u></u>	<u><u>\$110,840,420</u></u>	<u><u>\$121,196,935</u></u>

**LOUISIANA LOTTERY CORPORATION
INCEPTION-TO-DATE
EXPENSES AND PAYMENTS
AS A PERCENTAGE OF TOTAL REVENUE
(UNAUDITED)**



**LOUISIANA LOTTERY CORPORATION
EXPENSES AND PAYMENTS
(UNAUDITED)
FISCAL YEARS 1995 THROUGH 2004**



**LOUISIANA LOTTERY CORPORATION
PAYMENTS TO STATE TREASURY
(UNAUDITED)
INCEPTION-TO-DATE**

<u>DATE</u>	<u>AMOUNT</u>	<u>LOTTERY FISCAL YEAR TOTAL</u>	<u>CALENDAR YEAR TOTAL</u>
DECEMBER 1991	\$50,000,000		\$50,000,000
MARCH 1992	40,000,000		
JUNE 1992	25,000,000	\$115,000,000	
SEPTEMBER 1992	57,200,000		
DECEMBER 1992	44,300,000		166,500,000
MARCH 1993	45,900,000		
JUNE 1993	31,765,000	179,165,000	
SEPTEMBER 1993	32,266,000		
DECEMBER 1993	40,400,000		150,331,000
MARCH 1994	31,365,000		
JUNE 1994	27,995,000	132,026,000	
SEPTEMBER 1994	26,725,000		
DECEMBER 1994	24,500,000		110,585,000
MARCH 1995	25,810,000		
JUNE 1995	34,735,000	111,770,000	
JULY 1995	9,066,822		
AUGUST 1995	8,194,932		
SEPTEMBER 1995	8,507,793		
OCTOBER 1995	7,873,606		
NOVEMBER 1995	8,327,516		
DECEMBER 1995	8,500,000		111,015,669
JANUARY 1996	9,820,865		
FEBRUARY 1996	8,202,764		
MARCH 1996	9,315,166		
APRIL 1996	8,282,972		
MAY 1996	8,428,448		
JUNE 1996	7,971,536	102,492,420	
JULY 1996	8,176,487		
AUGUST 1996	7,890,198		
SEPTEMBER 1996	7,643,764		
OCTOBER 1996	8,385,386		
NOVEMBER 1996	7,773,727		
DECEMBER 1996	8,243,281		100,134,594
JANUARY 1997	8,181,070		
FEBRUARY 1997	8,026,686		
MARCH 1997	9,397,036		
APRIL 1997	8,594,425		
MAY 1997	8,675,328		
JUNE 1997	13,359,518	104,346,906	
JULY 1997	8,399,129		
AUGUST 1997	8,490,015		
SEPTEMBER 1997	7,522,120		
OCTOBER 1997	7,955,211		
NOVEMBER 1997	7,567,906		
DECEMBER 1997	9,211,519		105,379,963
JANUARY 1998	8,211,078		
FEBRUARY 1998	8,691,278		
MARCH 1998	8,834,355		
APRIL 1998	8,391,642		
MAY 1998	12,684,716		
JUNE 1998	12,079,583	108,038,552	

(continued on next page)

**LOUISIANA LOTTERY CORPORATION
PAYMENTS TO STATE TREASURY
(UNAUDITED)
INCEPTION-TO-DATE**

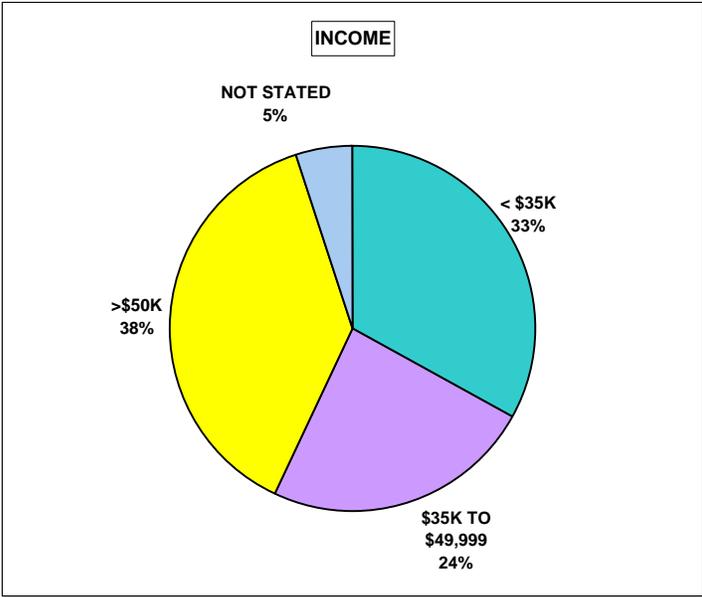
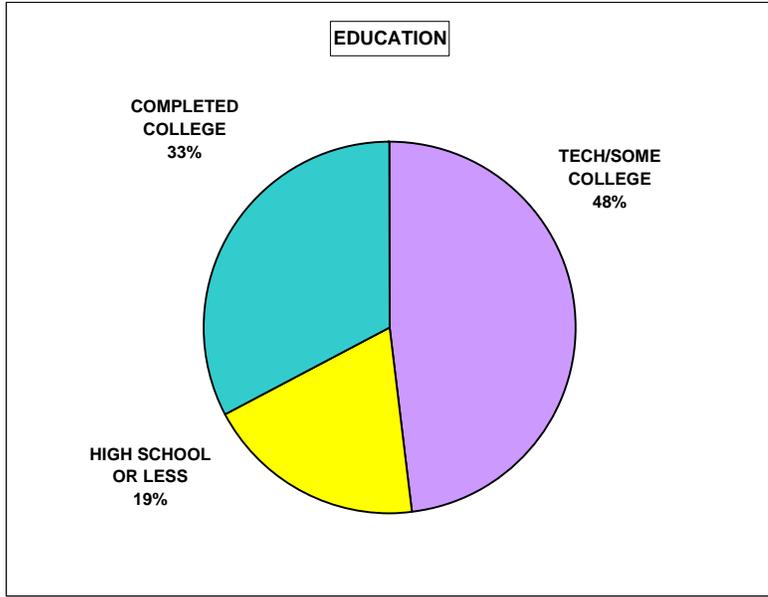
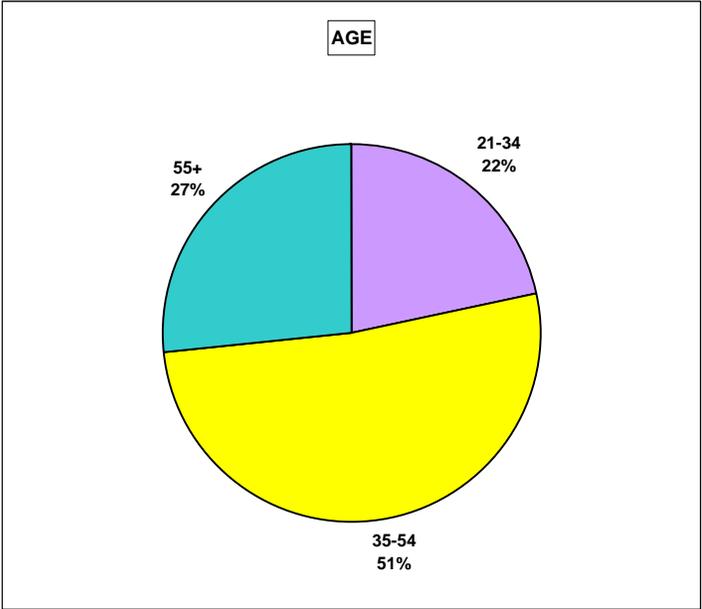
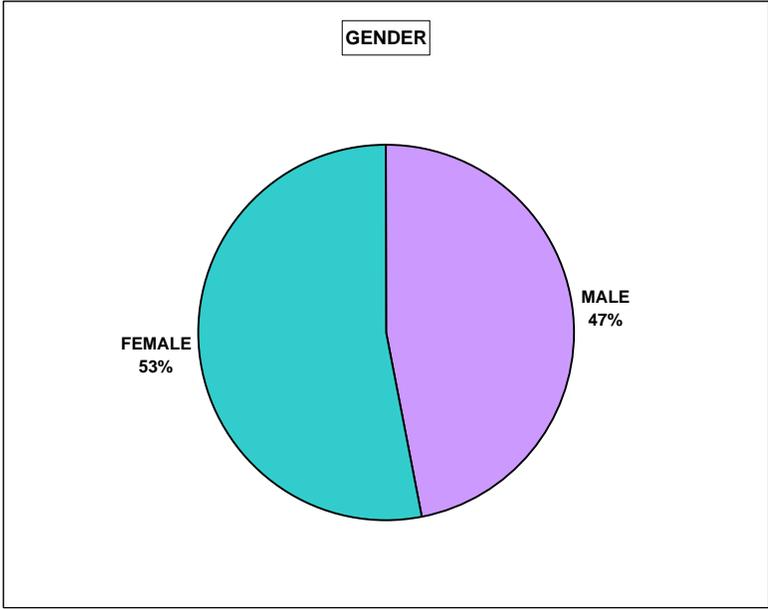
<u>DATE</u>	<u>AMOUNT</u>	<u>LOTTERY FISCAL YEAR TOTAL</u>	<u>CALENDAR YEAR TOTAL</u>
JULY 1998	\$15,552,958		
AUGUST 1998	8,358,134		
SEPTEMBER 1998	7,821,200		
OCTOBER 1998	8,067,540		
NOVEMBER 1998	7,277,057		
DECEMBER 1998	7,625,952		\$113,595,493
JANUARY 1999	8,214,518		
FEBRUARY 1999	7,334,683		
MARCH 1999	9,054,748		
APRIL 1999	7,636,327		
MAY 1999	7,403,142		
JUNE 1999	11,308,906	\$105,655,165	
JULY 1999	7,691,675		
AUGUST 1999	7,146,000		
SEPTEMBER 1999	7,500,825		
OCTOBER 1999	8,024,420		
NOVEMBER 1999	7,206,148		
DECEMBER 1999	7,706,120		96,227,512
JANUARY 2000	7,415,230		
FEBRUARY 2000	9,698,050		
MARCH 2000	10,341,900		
APRIL 2000	8,822,190		
MAY 2000	8,592,760		
JUNE 2000	8,732,390	98,877,708	
JULY 2000	8,159,960		
AUGUST 2000	7,738,605		
SEPTEMBER 2000	7,309,665		
OCTOBER 2000	7,432,725		
NOVEMBER 2000	10,276,870		
DECEMBER 2000	8,063,285		102,583,630
JANUARY 2001	7,942,029		
FEBRUARY 2001	9,919,540		
MARCH 2001	9,421,635		
APRIL 2001	8,636,860		
MAY 2001	8,414,910		
JUNE 2001	10,692,250	104,008,334	
JULY 2001	7,988,275		
AUGUST 2001	18,098,020		
SEPTEMBER 2001	8,149,090		
OCTOBER 2001	8,053,040		
NOVEMBER 2001	7,906,850		
DECEMBER 2001	7,756,615		112,979,114
JANUARY 2002	9,397,380		
FEBRUARY 2002	8,219,050		
MARCH 2002	8,556,150		
APRIL 2002	8,394,675		
MAY 2002	9,349,340		
JUNE 2002	9,160,590	111,029,075	
JULY 2002	7,969,575		
AUGUST 2002	8,296,930		
SEPTEMBER 2002	8,978,520		
OCTOBER 2002	8,373,320		
NOVEMBER 2002	7,781,000		
DECEMBER 2002	14,881,880		109,358,410
JANUARY 2003	9,367,485		
FEBRUARY 2003	8,683,630		
MARCH 2003	8,938,100		
APRIL 2003	8,184,390		
MAY 2003	8,600,225		
JUNE 2003	10,785,365	110,840,420	

(continued on next page)

**LOUISIANA LOTTERY CORPORATION
 PAYMENTS TO STATE TREASURY
 (UNAUDITED)
 INCEPTION-TO-DATE**

<u>DATE</u>	<u>AMOUNT</u>	<u>LOTTERY FISCAL YEAR TOTAL</u>	<u>CALENDAR YEAR TOTAL</u>
JULY 2003	\$11,785,350		
AUGUST 2003	10,099,360		
SEPTEMBER 2003	8,310,460		
OCTOBER 2003	10,643,240		
NOVEMBER 2003	8,592,455		
DECEMBER 2003	12,917,620		\$116,907,680
JANUARY 2004	9,796,600		
FEBRUARY 2004	9,610,030		
MARCH 2004	10,100,770		
APRIL 2004	9,231,775		
MAY 2004	9,773,075		
JUNE 2004	10,336,200	\$121,196,935	58,848,450
TOTAL INCEPTION-TO-DATE	<u>\$1,504,446,515</u>	<u>\$1,504,446,515</u>	<u>\$1,504,446,515</u>

**LOUISIANA LOTTERY CORPORATION
PARTICIPATION OF ALL PLAYERS BY DEMOGRAPHIC GROUPS
(UNAUDITED)**



Source: On-line Mini-Labs Report
Angus Reid Group, May 2000

U.S. LOTTERY STATISTICS (UNAUDITED)

The following tables:

- U.S. Lotteries' Fiscal 2003 Sales By Game
- Fiscal 2003 U.S. Lottery Sales, Profit & Expense Analysis

(Source: **La Fleur's 2004 World Lottery Almanac**)

Copyright 2004,
TLF Publications, Inc.
14424 Chrisman Hill Drive
Boyd's, MD 20841
U.S.A.

U.S. lotteries' fiscal 2003 sales by game*

(in \$Millions)		Online Games										Total Sales	PC Sales	VLT (net)	Prizes ¹	Gov't Transfer
Lottery	Pop. (M)	Instant	Pulltab	3-digit	4-digit	Lotto	Cash Lotto	Bloc Lotto	Hot Lotto	Keno	Other					
Arizona	5.6	159.24		6.63		34.35	9.73	112.33				322.27	\$58		177.22	92.45
California	35.5	1,211.72		112.84		1,110.68	153.93			180.16	12.23	2,781.56	\$78		1,451.80	977.00
Colorado	4.6	254.26				48.27	13.25	75.70				391.47	\$86		226.92	104.78
Connecticut	3.5	530.69		109.18	72.63	36.68	41.15	74.96				865.29	\$248		523.90	256.81
Delaware ^{1, 2}	0.8	22.34		26.89	15.71		12.30	25.17				102.40	\$125	525.66	52.75	271.82
D.C.	0.6	36.90		70.27	71.89		9.06	44.36		3.79	1.62	237.89	\$422		123.56	72.05
Florida	17.0	1,073.86		330.00	182.72	925.47	260.00				95.93	2,867.98	\$169		1,555.85	1,035.18
Georgia	8.7	1,333.59		626.27	138.76	73.86	69.63	146.20		56.74	6.75	2,451.81	\$282		1,389.22	767.18
Idaho	1.4	61.05	1.25	1.26		3.08		31.52				98.17	\$72		56.59	18.00
Illinois	12.7	677.26		311.28	164.78	120.89	78.10	199.75			12.90	1,564.95	\$124		885.17	539.83
Indiana	6.2	386.17	19.33	31.27	30.72	59.09	8.67	127.62			1.54	664.42	\$107		396.24	178.89
Iowa	2.9	84.94	28.37	6.01			4.44	57.56	5.97		0.54	187.83	\$64		104.20	47.97
Kansas	2.7	79.42	4.81	5.60			19.20	52.75		38.97	2.19	202.94	\$75		107.66	62.50
Kentucky	4.1	319.95	31.48	125.25	32.37	24.50	20.53	114.63			4.78	673.49	\$164		402.16	180.73
Louisiana	4.5	102.55		45.12	20.43	33.74	4.36	105.26				311.46	\$69		155.91	110.84
Maine	1.3	124.93		5.95	4.64		3.81	25.30				164.63	\$126		98.13	40.25
Maryland	5.5	316.66		296.70	203.68	34.18	24.45	69.15		377.42		1,322.24	\$240		743.42	444.90
Massachusetts	6.4	2,885.05	2.57		371.65	87.97	45.92	91.51		706.49		4,191.14	\$651		3,008.40	889.49
Michigan	10.1	682.70		418.59	293.09	79.29	33.75	147.53		13.47	13.13	1,681.55	\$167		899.65	586.05
Minnesota	5.1	210.90		14.10			15.80	101.90	9.00			351.70	\$70		205.05	79.40
Missouri	5.7	393.98	25.04	53.57	16.16	28.74	22.67	125.32		42.57		708.05	\$124		434.56	203.47
Montana	0.9	10.13				2.39	3.96	15.98	2.22			34.68	\$38		17.56	7.45
Nebraska	1.7	40.45				2.47	8.53	29.47				80.92	\$47		42.98	20.23
N. Hampshire	1.3	150.94		11.01		10.98	2.95	43.06	2.26			221.20	\$172		130.00	66.57
New Jersey	8.6	901.19		467.61	266.09	127.17	68.25	229.27			15.94	2,075.50	\$240		1,171.46	765.40
New Mexico	1.9	80.25		1.92			7.37	47.48				137.01	\$73		73.95	33.09
New York	19.2	2,388.73		754.22	579.33	392.05	381.28	373.44		510.45	16.47	5,395.96	\$281		3,061.74	1,780.36
Ohio	11.4	1,089.11		401.83	154.23	160.72	68.88	176.21			27.27	2,078.25	\$182		1,208.19	641.35
Oregon ^{1, 2}	3.6	133.10	3.29		1.59	44.52		45.11		111.34	15.85	354.80	\$100	498.71	234.66	359.39
Pennsylvania	12.4	796.60		475.91	256.80	87.49	223.90	292.28				2,132.98	\$172		1,124.60	796.54
R. Island ^{1, 2}	1.1	75.79		29.65			3.68	44.29		85.59		238.99	\$222	314.76	139.78	249.04
S. Carolina	4.1	426.31		99.08	19.49		25.58	153.85				724.31	\$175		415.72	220.06
S. Dakota ^{1, 2}	0.8	13.28				1.31	1.77	11.40	0.88			28.64	\$37	212.24	15.84	112.06
Texas	22.1	2,129.80		261.15		526.32	141.02				72.40	3,130.69	\$142		1,845.20	949.09
Vermont	0.6	67.04		1.53	1.28		1.78	7.78				79.40	\$128		51.40	16.22
Virginia	7.4	543.45		240.42	146.85	71.61	28.43	104.96				1,135.73	\$154		638.18	375.20
Washington	6.1	241.89		18.19		104.97	26.33	45.88		7.28	15.82	460.36	\$75		297.98	98.52
W. Virginia ^{1, 2}	1.8	105.40		9.93	4.72		6.24	51.07	2.81	11.92		192.09	\$106	889.82	114.65	411.04
Wisconsin	5.5	245.16	4.31	24.63	9.65	30.57	28.73	89.05			2.96	435.05	\$80		248.52	129.56
Total	255.3	20,386.76	120.46	5,393.85	3,059.26	4,263.34	1,879.41	3,489.08	23.14	2,146.20	318.30	41,079.8	\$161	2,441.20	23,830.8	13,990.8
% of total		49.6%	0.3%	13.1%	7.4%	10.4%	4.6%	8.5%	0.1%	5.2%	0.8%	100.0%				

¹ Prizes do not include VLT prizes paid; ² Denotes VLT net machine income

* Fiscal year ends June 30 for all U.S. states, except New York (March 31), Texas (August 31), D.C. and Michigan (Sept. 30)

G:\MsExcel\GFOA\2004\FY03_us.xls

Fiscal 2003 U.S. Lottery Sales, Profit & Expense Analysis*

Lottery	Pop. ¹ (Mil)	Census 2003 Statewide Personal Income ²	(Millions of dollars)							PC Sales	PC Net Income	Total Revenue as % of Personal Income	Net Income as % of Personal Income	Prizes as % of Total Rev.	Exp. as % of Total Rev.	Net Income as % of Total Rev.
			Ticket Sales	Other Income	Total Revenue	Prizes	Agent Comm.	Expense	Net Income							
Arizona	5.6	150,546	322.27	0.69	322.96	177.22	21.43	31.29	93.02	\$58	\$17	0.215%	0.062%	54.9%	9.7%	28.8%
California	35.5	1,204,509	2,781.56	154.46	2,936.02	1,451.80	189.81	172.53	1,121.87	\$78	\$32	0.244%	0.093%	49.4%	5.9%	38.2%
Colorado	4.6	152,992	391.47	2.26	393.74	226.92	29.53	32.29	105.00	\$86	\$23	0.257%	0.069%	57.6%	8.2%	26.7%
Connecticut	3.5	152,249	865.29	2.22	867.51	523.90	48.36	38.19	257.06	\$248	\$74	0.570%	0.169%	60.4%	4.4%	29.6%
Delaware ³	0.8	27,278	102.40		102.40	52.75	5.98	12.44	31.24	\$125	\$38	0.375%	0.115%	51.5%	12.1%	30.5%
D.C.	0.6	25,445	237.89	0.42	238.31	123.56	14.69	27.93	72.13	\$422	\$128	0.937%	0.283%	51.8%	11.7%	30.3%
Florida	17.0	517,516	2,867.98	134.08	3,002.06	1,555.85	160.85	131.87	1,153.49	\$169	\$68	0.580%	0.223%	51.8%	4.4%	38.4%
Georgia	8.7	256,823	2,451.81	22.41	2,474.21	1,389.22	172.86	144.95	767.18	\$282	\$88	0.963%	0.299%	56.1%	5.9%	31.0%
Idaho	1.4	35,586	98.17	0.10	98.27	56.59	5.73	13.99	21.96	\$72	\$16	0.276%	0.062%	57.6%	14.2%	22.3%
Illinois	12.7	432,607	1,564.95	25.22	1,590.18	885.17	79.14	89.78	536.08	\$124	\$42	0.368%	0.124%	55.7%	5.6%	33.7%
Indiana	6.2	180,831	664.42	1.22	665.64	396.24	45.53	48.27	175.60	\$107	\$28	0.368%	0.097%	59.5%	7.3%	26.4%
Iowa	2.9	87,618	187.83	1.85	189.68	104.20	11.76	26.28	47.43	\$64	\$16	0.216%	0.054%	54.9%	13.9%	25.0%
Kansas	2.7	81,536	202.94	1.00	203.94	107.66	11.74	20.70	63.84	\$75	\$23	0.250%	0.078%	52.8%	10.2%	31.3%
Kentucky	4.1	109,511	673.49	18.15	691.63	402.16	41.52	49.72	198.24	\$164	\$48	0.632%	0.181%	58.1%	7.2%	28.7%
Louisiana	4.5	118,864	311.46	2.33	313.79	155.91	17.07	29.76	111.05	\$69	\$25	0.264%	0.093%	49.7%	9.5%	35.4%
Maine	1.3	37,606	164.63	2.13	166.76	98.13	11.78	16.60	40.25	\$126	\$31	0.443%	0.107%	58.8%	10.0%	24.1%
Maryland	5.5	205,031	1,322.24	-0.18	1,322.06	743.42	87.12	53.02	438.50	\$240	\$80	0.645%	0.214%	56.2%	4.0%	33.2%
Massachusetts	6.4	257,126	4,191.14	13.47	4,204.61	3,008.40	238.73	67.99	889.49	\$651	\$138	1.635%	0.346%	71.6%	1.6%	21.2%
Michigan	10.1	313,184	1,681.55	1.13	1,682.67	899.65	121.79	98.07	563.16	\$167	\$56	0.537%	0.180%	53.5%	5.8%	33.5%
Minnesota	5.1	177,732	351.82	1.47	353.29	205.05	22.19	46.65	79.40	\$70	\$16	0.199%	0.045%	58.0%	13.2%	22.5%
Missouri	5.7	170,108	708.05	23.49	731.54	434.56	44.45	43.27	209.25	\$124	\$37	0.430%	0.123%	59.4%	5.9%	28.6%
Montana	0.9	23,911	34.68	0.01	34.69	17.56	2.04	7.64	7.45	\$38	\$8	0.145%	0.031%	50.6%	22.0%	21.5%
Nebraska	1.7	54,373	80.92	0.51	81.42	42.98	4.68	13.80	19.97	\$47	\$11	0.150%	0.037%	52.8%	16.9%	24.5%
N. Hampshire	1.3	45,318	221.20	2.41	223.61	130.00	11.99	15.05	66.57	\$172	\$52	0.493%	0.147%	58.1%	6.7%	29.8%
New Jersey	8.6	352,001	2,075.50	39.56	2,115.06	1,171.46	114.82	74.80	753.98	\$240	\$87	0.601%	0.214%	55.4%	3.5%	35.6%
New Mexico	1.9	46,873	137.01	-3.46	133.56	73.95	9.42	17.10	33.09	\$73	\$18	0.285%	0.071%	55.4%	12.8%	24.8%
New York	19.2	707,533	5,395.96	123.45	5,519.40	3,061.74	324.89	222.13	1,910.64	\$281	\$100	0.780%	0.270%	55.5%	4.0%	34.6%
Ohio	11.4	346,219	2,078.25	75.74	2,154.00	1,208.19	137.03	100.82	707.95	\$182	\$62	0.622%	0.204%	56.1%	4.7%	32.9%
Oregon ³	3.6	104,332	354.80	0.39	355.19	234.66	31.20	28.72	60.60	\$100	\$17	0.340%	0.058%	66.1%	8.1%	17.1%
Pennsylvania	12.4	406,915	2,132.98	10.14	2,143.12	1,124.60	110.77	111.22	796.54	\$172	\$64	0.527%	0.196%	52.5%	5.2%	37.2%
R. Island ³	1.1	34,783	238.99	0.95	239.94	139.78	25.57	7.43	67.16	\$222	\$62	0.690%	0.193%	58.3%	3.1%	28.0%
S. Carolina	4.1	108,223	724.31	2.00	726.32	415.72	51.14	40.17	219.29	\$175	\$53	0.671%	0.203%	57.2%	5.5%	30.2%
S. Dakota ³	0.8	22,206	28.64	0.30	28.94	15.84	1.62	4.79	6.69	\$37	\$9	0.130%	0.030%	54.7%	16.5%	23.1%
Texas	22.1	642,870	3,130.69	0.85	3,131.54	1,845.20	156.55	161.90	967.89	\$142	\$44	0.487%	0.151%	58.9%	5.2%	30.9%
Vermont	0.6	18,994	79.40	0.48	79.88	51.40	4.59	7.67	16.22	\$128	\$26	0.421%	0.085%	64.3%	9.6%	20.3%
Virginia	7.4	247,887	1,135.73	9.43	1,145.15	638.18	63.01	68.77	375.20	\$154	\$51	0.462%	0.151%	55.7%	6.0%	32.8%
Washington	6.1	208,817	460.36	33.25	493.61	297.98	28.91	36.64	130.09	\$75	\$21	0.236%	0.062%	60.4%	7.4%	26.4%
W. Virginia ³	1.8	44,403	192.09	-1.18	190.91	114.65	13.46	20.08	42.72	\$106	\$24	0.430%	0.096%	60.1%	10.5%	22.4%
Wisconsin	5.5	169,884	435.05	10.75	445.80	248.52	30.77	33.46	133.06	\$80	\$24	0.262%	0.078%	55.7%	7.5%	29.8%
Total	255.3	8,280,240	41,079.9	713.50	41,793.4	23,830.8	2,504.5	2,167.8	13,290.4	\$161	\$52	0.505%	0.161%	57.0%	5.2%	31.8%
VLTs (only)																
Delaware ⁴	0.8	27,278	525.66		525.66		254.96	27.72	242.99	\$643	\$297	1.927%	0.891%		5.3%	46.2%
Oregon ⁴	3.6	104,332	8,133.31	1.92	8,135.23	7,634.60	159.61	42.24	298.79	\$2,285	\$84	7.797%	0.286%	93.8%	0.5%	3.7%
R. Island ⁴	1.1	34,783	1,051.41		1,051.41	736.65	145.41		169.35	\$977	\$157	3.023%	0.487%	70.1%		16.1%
S. Dakota ⁴	0.8	22,206	618.25	1.34	619.60	406.01	106.13	1.54	105.92	\$809	\$139	2.790%	0.477%	65.5%	0.2%	17.1%
W. Virginia ⁴	1.8	44,403	10,345.39		10,345.39	9,455.56	512.13	9.38	368.32	\$5,715	\$203	23.489%	0.836%	91.4%	0.1%	3.6%
Total	7.2	232,642	20,674.03	3.26	20,677.29	18,232.82	1,178.22	80.88	1,185.37	\$2,867	\$164	8.888%	0.510%	88.2%	0.4%	5.7%
Total	255.31	8,280,240	61,753.94	716.76	62,470.70	42,063.58	3,682.75	2,248.64	14,475.73	\$242	\$57	0.754%	0.175%	67.3%	3.6%	23.2%

¹ Source: U.S. Census Bureau

² Source: U.S. Department of Commerce, Bureau of Economic Analysis, 3rd quarter 2003

³ This data represents only revenue from traditional lottery games and does not include video lottery terminal (VLT) operations.

⁴ This data represents only revenue from video lottery terminal (VLT) operations.

* Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30).

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain our 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.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870
www.lia.state.la.us

August 13, 2004

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
STATE OF LOUISIANA**
Baton Rouge, Louisiana

We have audited the basic financial statements of Louisiana Lottery Corporation, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 13, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Louisiana Lottery Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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'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 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

LEGISLATIVE AUDITOR

**BOARD OF DIRECTORS
LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**
Audit Report, June 30, 2004
Page 2

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.

This report is intended solely for the information and use of the Louisiana Lottery 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

LLC04