



LOUISIANA LOTTERY CORPORATION
A COMPONENT UNIT OF THE STATE OF LOUISIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

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PREPARED BY ACCOUNTING DEPARTMENT

KAREN B. FOURNET

SENIOR VICE PRESIDENT

SECRETARY TREASURER

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A COMPONENT UNIT OF THE STATE OF LOUISIANA
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September 3, 2013

Board of Directors, Louisiana Lottery Corporation
Rose J. Hudson, President, Louisiana Lottery Corporation

INTRODUCTION

The Louisiana Lottery Corporation is pleased to submit its Comprehensive Annual Financial Report for the fiscal years ended June 30, 2013 and 2012. 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 four 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 mission is to generate the maximum revenue for the state of Louisiana while upholding the highest standards of integrity and public trust.

The Lottery is considered a component unit of the State of Louisiana and is reported as a discrete component unit within the state's Comprehensive Annual Financial Report. The fund is operated in a manner similar to a private business enterprise.

During its 22 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.

FINANCIAL CONDITION AND ACCOMPLISHMENTS

The Corporation's financial condition continues to be strong and stable. At June 30, 2013, net position is \$22.5 million. Transfers to the state treasury include \$3.7 million in surplus funds generated from sales growth and efficient operations. Total sales of \$447.4 million were \$67.4 million above budget and \$17.8 million higher than 2012 fiscal year results. General operating expenses were \$1.4 million under budget. Cash and investments of \$74.5 million are available to fund current prizes and operations, supplement the long-term funding of enhanced instant game prizes, provide adequate reserves for funding potential prize liabilities, and maintain financial protection from future unexpected costs.

An analysis of comparative financial data is included in *Management's Discussion and Analysis* beginning on page 11. The notes to the financial statements that begin on page 25 contain information about investments (note 3), prize liabilities (note 8), risk management (note 12), and net position (note 14). A historical perspective of the Corporation's performance and financial condition is included in the statistical section beginning on page 44.

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 (page 7) to the Louisiana Lottery Corporation for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the fifteenth 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 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.

ORGANIZATIONAL 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. An effective control system operating as intended prevents or detects material errors or misstatements. Inherently, most controls cannot provide complete effectiveness and the cost of operating the controls should not exceed the anticipated benefits. However, the 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 strategic 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. 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. Some cash is invested overnight in U.S. government securities repurchase agreements. Funds not needed for liquidity purposes are invested in a portfolio of intermediate-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 position for a litigation and prize reserve to cover unanticipated losses.

MAJOR INITIATIVES

Management has developed a vision statement and a long-term strategic plan. The vision statement reads as follows:

"We are a dynamic, dedicated team of innovative professionals using cutting-edge technology to produce fun and engaging products for our customers."

The strategic plan supports this vision through projects structured toward innovation, increased customer value, operational improvements, corporate

citizenship, improved workforce competence and skills, effective information and technology systems, and supportive values and practices.

The plan and related projects were implemented in the 2011-2012 fiscal year and will continue in the 2013-2014 fiscal year.

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, 2013, and June 30, 2012, 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

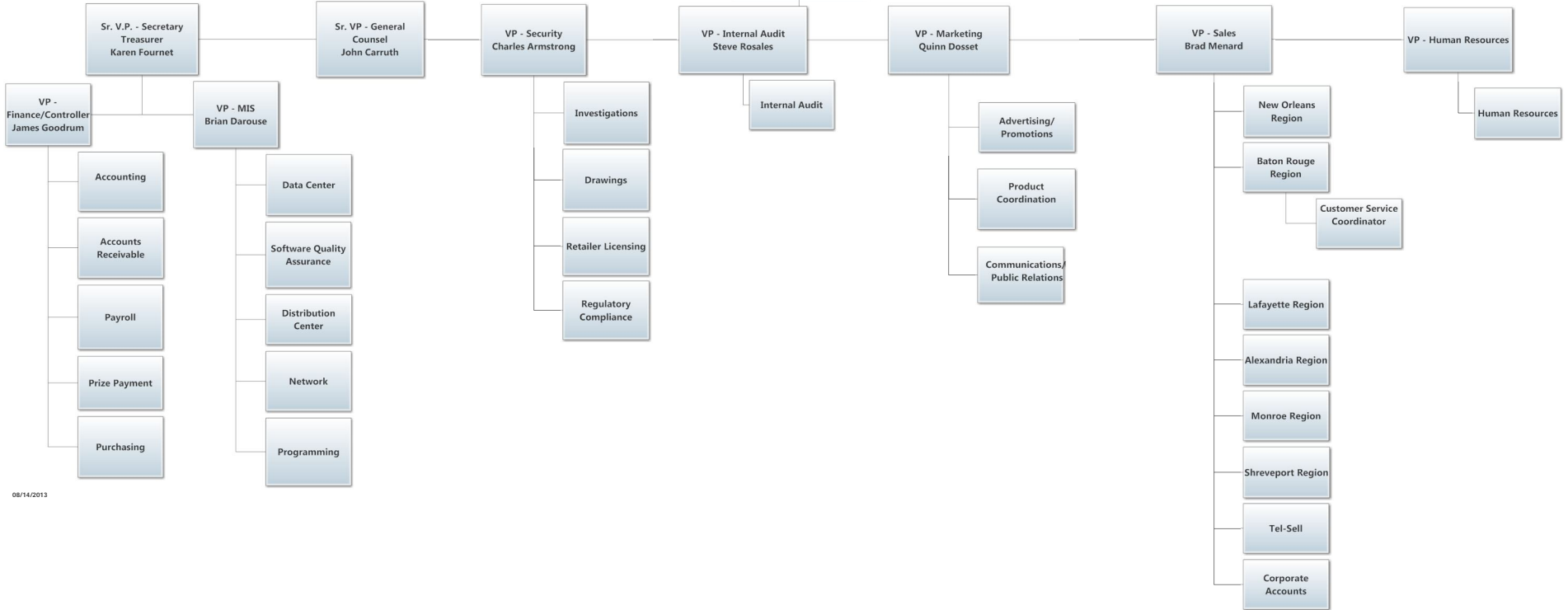


Karen B. Fournet
Senior Vice President and Secretary Treasurer

**Louisiana Lottery Corporation
Organizational Chart with Principal Officials**

Board of Directors
 John Fitzpatrick, Chairman
 Kim Carver, Vice Chairman
 J. T. Taylor, Secretary
 Verge Ausberry
 Heather Doss
 Roy Robichaux, Jr.
 Lisa Reardon
 Larry Katz
 Vacant - At large
 John Kennedy, Ex-Officio

President
 Rose Hudson



08/14/2013



Government Finance Officers Association

**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, 2012

Executive Director/CEO

FINANCIAL SECTION



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 3, 2013

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisiana Lottery Corporation (Corporation), a component unit of the State of Louisiana, as of and for the years ended June 30, 2013, and June 30, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2013, and June 30, 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The Schedule of Professional Service Fees, Schedule of Compensation Paid Board Members, Introductory Section, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Professional Service Fees and Schedule of Compensation Paid Board Members are the responsibility of management and were derived from and relate directly to the underlying

accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Professional Service Fees and the Schedule of Compensation Paid Board Members are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2013, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

ELM:DG:BDC:THC:ch

LLC 2013

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

**Management's Discussion and Analysis
For the Years Ended June 30, 2013, and June 30, 2012**

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, 2013, and June 30, 2012. 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, 2013, with comparative totals for June 30, 2012. The statement of net position; the statement of revenues, expenses, and changes in fund net position; 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 position on page 20 includes all assets, liabilities, and net position 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, 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 position represents 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 12-month period is presented in the statement of revenues, expenses, and changes in fund net position on pages 21 and 22. The categories of activities included on this statement provide reasons for increases or decreases in net position. 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 40.

The statement of cash flows on pages 23 and 24 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 25 present information on accounting policies, cash, investments, accounts receivable, prepaid expenses, capital assets, deposits, prizes payable, vacation and sick leave, changes in noncurrent liabilities, retirement benefits, risk management, lease and rental commitments, net position, payments to the state treasury, board of directors, and litigation. 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, 2013, and the prior years ended June 30, 2012, and June 30, 2011, is presented below followed by further analysis of changes in key performance indicators.

	As of and for the Year Ended June 30, 2013	As of and for the Year Ended June 30, 2012	As of and for the Year Ended June 30, 2011
Operating revenues			
Instant ticket sales	\$163,108,984	\$158,028,403	\$148,084,342
On-line sales	284,310,912	271,587,266	235,508,713
Allowance for uncollectible accounts	(49,272)	(6,279)	(19,294)
Other operating revenues	9,450	533,204	12,508
Total operating revenues	447,380,074	430,142,594	383,586,269
Nonoperating revenues			
Investment and other income	(98,168)	2,441,675	1,435,781
Total revenues	447,281,906	432,584,269	385,022,050
Operating expenses			
Direct costs:			
Prize expense	236,159,214	226,282,669	202,901,646
Retailer commission and incentives	24,786,537	23,788,663	21,370,726
Other direct costs	8,265,834	7,708,626	6,985,576
Total direct costs	269,211,585	257,779,958	231,257,948
Administrative expenses	18,127,704	17,929,132	17,854,937
Total operating expenses	287,339,289	275,709,090	249,112,885
Nonoperating expenses			
Payments to state treasury	160,214,975	156,905,490	136,363,490
Total expenses	447,554,264	432,614,580	385,476,375
Change in net position	(\$272,358)	(\$30,311)	(\$454,325)

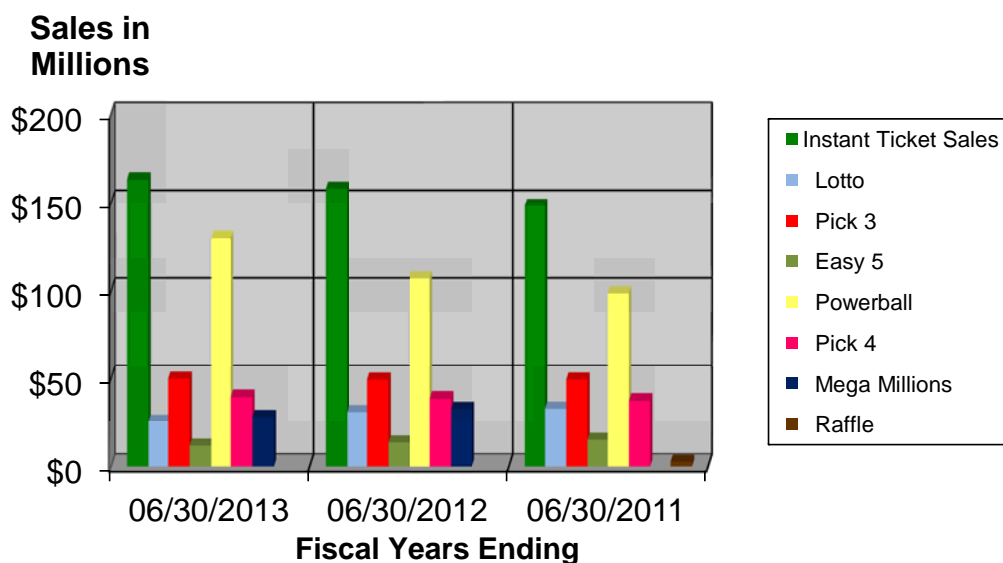
Total revenues were \$447.3 million and the Corporation transferred over \$160.2 million to the state treasury. Revenue and transfers exceeded 2012 fiscal year amounts by

more than 3.4% and 2%, respectively. The reasons for the activity in each component outlined below provide the rationale for these positive results of operations.

Operating revenues

The charts presented below reflect sales levels for each of the lottery games offered during the three fiscal years. Discussions of changes in operating revenues follow these charts.

	06/30/2013	06/30/2012	06/30/2011
Instant Ticket Sales	\$163,108,984	\$158,028,403	\$148,084,342
On-line Sales			
Lotto	\$25,564,558	\$31,015,710	\$32,920,803
Pick 3	49,509,325	48,962,938	49,005,274
Easy 5	11,607,069	13,423,308	14,948,541
Powerball	129,940,266	106,851,842	98,504,050
Pick 4	39,457,197	38,512,854	37,379,625
Mega Millions	28,232,497	32,820,614	
Raffle			2,750,420
Total On-line Sales	\$284,310,912	\$271,587,266	\$235,508,713



Sales of \$447.4 million in 2013 and \$429.6 million in 2012 exceeded \$400 million for only the second and third time in the Corporation's twenty-two year history and substantially surpassed 2011 results of \$383.6 million. The surge in sales can be attributed to the consistent growth in instant ticket sales and the combination of the introduction of the Mega Millions on-line game and the Powerball on-line game prize structure and price point changes.

Instant ticket sales grew by over \$15 million during the past two fiscal years. An increase in average instant prize structures and better inventory placement and management contributed to the success of this product.

The multi-state Mega Millions game was introduced in Louisiana in November 2011. In addition, in January 2012 the prize payout structure for the Powerball multi-state game was enhanced and the price point was increased from \$1 to \$2. A record \$640 million Mega Millions jackpot in March 2012 contributed to the success of this game. In addition, Powerball jackpots of \$587.5 million in November 2012 and 590.5 million in May 2013, lead to increased sales for this multi-state game in fiscal year 2013.

Nonoperating revenues

Total earnings on investments decreased by \$2.5 million in fiscal year 2013 and increased by \$1.0 million in fiscal year 2012.

As stated in notes 2 and 3 to the financial statements, a portion of the Corporation's investment portfolio consists of overnight repurchase agreements and money market mutual fund investments in short-term government securities. The federal funds rate was less than 0.25% at June 30, 2013, June 30, 2012 and June 30, 2011. The Federal Reserve significantly decreased this rate in fiscal year 2009 because of the severe economic downturn and problems in the credit and financial markets. These reductions had a direct effect on the amount of short-term investment income earned by the Corporation. Interest earnings from current investments were minimal for all three fiscal years.

Because of the fluctuations in short-term investment earnings from year to year and the impact of these changes in cash flow on the annual operating budget, the Corporation maintains an actively managed intermediate-term portfolio of U.S. government and agency securities. Funds not needed for liquidity and working capital purposes are invested in this portfolio. The five-year average annual rate of return is consistently in the 4% to 5% range.

The Corporation's investment return from its intermediate-term portfolio consists of interest earned on investments and changes in the fair value of investments as follows:

	For the Year Ended June 30, 2013	For the Year Ended June 30, 2012	For the Year Ended June 30, 2011
Interest	\$1,914,124	\$1,642,901	\$1,563,980
Change in Fair Value	<u>(2,191,737)</u>	<u>596,575</u>	<u>(185,310)</u>
Total	<u>(\$277,613)</u>	<u>\$2,239,476</u>	<u>\$1,378,670</u>

As shown in the chart above, the interest component of these intermediate securities increased during the 2013 and 2012 fiscal years. Additional funds of \$5 million and \$8 million not needed for liquidity were transferred into the portfolio in February 2013 and May 2012, respectively. The reinvestment of maturing principal receipts during a low market interest rate environment offsets some of the earnings generated from the increase in invested funds.

The changes in fair value were affected by the inverse relationship of the market value of debt securities to market interest rates and the length of time to maturity of the securities in the portfolio. The majority of the maturities of the securities in the portfolio are within an intermediate range of one to ten years. The intermediate-term five-year Treasury note market yield increased by 65 bps in 2013, decreased by 100 bps in 2012 and was almost unchanged in 2011. The increases and decreases in the yield were factors in the changes in the portfolio's fair value.

Most increases or decreases in fair value are not realized by the Corporation. Investment disposals occur at maturity and when overall investment return performance, including interest earned and market value, can be enhanced by the sale of portfolio holdings and replacement with other quality securities. In addition, some of the gains or losses realized upon the disposal of securities are the result of a discount or premium paid at the time of original purchase. Net realized losses from disposals of investments were a loss of \$452,000 in fiscal year 2013, a loss of \$5,000 in fiscal year 2012, and a loss of \$67,000 in 2011. Further disclosures on investments and interest rate risk are included in note 3 to the financial statements beginning on page 27.

Total revenues earned during the 2013 and 2012 fiscal years were \$447.3 million and \$432.6 million, respectively. Revenues that are generated each fiscal year are used to fund lottery operations including payment of prizes, retailer compensation, other direct operating costs, administrative expenses, and required payments to the state treasury. Revenue not needed to fund current operations increases net position or if determined to be surplus to the Corporation's future needs, is remitted as an additional transfer to the state treasury. A historical allocation of expenses as a percentage of total revenue is presented in the statistical section of this report on page 53.

Direct costs

Direct costs are expenses that fluctuate directly with the level of sales. Instant and on-line game prize expense, commission and incentives paid to Lottery retailers, and vendor fees mostly based on a percentage of sales are included in this category. The changes in sales for the fiscal years presented resulted in corresponding changes in direct costs. Total direct costs are approximately 60% of sales for each fiscal year presented.

Administrative expenses

The Corporation has maintained high profitability levels for the benefit of the State of Louisiana by controlling its administrative costs each year. These marketing and overhead expenses have remained consistent and under budget during the past twelve fiscal years. The chart on page 52 in the statistical section reflects this consistency and effective cost controls. These efficiencies have enabled the Corporation to maintain financial stability, fund higher-than-average prize payouts, and transfer additional surplus funds to the state when available.

Payments to state treasury

Note 15 to the financial statements on page 40 includes a discussion of the statutory requirements for payments to the state treasury. Payments increased by \$3.3 million in fiscal year 2013 and by \$20.5 million in fiscal year 2012 because of sales growth and efficient operations. The payments for fiscal years 2013, 2012, and 2011 include surplus transfers of \$3.65 million, \$5.5 million, and \$1.6 million, respectively. Total payments to the state treasury since the Lottery's inception have exceeded \$2.7 billion.

The financial performance reflected above affected the overall financial position of the Corporation at June 30, 2013, and June 30, 2012. A summarized version of the statement of net position presented below reflects the Corporation's overall change in financial resources and claims on those resources.

	<u>As of June 30, 2013</u>	<u>As of June 30, 2012</u>	<u>As of June 30, 2011</u>
Assets			
Current assets	\$40,797,103	\$41,021,773	\$36,501,055
Noncurrent assets:			
Capital assets	4,960,073	5,088,913	5,218,640
Other noncurrent assets	65,811,143	70,681,251	68,934,800
Total noncurrent assets	70,771,216	75,770,164	74,153,440
Total assets	<u>111,568,319</u>	<u>116,791,937</u>	<u>110,654,495</u>
Liabilities			
Current liabilities	47,038,994	52,115,579	45,703,085
Noncurrent liabilities	42,032,304	41,906,979	42,151,720
Total liabilities	<u>89,071,298</u>	<u>94,022,558</u>	<u>87,854,805</u>
Net position			
Invested in capital assets	4,960,073	5,088,913	5,218,640
Unrestricted	17,536,948	17,680,466	17,581,050
Total net position	<u>\$22,497,021</u>	<u>\$22,769,379</u>	<u>\$22,799,690</u>

Current assets

The fluctuation of current assets for the three years presented was mainly caused by changes in cash and cash equivalents, investments, accounts receivable, and investments in prize annuities balances.

Cash and cash equivalents and current investment balances are affected by sales volume, level of expenses, and the timing and amount of deposits of accounts receivable and payments to vendors and the state treasury. In addition, transfers of funds not needed for liquidity to the intermediate-term portfolio for investment management purposes affect the balance of cash and cash equivalents and current investments.

Retailer accounts receivable balances changed because of sales volume differences at the end of the fiscal years and the timing of the collection of these receivables into the investment account.

Investments in prize annuities declined because the twenty-year payment streams for some prize winners ended during fiscal years 2012 and 2013.

Capital assets

Capital assets slightly decreased in fiscal years 2013 and 2012 because acquisitions were less than depreciation expense for those years. Details of capital asset additions, deletions, and depreciation are included in note 6 to the financial statements on page 31.

Other noncurrent assets

Noncurrent investments in government securities increased by \$2.2 million in fiscal year 2013 and \$10.5 million in fiscal year 2012 because of the changes in investment strategy discussed in the nonoperating revenue section, the changes in fair value of the investments, and the reinvestment of interest receipts and the proceeds from the maturity or sale of securities.

The difference between the reclassification of annual grand prize payments, with a face value of \$7,041,000 in 2013 and \$9,595,000 in 2012, 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. This reclassification decreased in both fiscal years because some of the payment streams ended as discussed in the current assets section. 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 net decreases in noncurrent assets of \$7.0 million and \$9.2 million in fiscal years 2013 and 2012, respectively. Additional information on investments in prize annuities is included in note 3 to the financial statements beginning on page 27 and the related prizes payable information is contained in note 8 on page 33.

Current liabilities

For the year ended June 30, 2013

Current liabilities decreased by \$5.1 million. Accounts payable, accrued payment to state treasury, and prizes and withholdings payable account for most of this change.

Accounts payable increased by \$575,000 because of differences in the timing and amount of expenses and payments between the two fiscal years.

The accrued payment to state treasury decreased by \$2.6 million because revenue for the month of June and the surplus transfer were higher for fiscal year 2012.

Prizes and withholdings payable decreased by approximately \$3.0 million because of several factors. All components of this liability category are presented in note 8 to the financial statements on page 33.

Fair value of prize annuities decreased \$2.6 million because of the end of some of the payment streams as discussed in the current assets section.

Instant prizes payable increased \$275,000 because of sales increases and the timing of closed instant games with expired validation periods.

Finally, amounts due to MUSL decreased by \$839,000. This change was caused by differences in draw sales and winnings between the two fiscal years.

For the year ended June 30, 2012

Current liabilities increased by \$6.4 million. Accounts payable, accrued payment to state treasury, and prizes and withholdings payable account for most of this change.

Accounts payable increased by \$457,000 because of differences in the timing and amount of expenses and payments between the two fiscal years.

The accrued payment to state treasury increased by \$5.7 million because revenue for the month of June and the surplus transfer were higher for fiscal year 2012.

Prizes and withholdings payable increased by \$111,000 because of several factors. All components of this liability category are presented in note 8 to the financial statements on page 33.

Fair value of prize annuities decreased \$3.9 million because of the end of some of the payment streams as discussed in the current assets section.

Instant prizes payable decreased \$1.5 million because of the timing of closed instant games with expired validation periods.

On-line prizes payable increased \$4.8 million because of differences in sales, winnings, and timing of prize payments.

Finally, amounts due to MUSL increased by \$786,000. This change was caused by differences in draw sales and winnings between the two fiscal years.

Noncurrent liabilities

The changes in noncurrent investments in prize annuities discussed previously caused equal changes in the corresponding noncurrent liabilities to prize winners. In addition,

unclaimed prizes payable increased because prizes that were not claimed during the statutory claim period exceeded the use of these funds to enhance prize payouts for instant ticket games. Further disclosures on noncurrent prizes payable are included in notes 8 and 10 to the financial statements on pages 33 and 35, respectively.

Net position

Finally, net position decreased by \$272,000 in fiscal year 2013 and by \$30,000 in fiscal year 2012 because of the net income generated during these years and the amount of remittances to the state treasury. The specified uses of unrestricted net position are presented in note 14 to the financial statements on page 39.

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, 2013, and June 30, 2012. 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

Statements of Net Position, June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and Cash Equivalents (note 2)	\$18,227,216	\$68,036
Investments (note 3)	2,502,627	18,838,955
Accounts receivable, net (note 4)	12,194,051	12,021,585
Investments in government securities (note 3)	604,791	290,253
Investments in prize annuities (note 3)	7,037,378	9,588,563
Prepaid expenses (note 5)	217,374	200,723
Other current assets	13,666	13,658
Total current assets	<u>40,797,103</u>	<u>41,021,773</u>
Noncurrent assets:		
Capital assets:		
Land (note 6)	1,542,415	1,542,415
Depreciable capital assets, net (note 6)	3,417,658	3,546,498
Investments in government securities (note 3)	53,118,500	50,908,897
Investments in prize annuities (note 3)	6,739,403	13,711,047
Deposits with Multi-State Lottery Association (note 7)	5,867,686	5,953,253
Prepaid expenses (note 5)	85,554	108,054
Total noncurrent assets	<u>70,771,216</u>	<u>75,770,164</u>
TOTAL ASSETS	<u>111,568,319</u>	<u>116,791,937</u>
LIABILITIES		
Current liabilities:		
Accounts payable	2,992,947	2,417,735
Wages, benefits, and withholdings payable	308,129	303,206
Accrued payment to state treasury	15,205,695	17,846,390
Prizes and withholdings payable (note 8)	28,219,089	31,208,003
Compensated absences payable (note 9)	313,134	340,245
Total current liabilities	<u>47,038,994</u>	<u>52,115,579</u>
Noncurrent liabilities:		
Noncurrent prizes payable (notes 8 and 10)	42,017,304	41,891,979
Retailer security deposits	15,000	15,000
Total noncurrent liabilities	<u>42,032,304</u>	<u>41,906,979</u>
TOTAL LIABILITIES	<u>89,071,298</u>	<u>94,022,558</u>
NET POSITION		
Investment in capital assets	4,960,073	5,088,913
Unrestricted (note 14)	17,536,948	17,680,466
TOTAL NET POSITION	<u>\$22,497,021</u>	<u>\$22,769,379</u>

The accompanying notes are an integral part of this statement.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statements of Revenues, Expenses, and
Changes in Fund Net Position
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Instant ticket sales	\$163,108,984	\$158,028,403
On-line sales	284,310,912	271,587,266
Allowance for uncollectible accounts	(49,272)	(6,279)
Retailer license fees	6,725	8,675
Retailer security deposits	2,690	3,470
Miscellaneous revenue	35	521,059
Total operating revenues	<u>447,380,074</u>	<u>430,142,594</u>
OPERATING EXPENSES		
Direct costs:		
Instant ticket prize expense	93,650,084	91,383,147
On-line prize expense	142,509,130	134,899,522
Retailer commission	23,267,505	22,353,499
Retailer incentives	1,519,032	1,435,164
Lottery system vendor fees	5,500,589	5,103,608
Cost of instant tickets	2,131,519	1,921,186
Courier service	633,726	683,832
Total direct costs	<u>269,211,585</u>	<u>257,779,958</u>
Administrative expenses:		
Advertising	7,222,707	7,473,508
Contract labor	256,369	214,630
Depreciation	440,049	466,208
Equipment lease (note 13)	48,388	52,471
Insurance	500,101	463,897
Postage	60,550	75,143
Professional fees	485,028	335,784
Rent (note 13)	228,442	224,966
Repairs and maintenance	378,830	344,970
Salaries, benefits, and taxes	6,559,399	6,643,136
Supplies	400,313	513,742
Communications network	147,479	136,368
Telephone	197,883	182,885
Travel	95,918	102,771
Utilities	151,944	160,896
Other general and administrative	954,304	537,757
Total administrative expenses	<u>18,127,704</u>	<u>17,929,132</u>
Total operating expenses	<u>287,339,289</u>	<u>275,709,090</u>

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statements of Revenues, Expenses, and
Changes in Fund Net Position
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING INCOME	<u>\$160,040,785</u>	<u>\$154,433,504</u>
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments	2,093,533	1,808,722
Net (decrease) increase in the fair value of investments	(2,191,737)	596,575
Net gain on disposal of assets	36	36,378
Payments to state treasury - required (note 15)	(156,564,975)	(151,405,490)
Payments to state treasury - surplus (note 15)	<u>(3,650,000)</u>	<u>(5,500,000)</u>
Total nonoperating revenues (expenses)	<u>(160,313,143)</u>	<u>(154,463,815)</u>
CHANGE IN NET POSITION	(272,358)	(30,311)
TOTAL NET POSITION AT BEGINNING OF YEAR	<u>22,769,379</u>	<u>22,799,690</u>
TOTAL NET POSITION AT END OF YEAR	<u><u>\$22,497,021</u></u>	<u><u>\$22,769,379</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Cash received from retailers - net of commission and incentives	\$425,071,748	\$407,082,626
Cash from other sources	440,568	9,165
Cash payments for prizes and related taxes	(239,007,919)	(227,180,827)
Cash payments to suppliers of goods or services	(22,438,284)	(21,966,143)
Cash payments to employees for services	(5,862,680)	(5,782,257)
Net cash provided by operating activities	<u>158,203,433</u>	<u>152,162,564</u>
Cash flows from noncapital financing activities		
Cash payments to the Lottery Proceeds Fund	(162,855,670)	(151,229,585)
Cash flows from capital financing activities		
Proceeds from disposal of capital assets	36	36,378
Payments for acquisition of capital assets	(445,939)	(287,011)
Net cash used in capital financing activities	<u>(445,903)</u>	<u>(250,633)</u>
Cash flows from investing activities		
Receipts of interest	2,041,868	1,760,471
Net withdrawals (deposits) of short-term investments	16,336,328	(5,855,807)
Proceeds from investments in government securities	8,938,414	9,625,475
Payments for investments in government securities	(13,654,290)	(19,704,867)
Maturity of investments in prize annuities	9,595,000	13,542,000
Net cash provided by (used in) investing activities	<u>23,257,320</u>	<u>(632,728)</u>
Net increase in cash and cash equivalents	18,159,180	49,618
Cash and Cash Equivalents, beginning of year	<u>68,036</u>	<u>18,418</u>
Cash and Cash Equivalents, end of year	<u>\$18,227,216</u>	<u>\$68,036</u>

(Continued)

The accompanying notes are an integral part of this statement.

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

**Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$160,040,785	\$154,433,504
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	440,049	466,208
Accrued capital financing activities	134,730	(49,469)
Uncollectible accounts	50,772	6,766
Changes in assets and liabilities:		
(Increase) in accounts receivable	(173,066)	(2,288,244)
Decrease (increase) in prepaid expenses	5,847	(133,337)
Decrease (increase) in deposits with Multi-State Lottery Association	87,061	(383,319)
Increase in accounts payable	575,211	456,854
Increase in wages, benefits, and withholdings payable	4,921	176,748
(Decrease) in compensated absences payable	(27,111)	(8,308)
Increase in prizes and withholdings payable	6,659,234	13,027,161
(Decrease) in annual grand prizes payable	(9,595,000)	(13,542,000)
Total Adjustments	<u>(1,837,352)</u>	<u>(2,270,940)</u>
Net Cash Provided by Operating Activities	<u>\$158,203,433</u>	<u>\$152,162,564</u>
Non Cash Investing, Capital, and Financing Activities		
Net (Decrease) increase in the fair value of investments	(\$2,191,737)	\$596,575
Interest accrued on deposits with Multi-State Lottery Association	\$72,565	\$40,989

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**

Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012

INTRODUCTION

The Louisiana Lottery Corporation (the Corporation) was 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 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, 2013 and June 30, 2012, the Corporation employed 116 and 113 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 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 Corporation, a component unit of the State of Louisiana. The Corporation is reported as a discrete component unit 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. For the year ended June 30, 2013, the Corporation implemented GASB Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The effect of the implementation was to replace the term of net assets with net position.

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.

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 (JLCB) for review and approval. The Corporation submitted its budget for fiscal year ended June 30, 2013, on February 10, 2012. The budget was approved by the JLCB on March 20, 2012. A budget

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

amendment for certain patent costs pertaining to the operation of the Powerball and Mega Millions on-line games was submitted to the JLCB on December 14, 2012.

A formal budgetary comparison is not required by GASB reporting standards for proprietary funds and, therefore, a budgetary comparison for the fiscal year ended June 30, 2013, is not presented.

F. NONOPERATING EXPENSES

Nonoperating expenses only include payments to the state treasury.

2. CASH AND CASH EQUIVALENTS

During the 2013 fiscal year funds were reallocated from investments in money market funds (see Note 3) to cash and cash equivalents to improve potential short-term earnings rates.

Cash includes petty cash on hand of \$3,000 and demand deposits of \$9,503,442 at June 30, 2013, and \$48,144 at June 30, 2012. 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 New York. The market value of the pledged securities at June 30, 2013 is \$31,002,882.

Cash equivalents at June 30, 2013 and June 30, 2012 include an overnight repurchase agreement in the amount of \$8,720,774 and \$16,892, respectively. This interest-earning investment contract is fully collateralized with U.S. Treasury or agency securities held by the pledging financial institution (the counterparty) but owned by the Corporation through a daily purchase. The securities are specifically identified by book entry transfer and are segregated from other financial institution securities. Substitution of securities is not permitted.

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

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

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 30 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.

Investments at June 30, 2013, 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:								
JPMorgan 100% U.S. Treasury Securities Money Market Fund	\$2,502,627	Aaa	3.57%	\$2,502,627				
Investments in government securities:								
U.S. Treasury Notes	24,905,963	1	35.58%		\$12,733,005	\$12,172,958		
Federal Farm Credit Banks (FFCB) Bonds and Notes	1,780,887	Aaa	2.54%	203,156	1,171,839	405,892		
Federal Home Loan Banks (FHLB) Bonds	1,602,024	Aaa	2.29%	106,414		1,495,610		
Federal Home Loan Mortgage Corporation (FHLMC) Notes	255,788	Aaa	0.37%	255,788				
FHLMC Mortgage-Backed Securities	8,902,268	unrated 2	12.72%	24,089	1,107,235	1,769,938	\$2,946,062	\$3,054,944
FNMA Mortgage-Backed Securities	12,164,880	unrated 2	17.38%	14,840	879,210	2,984,663	4,915,452	3,370,715
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	4,111,481	1	5.87%	504	18,116	242,539	408,068	3,442,254
	53,723,291		76.75%	604,791	15,909,405	19,071,600	8,269,582	9,867,913
Investments in prize annuities:								
U.S. Treasury Zero Coupon Bonds	13,776,781	1	19.68%	7,037,378	6,739,403			
Total Investments	\$70,002,699		100.00%	\$10,144,796	\$22,648,808	\$19,071,600	\$8,269,582	\$9,867,913

* 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. As discussed in Note 2 above, funds were reallocated from the money market fund to cash and cash equivalents in the 2013 fiscal year. The balance in investments at June 30, 2012 was \$18,838,955.

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 \$3,341,467 at June 30, 2013, and \$8,914,210 at June 30, 2012, 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 \$10,435,314 and \$14,385,400 at June 30, 2013 and June 30, 2012, respectively, were purchased to finance the Louisiana grand prize winners of the Multi-State Lottery Association (MUSL) Powerball game. The MUSL

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

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 \$9,595,000 in fiscal year ending June 30, 2013 and \$13,542,000 in fiscal year ending June 30, 2012.

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 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 safe kept 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.

The investments in the money market fund are not affected by 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 Barclays Capital Government Intermediate 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 cause them to be highly sensitive to changes in interest rates. Generally, when interest rates fall, obligees tend to prepay the assets, thus eliminating the stream of interest payments that would have been received under the original amortization schedule. This reduced cash flow diminishes the fair value of the asset-backed investment.

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

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 before 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.

4. ACCOUNTS RECEIVABLE

As reflected on the statement of net position, the receivables of the Corporation are as follows:

	As of <u>June 30, 2013</u>	As of <u>June 30, 2012</u>
Retailer accounts receivable	\$11,760,509	\$11,185,164
Interest receivable	379,324	329,153
Miscellaneous receivable	86,761	520,569
Allowance for uncollectible accounts	<u>(32,543)</u>	<u>(13,301)</u>
Total	<u><u>\$12,194,051</u></u>	<u><u>\$12,021,585</u></u>

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

5. PREPAID EXPENSES

Prepaid expenses represent insurance paid for coverage after the fiscal year-end and prepayments for postage, advertising, maintenance agreements, and other expenses.

The balances of prepaid expenses are as follows:

	As of <u>June 30, 2013</u>	As of <u>June 30, 2012</u>
Current prepaid expenses:		
Insurance	\$84,296	\$79,238
Other prepayments	<u>133,078</u>	<u>121,485</u>
Total	<u><u>\$217,374</u></u>	<u><u>\$200,723</u></u>
Noncurrent prepaid expenses:		
Other prepayments	<u>\$85,554</u>	<u>\$108,054</u>
Total	<u><u>\$85,554</u></u>	<u><u>\$108,054</u></u>

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

6. CAPITAL ASSETS

Capital assets of the Corporation are included on the statement of net position 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, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</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	82,984			82,984
Leasehold improvements	391,261	\$1,538		392,799
Furniture and fixtures	612,932			612,932
Equipment	1,052,399	19,047		1,071,446
Data processing software and equipment	2,051,727	118,031		2,169,758
Communications	322,907	8,540		331,447
Automobiles	823,059	164,053		987,112
Total	<u>9,189,474</u>	<u>311,209</u>		<u>9,500,683</u>
Less - accumulated depreciation:				
Land improvements	(2,428)	(62)		(2,490)
Buildings	(1,034,598)	(99,740)		(1,134,338)
Building improvements	(20,648)	(5,532)		(26,180)
Leasehold improvements	(372,146)	(9,560)		(381,706)
Furniture and fixtures	(563,866)	(10,166)		(574,032)
Equipment	(946,188)	(47,041)		(993,229)
Data processing software and equipment	(1,720,452)	(154,368)		(1,874,820)
Communications	(323,083)	(106)		(323,189)
Automobiles	(659,567)	(113,474)		(773,041)
Total accumulated depreciation	<u>(5,642,976)</u>	<u>(440,049)</u>		<u>(6,083,025)</u>
Net Depreciable Capital Assets	<u>\$3,546,498</u>	<u>(\$128,840)</u>		<u>\$3,417,658</u>

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

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</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	73,849	\$9,135		82,984
Leasehold improvements	386,692	4,569		391,261
Furniture and fixtures	563,271	49,661		612,932
Equipment	1,044,612	7,787		1,052,399
Data processing software and equipment	1,866,695	185,032		2,051,727
Communications	322,907			322,907
Automobiles	883,975	80,297	(\$141,213)	823,059
Total	<u>8,994,206</u>	<u>336,481</u>	<u>(141,213)</u>	<u>9,189,474</u>
Less - accumulated depreciation:				
Land improvements	(2,179)	(249)		(2,428)
Buildings	(934,858)	(99,740)		(1,034,598)
Building improvements	(15,643)	(5,005)		(20,648)
Leasehold improvements	(363,946)	(8,200)		(372,146)
Furniture and fixtures	(562,728)	(1,138)		(563,866)
Equipment	(889,553)	(56,635)		(946,188)
Data processing software and equipment	(1,546,455)	(173,997)		(1,720,452)
Communications	(323,083)			(323,083)
Automobiles	(679,536)	(121,244)	141,213	(659,567)
Total accumulated depreciation	<u>(5,317,981)</u>	<u>(466,208)</u>	<u>141,213</u>	<u>(5,642,976)</u>
Net Depreciable Capital Assets	<u>\$3,676,225</u>	<u>(\$129,727)</u>		<u>\$3,546,498</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
Leasehold improvements	36 months
Furniture and fixtures	60 months
Equipment	60 months to 120 months
Data processing software and equipment	36 months
Communications	36 months
Automobiles	36 months

7. MULTI-STATE LOTTERY ASSOCIATION

MUSL is an unincorporated government-benefit voluntary association created for the purpose of administering joint lottery games. MUSL currently includes 31 state lottery entities, the District of Columbia, and the Virgin Islands. The chief executive officer of each member lottery serves on the MUSL board of directors.

This association administers the Powerball on-line game and several other on-line games in participating states. MUSL members can offer the Mega Millions on-line game pursuant to a cross-selling agreement with the group of lotteries operating that game.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

During the fiscal year, the Corporation participated in the MUSL Powerball on-line game and offered the Mega Millions on-line game pursuant to the cross-selling agreement. 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. MUSL periodically reallocates the prize reserve funds between the states based on relative sales levels. All remaining 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.

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 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, 2013</u>	<u>As of</u> <u>June 30, 2012</u>
Current Prizes and Withholdings Payable:		
Annual grand prize payments (face value)	\$7,041,000	\$9,595,000
Adjustment to current fair value	(3,622)	(6,437)
Fair value of prize annuities	<u>7,037,378</u>	<u>9,588,563</u>
Instant prizes payable	6,329,708	6,054,683
On-line prizes payable	13,879,174	13,839,590
Due to MUSL prize pool	851,798	1,690,425
Tax withholdings payable	<u>121,031</u>	<u>34,742</u>
Total Current Prizes and Withholdings Payable	<u><u>\$28,219,089</u></u>	<u><u>\$31,208,003</u></u>
Noncurrent Prizes Payable:		
Annual grand prize payments (face value)	\$6,798,000	\$13,839,000
Adjustment to current fair value	(58,597)	(127,953)
Fair value of prize annuities	<u>6,739,403</u>	<u>13,711,047</u>
MUSL prize reserve payable	5,866,192	5,953,253
Unclaimed prizes payable	<u>29,411,709</u>	<u>22,227,679</u>
Total Noncurrent Prizes Payable	<u><u>\$42,017,304</u></u>	<u><u>\$41,891,979</u></u>

One Powerball grand prize was won in Louisiana in fiscal year ended June 30, 2013. The drawing occurred on May 25, 2013. The \$10.4 million jackpot prize was claimed on July 3, 2013 as a single lump-sum cash payment. A winner becomes entitled to a jackpot prize and funds to satisfy the obligation are due to selling lotteries from the MUSL prize pool only upon a successful claim and validation of the winning ticket. These events occurred subsequent to the end of the fiscal year.

9. VACATION AND SICK LEAVE

Corporation full-time employees earn vacation leave at various rates depending on the employees' 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 vacation or receive termination payment for unused vacation. Vacation leave may not be carried forward into the next year. Employees may receive payment for a maximum of forty hours of unused vacation. Upon termination, employees will be paid in full for unused eligible and current year's accrued vacation leave. Employees are credited with sick leave at the rate of eight days per year beginning with the date of hire. There is no limitation on the amount of sick leave that can be accumulated. Employees are not paid for accrued sick leave upon termination. Employees may be allowed up to three consecutive days off from regularly scheduled duty with regular pay for bereavement leave. At June 30, 2013, and June 30, 2012, the total values of compensated absences payable are \$313,134 and \$340,245, respectively.

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

10. CHANGES IN NONCURRENT LIABILITIES

Noncurrent liability activity, for the years ended June 30, 2013 and 2012, is as follows:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>Due Within One Year</u>
Prizes Payable:					
Fair value of prize annuities	\$23,299,610		(\$9,522,829)	\$13,776,781	\$7,037,378
MUSL prize reserve payable	5,953,253	\$1,036,220	(1,123,281)	5,866,192	NONE
Unclaimed prizes payable	22,227,679	14,022,363	(6,838,333)	29,411,709	NONE
Total Prizes Payable	<u>\$51,480,542</u>	<u>\$15,058,583</u>	<u>(\$17,484,443)</u>	<u>\$49,054,682</u>	<u>\$7,037,378</u>
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Due Within One Year</u>
Prizes Payable:					
Fair value of prize annuities	\$36,460,208		(\$13,160,598)	\$23,299,610	\$9,588,563
MUSL prize reserve payable	5,569,934	\$565,809	(182,490)	5,953,253	NONE
Unclaimed prizes payable	13,640,537	12,188,142	(3,601,000)	22,227,679	NONE
Total Prizes Payable	<u>\$55,670,679</u>	<u>\$12,753,951</u>	<u>(\$16,944,088)</u>	<u>\$51,480,542</u>	<u>\$9,588,563</u>

11. 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 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 for the plans' year ending December 31, 2012. A copy of the audit report may be accessed through the Corporation's website at:

<http://www.louisianalottery.com/assets/docs/Financial/Retirementplans.pdf>

Administrative and investment services were provided by Principal Life Insurance Company.

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.

An employee is eligible to participate in the plan immediately upon employment. In addition, a participant is fully vested immediately. In no event shall the assets of this plan revert for the benefit of the Corporation.

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.

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 plan as pre-tax.

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 or the date on which the participant terminates his or her employment, if later. Subject to certain restrictions, an active participant may also elect to receive a distribution upon attainment of age 62 without regard to whether the participant has terminated his or her employment.

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 plan is a governmental plan within the meaning of Section 414(d) of the IRC of 1986, as amended,

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

and is intended to constitute a profit-sharing plan under which contributions are determined without regard to the current or accumulated profits of the Corporation, if any.

An employee is eligible to participate in the plan immediately upon employment. In addition, a participant is fully vested immediately. In no event shall the assets of this plan revert for the benefit of the Corporation.

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.

In addition, each fiscal 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 fiscal year. Effective July 1, 2013, the maximum potential discretionary rate increases to 4%.

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 Retirement Plans 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 or the date on which the participant terminates his or her employment, if later.

As of June 30, 2013, there were 115 participants in the Basic Plan and 104 participants in the Supplemental Plan.

For the fiscal year ended June 30, 2013, employer and employee contributions to the Basic Plan were \$245,614 and \$304,561, respectively. The employer contributions for the Supplemental Plan were \$312,144.

For the fiscal year ended June 30, 2012, employer and employee contributions to the Basic Plan were \$249,585 and \$309,485, respectively. The employer contributions for the Supplemental Plan were \$311,554.

**C. 457(b) RETIREMENT PLAN
(DEFERRED COMPENSATION PLAN)**

The 457(b) Retirement Plan is a voluntary deferred compensation plan adopted under the provisions of IRC Section 457(b).

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

A full-time employee is eligible to participate in the plan immediately upon employment. In addition, a participant is fully vested immediately. In no event shall the assets of this plan revert for the benefit of the Corporation.

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 \$17,500. 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, increased by the amount of any deferral under this Plan. Effective July 1, 2013, the 457(b) Retirement Plan was amended to add another matching contribution layer of 50% of the next 3% of participants' compensation deferrals.

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 in the form of a single-sum payment.

As of June 30, 2013, there were 96 participants in the 457(b) Retirement Plan.

For the fiscal year ended June 30, 2013, employer and employee contributions were \$109,696 and \$256,459, respectively. For the fiscal year ended June 30, 2012, employer and employee contributions were \$115,027 and \$303,460, respectively.

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. The insurance excludes comprehensive and collision physical damage coverage for its vehicles. The premium costs outweigh the potential benefit of claims coverage for this risk. In addition, management has established a litigation and prize reserve of \$7,700,000 within the Corporation's net position 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.

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

13. LEASE AND RENTAL COMMITMENTS

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

	<u>Equipment</u>	<u>Facilities</u>	<u>Total</u>
2013-2014	133,908	227,066	360,974
2014-2015	4,872	205,066	209,938
2015-2016		200,758	200,758
2016-2017		51,668	51,668
2017-2018		6,464	6,464
	<u>\$138,780</u>	<u>\$691,022</u>	<u>\$829,802</u>
Total			

The total operating lease payments for the years ended June 30, 2013, and June 30, 2012, were \$428,340 and \$429,117, respectively.

The Corporation has no capital leases at June 30, 2013.

14. NET POSITION

The Corporation has an unrestricted net position at June 30, 2013, of \$17,536,948. As presented in the 2013-2014 fiscal year budget approved by the Joint Legislative Committee on the Budget on March 22, 2013, management has specified that net position of June 30, 2013, be used for the following purposes:

Specified Uses of Net Position

Capital asset replacement reserve	\$6,500,000
New capital expenditure purchases	537,000
Litigation and prize reserve	7,700,000
Deposits	13,760
New game development, retailer incentives, and future expenditures	<u>2,600,000</u>
Total specified uses of net position	<u>17,350,760</u>
Plus - retailer security deposits	174,540
Unallocated balance	<u>11,648</u>
Total unrestricted net position	<u>\$17,536,948</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 Years Ended June 30, 2013 and 2012**

SCHEDULE OF PROFESSIONAL SERVICE FEES

Schedule 1 presents professional service fees for the years ended June 30, 2013, and June 30, 2012. 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, 2013, and June 30, 2012. 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 Years Ended June 30, 2013 and 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Attorney General's Office, Department of Justice - legal counsel	\$88,875	\$88,875
Delehantey Consulting - instant ticket printing audit services	4,000	4,000
Jared J. Llorens - economic consultant		3,550
Kent Blumberg - strategic planning initiative		3,250
KPMG Peat Marwick Thorne - audit of automatic drawing machines	116,163	
Office of Legislative Auditor - financial and compliance audit and observations of on-line drawings	235,244	219,646
Phelps Dunbar, Counselors-at-Law - legal counsel	14,746	16,463
Postlethwaite & Netterville - retirement plan consulting	26,000	
	<hr/>	<hr/>
Total	<u>\$485,028</u>	<u>\$335,784</u>

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**

**Schedule of Compensation Paid Board Members
For the Years Ended June 30, 2013 and 2012**

Schedule 2

	Effective Date of Term	June 30, 2013	June 30, 2012
Verge Ausberry, Jr. Chairman through June 27, 2013	August 22, 2008	\$24,917	\$25,000
Christopher K. Carver	July 15, 2009	15,000	15,000
Heather L. Doss	April 6, 2011	15,000	15,000
John Fitzpatrick Chairman effective June, 28, 2013	November 6, 2008	15,083	15,000
Larry Katz	May 16, 2012	15,000	1,895
Darrell McCartney*	December 14, 2011		5,726
Lisa Reardon	November 8, 2010	15,000	15,000
Roy Robichaux	March 23, 2010	15,000	15,000
James Taylor	November 8, 2010	15,000	15,000
		<hr/>	<hr/>
Total		<u>\$130,000</u>	<u>\$122,621</u>

*Term ended May 1, 2012

STATISTICAL SECTION

(UNAUDITED)

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
STATISTICAL INFORMATION SECTION**

This section of the Louisiana Lottery Corporation's comprehensive annual financial report presents detailed information as a supplement to the information presented in the financial statements and note disclosures to assist readers in assessing the Corporation's overall financial health.

<u>CONTENTS</u>	PAGE
FINANCIAL TRENDS	45
<p>These schedules contain trend information from the current year and prior years' comprehensive annual financial reports to help a reader understand how the Corporation's financial performance and position have changed over time.</p>	
REVENUE CAPACITY	59
<p>These schedules contain information to help the reader assess the factors affecting the Corporation's ability to generate sales of lottery tickets. Instant ticket game strategies, including launch schedules and price points, affect the availability and variety of products for purchase at retailer locations. On-line sales by game included in the financial trends section provide data about the variety of these drawing-based games that are available to the public. The network of lottery retailers throughout the state determines the market exposure for the Corporation's instant and on-line games.</p>	
DEMOGRAPHIC AND ECONOMIC INFORMATION	62
<p>These schedules contain demographic and economic indicators to help a reader understand the environment in which the Corporation operates.</p>	
OPERATING INFORMATION	64
<p>These schedules contain information about the Corporation's organizational structure, financial performance indicators compared to other state lotteries, and capital asset information.</p>	

If available, statistical information is provided for the most recent ten years. Some sections contain less than ten years of data because the information was accumulated and retained in that format only back to the latest year reported. Prospectively, the data will be accumulated and ultimately, the schedules will contain information for a ten-year period.

FINANCIAL TRENDS

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, 2013.

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.

Revenues

Include sales, interest income, increases or decreases in the fair value of investments, retailer license fees, miscellaneous revenue, and net gains or losses on disposal of assets.

Prize expense

Represents 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.

Other direct costs

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.

Administrative expenses

Include all other costs of operating the Lottery.

Payments to state treasury

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
STATE OF LOUISIANA
(Unaudited)
Schedule of Net Position and Changes in Net Position
Fiscal Year Ending June 30 for the Years Shown

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES										
Operating revenues										
Instant tickets sales	\$111,430,717	\$104,102,165	\$118,864,811	\$134,652,721	\$132,048,433	\$141,393,769	\$136,006,913	\$148,084,342	\$158,028,403	\$163,108,984
On-line sales:										
Lotto	33,117,070	32,830,084	30,222,661	34,788,068	32,001,441	33,482,672	30,461,650	32,920,803	31,015,710	\$25,564,558
Pick 3	47,445,594	47,788,205	43,604,915	46,336,657	49,944,959	49,088,003	46,523,353	49,005,274	48,962,935	49,509,325
Easy 5					13,890,049	14,508,315	14,555,346	14,948,541	13,423,308	11,607,069
Powerball	118,284,225	91,357,450	108,535,895	102,792,677	107,810,095	103,893,936	105,765,787	98,504,050	106,851,843	129,940,266
Cash Quest	6,128,809	5,356,444	4,771,713	5,115,531	965,269					
Pick 4	23,685,810	25,572,243	26,116,665	30,507,084	34,034,148	36,157,058	36,073,958	37,379,625	38,512,854	39,457,197
Raffle					2,999,660		2,999,399	2,750,420		
Mega Millions									32,820,616	28,232,497
Total on-line sales	228,661,508	202,904,426	213,251,849	219,540,017	241,645,621	237,129,984	236,379,493	235,508,713	271,587,266	284,310,912
Total sales	340,092,225	307,006,591	332,116,660	354,192,738	373,694,054	378,523,753	372,386,406	383,593,055	429,615,669	447,419,896
Other operating revenues										
Allowance for uncollectible accounts	(74,046)	(60,832)	(127,279)	(9,697)	(7,481)	(21,426)	(20,194)	(19,294)	(6,279)	(49,272)
Other income	100,259	172,069	65,740	15,931	86,020	9,509	328,083	12,508	533,204	9,450
Total other operating revenues	26,213	111,237	(61,539)	6,234	78,539	(11,917)	307,889	(6,786)	526,925	(39,822)
Total operating revenues	340,118,438	307,117,828	332,055,121	354,198,972	373,772,593	378,511,836	372,694,295	383,586,269	430,142,594	447,380,074
Nonoperating revenues										
Interest earned on investments	1,524,103	1,751,259	2,314,754	2,690,613	2,279,826	1,862,321	1,697,134	1,613,550	1,808,722	2,093,533
Net increase (decrease) in the fair value of investments	(1,171,452)	(247,917)	(1,014,680)	31,103	670,492	740,885	1,137,573	(185,310)	596,575	(2,191,737)
Net gain (loss) on disposal of assets	17,454	11,292	41,666	21,968	17,005	33,561	74,630	7,541	36,378	36
Total nonoperating revenues	370,105	1,514,634	1,341,740	2,743,684	2,967,323	2,636,767	2,909,337	1,435,781	2,441,675	(98,168)
Total revenues	340,488,543	308,632,462	333,396,861	356,942,656	376,739,916	381,148,603	375,603,632	385,022,050	432,584,269	447,281,906

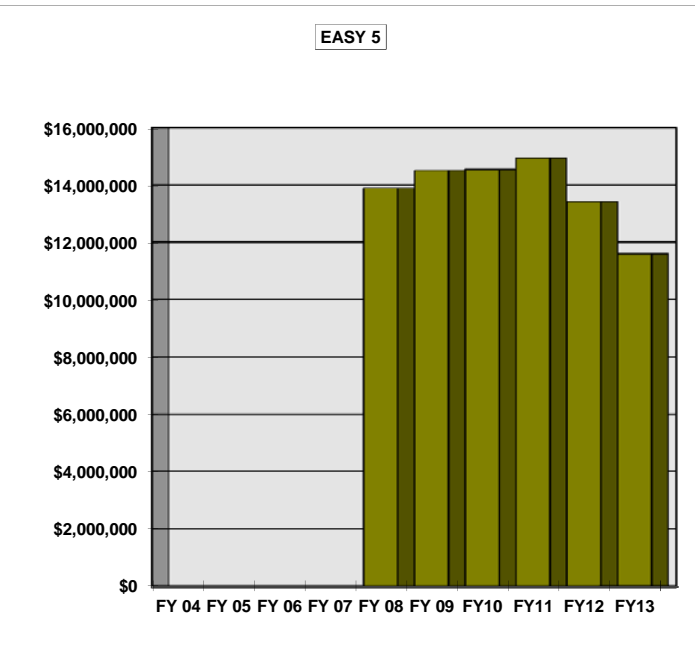
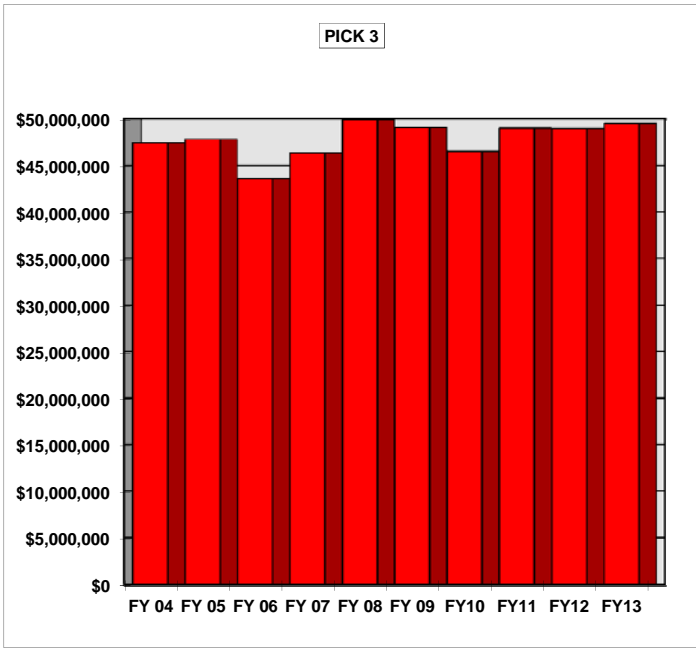
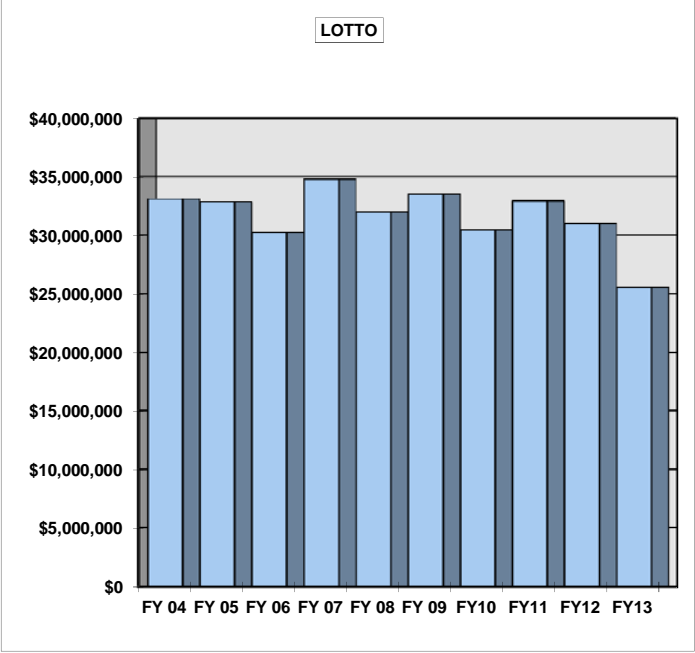
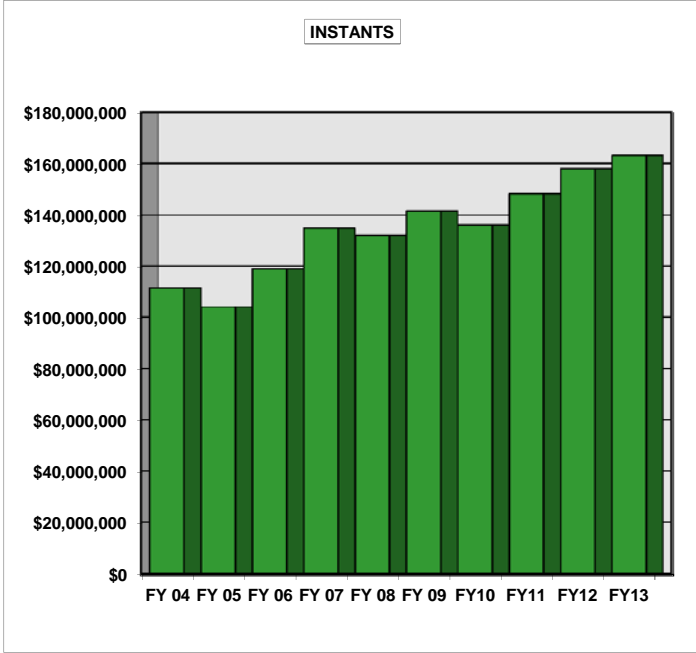
(Continued)

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Net Position and Changes in Net Position
Fiscal Year Ending June 30 for the Years Shown

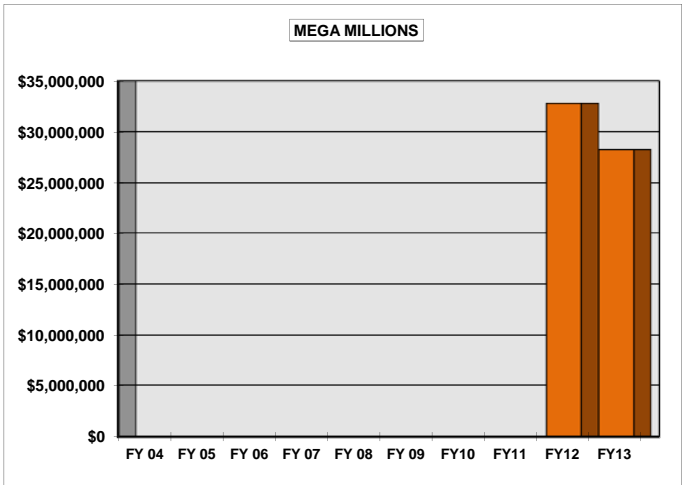
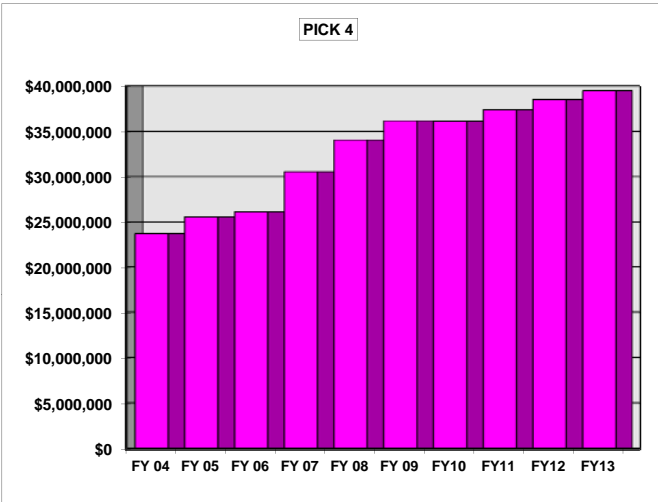
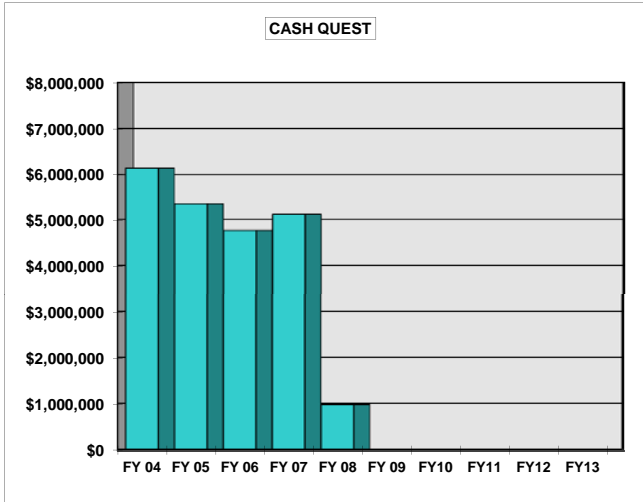
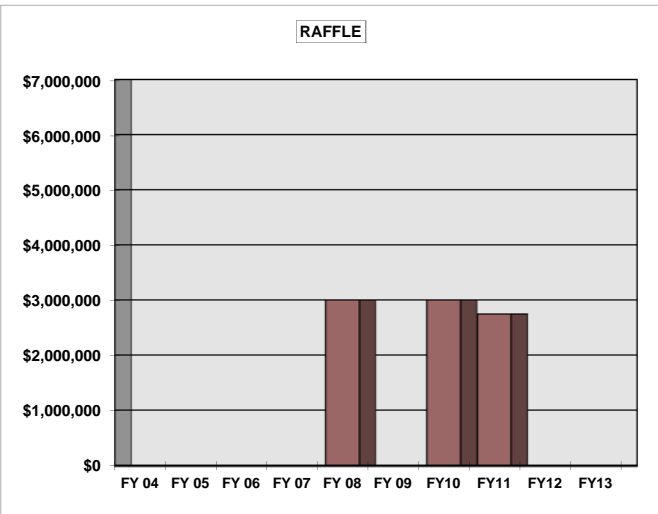
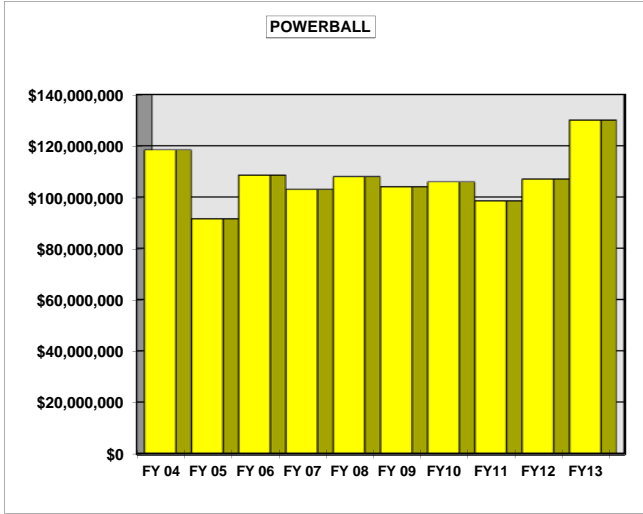
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
OPERATING EXPENSES										
Direct costs:										
Prize expense	\$169,776,455	\$153,257,203	\$168,235,254	\$179,410,211	\$192,800,091	\$193,331,767	\$189,749,514	\$202,901,646	\$226,282,669	\$236,159,214
Retailer compensation	18,664,893	16,859,899	18,503,567	19,661,356	20,912,784	21,056,534	20,630,917	21,370,726	23,788,663	24,786,537
Other direct costs	12,842,890	11,775,524	11,973,524	12,511,948	13,569,127	13,598,523	13,486,737	6,985,576	7,708,626	8,265,834
Total direct costs	<u>201,284,238</u>	<u>181,892,626</u>	<u>198,712,345</u>	<u>211,583,515</u>	<u>227,282,002</u>	<u>227,986,824</u>	<u>223,867,168</u>	<u>231,257,948</u>	<u>257,779,958</u>	<u>269,211,585</u>
Administrative expenses	<u>17,609,168</u>	<u>17,662,611</u>	<u>16,112,777</u>	<u>17,012,217</u>	<u>17,645,772</u>	<u>17,735,988</u>	<u>17,653,110</u>	<u>17,854,937</u>	<u>17,929,132</u>	<u>18,127,704</u>
Total operating expenses	<u>218,893,406</u>	<u>199,555,237</u>	<u>214,825,122</u>	<u>228,595,732</u>	<u>244,927,774</u>	<u>245,722,812</u>	<u>241,520,278</u>	<u>249,112,885</u>	<u>275,709,090</u>	<u>287,339,289</u>
NONOPERATING EXPENSES										
Payments to state treasury	<u>121,196,935</u>	<u>110,391,785</u>	<u>119,433,115</u>	<u>128,263,375</u>	<u>131,861,525</u>	<u>135,908,240</u>	<u>133,701,775</u>	<u>136,363,490</u>	<u>156,905,490</u>	<u>160,214,975</u>
INCOME BEFORE EXTRAORDINARY ITEM	<u>398,202</u>	<u>(1,314,560)</u>	<u>(861,376)</u>	<u>83,549</u>	<u>(49,383)</u>	<u>(482,449)</u>	<u>381,579</u>	<u>(454,325)</u>	<u>(30,311)</u>	<u>(272,358)</u>
EXTRAORDINARY ITEM			<u>186,487</u>							
CHANGES IN NET POSITION	<u>\$398,202</u>	<u>(\$1,314,560)</u>	<u>(\$674,889)</u>	<u>\$83,549</u>	<u>(\$49,383)</u>	<u>(\$482,449)</u>	<u>\$381,579</u>	<u>(\$454,325)</u>	<u>(\$30,311)</u>	<u>(\$272,358)</u>
NET POSITION										
Invested in capital assets	\$6,140,678	\$6,063,654	\$6,047,412	\$5,626,480	\$5,485,927	\$5,370,229	\$5,398,082	\$5,218,640	\$5,088,913	\$4,960,073
Restricted										
Unrestricted	19,169,490	17,931,954	17,273,307	17,777,788	17,868,958	17,502,207	17,855,933	17,581,050	17,680,466	17,536,948
Total net position	<u>\$25,310,168</u>	<u>\$23,995,608</u>	<u>\$23,320,719</u>	<u>\$23,404,268</u>	<u>\$23,354,885</u>	<u>\$22,872,436</u>	<u>\$23,254,015</u>	<u>\$22,799,690</u>	<u>\$22,769,379</u>	<u>\$22,497,021</u>

(Concluded)

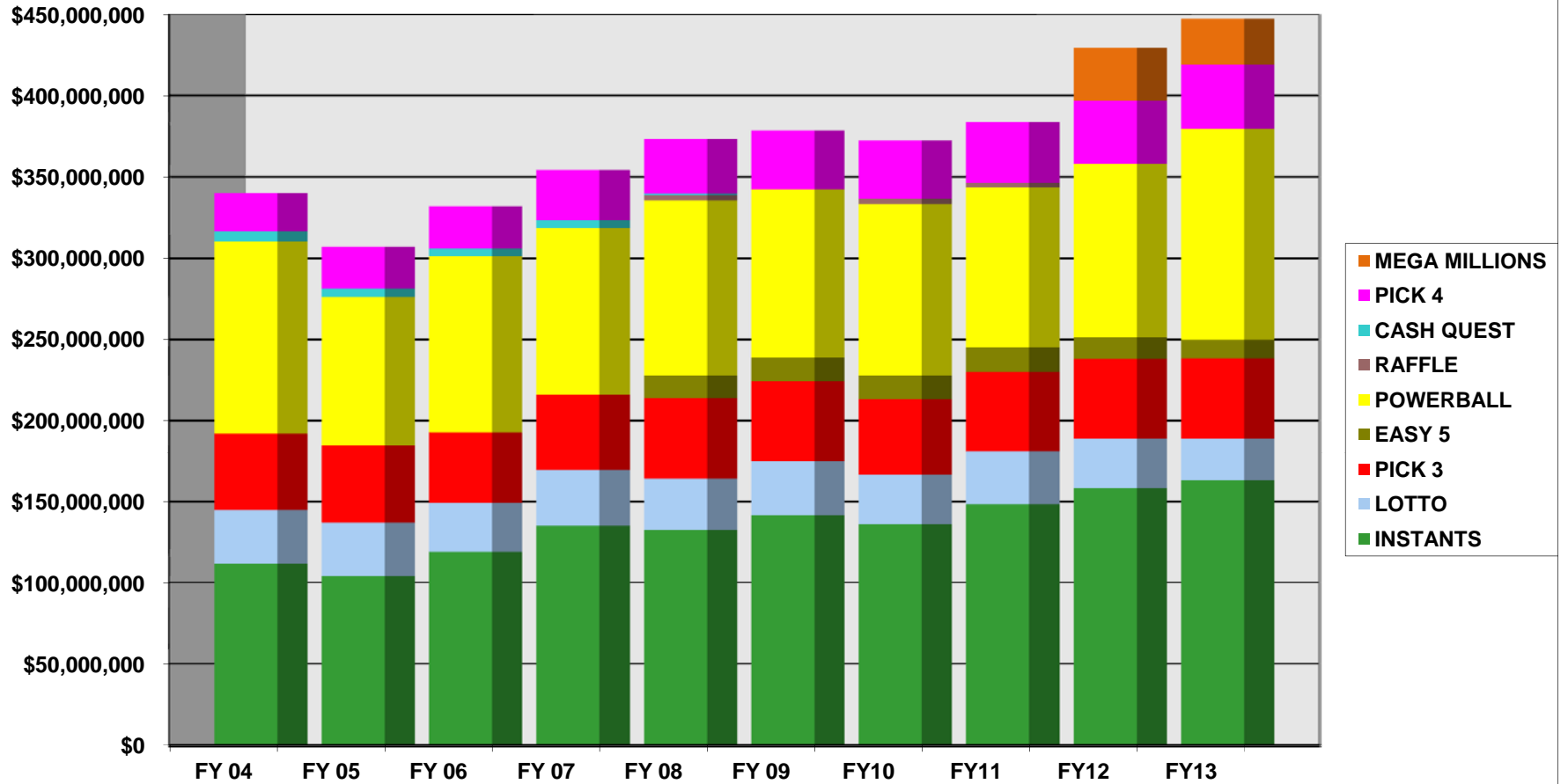
**LOUISIANA LOTTERY CORPORATION
SALES BY FISCAL YEAR BY PRODUCT LINE
(UNAUDITED)
FISCAL YEARS 2004 THROUGH 2013**



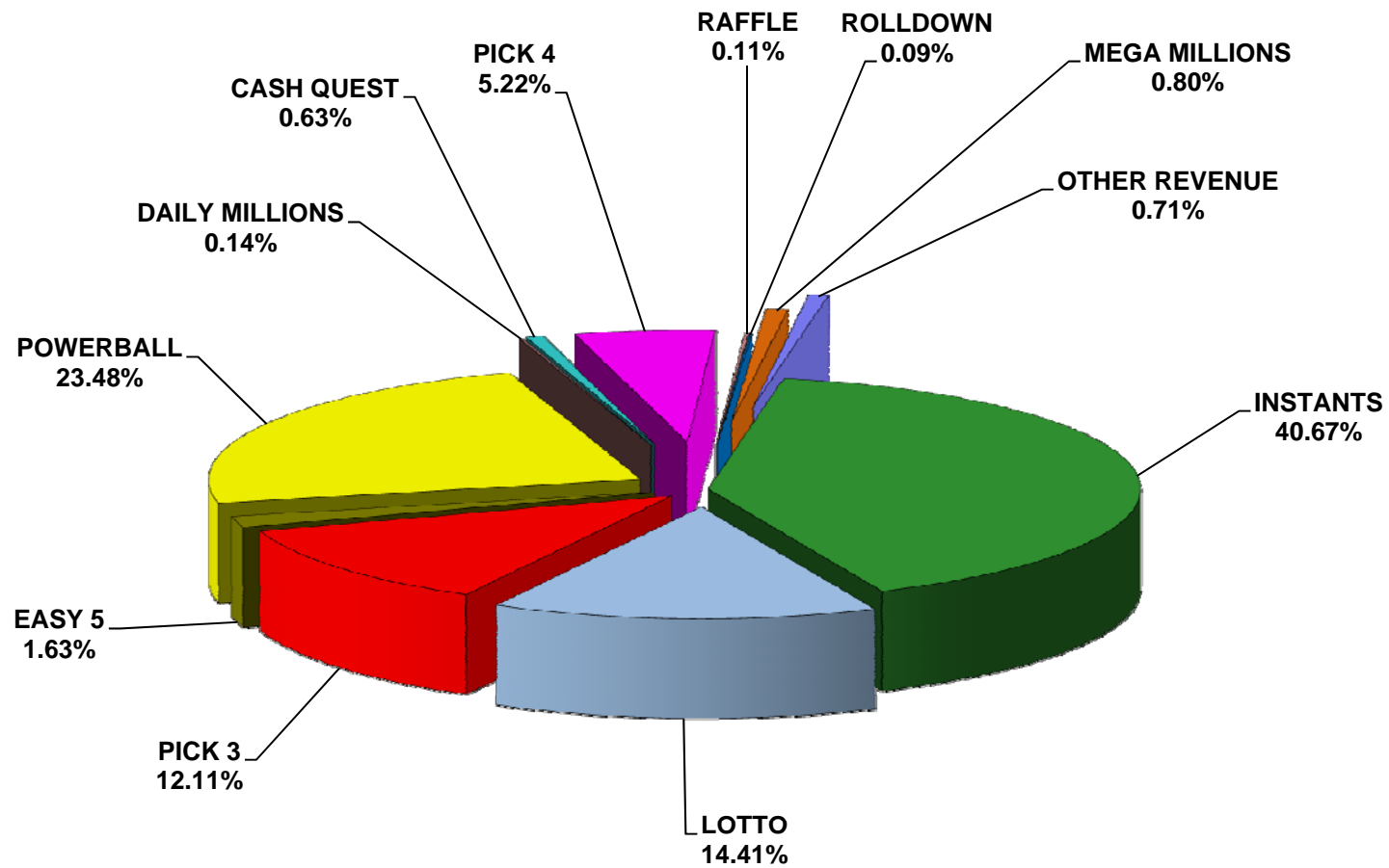
**LOUISIANA LOTTERY CORPORATION
SALES BY FISCAL YEAR BY PRODUCT LINE
(UNAUDITED)
FISCAL YEARS 2004 THROUGH 2013**



**LOUISIANA LOTTERY CORPORATION
SALES BY PRODUCT
(UNAUDITED)
FISCAL YEARS 2004 THROUGH 2013**

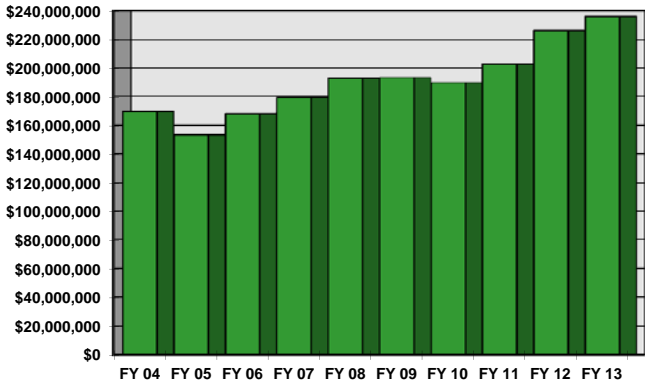


**LOUISIANA LOTTERY CORPORATION
INCEPTION-TO-DATE REVENUE DISTRIBUTION
(UNAUDITED)**

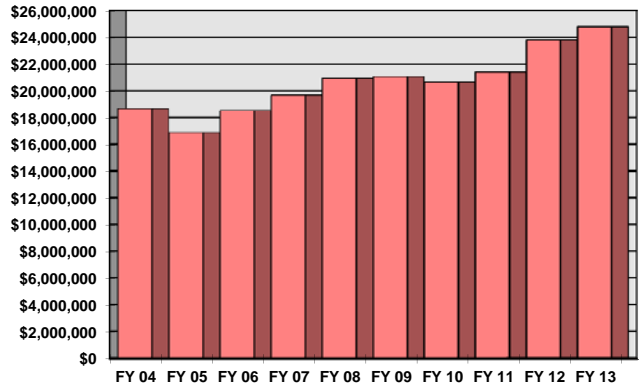


**LOUISIANA LOTTERY CORPORATION
EXPENSES AND PAYMENTS
(UNAUDITED)
FISCAL YEARS 2004 THROUGH 2013**

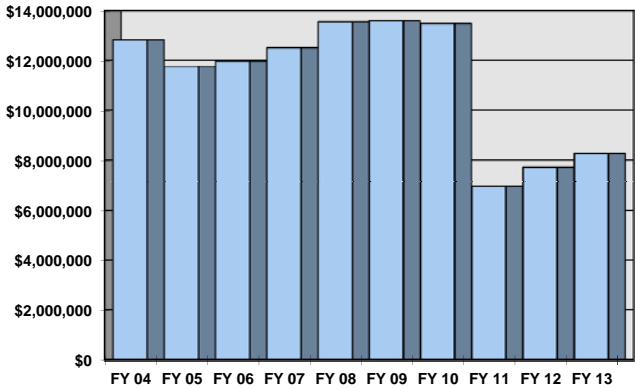
PRIZE EXPENSE



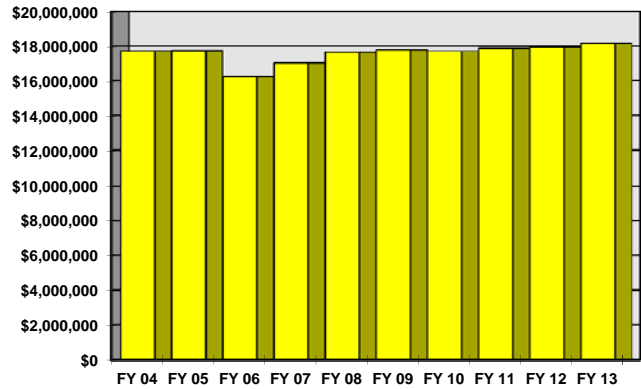
RETAILER COMPENSATION



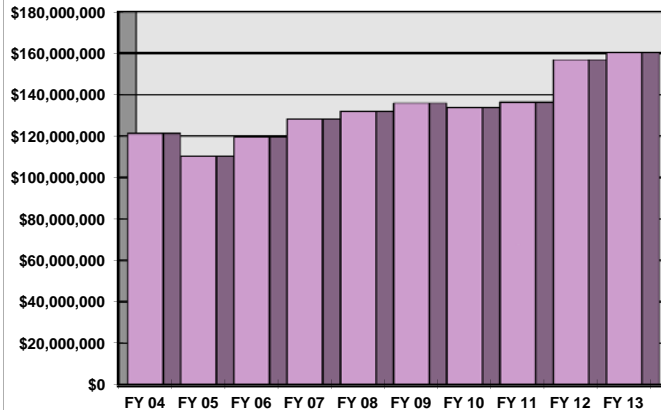
OTHER DIRECT COSTS



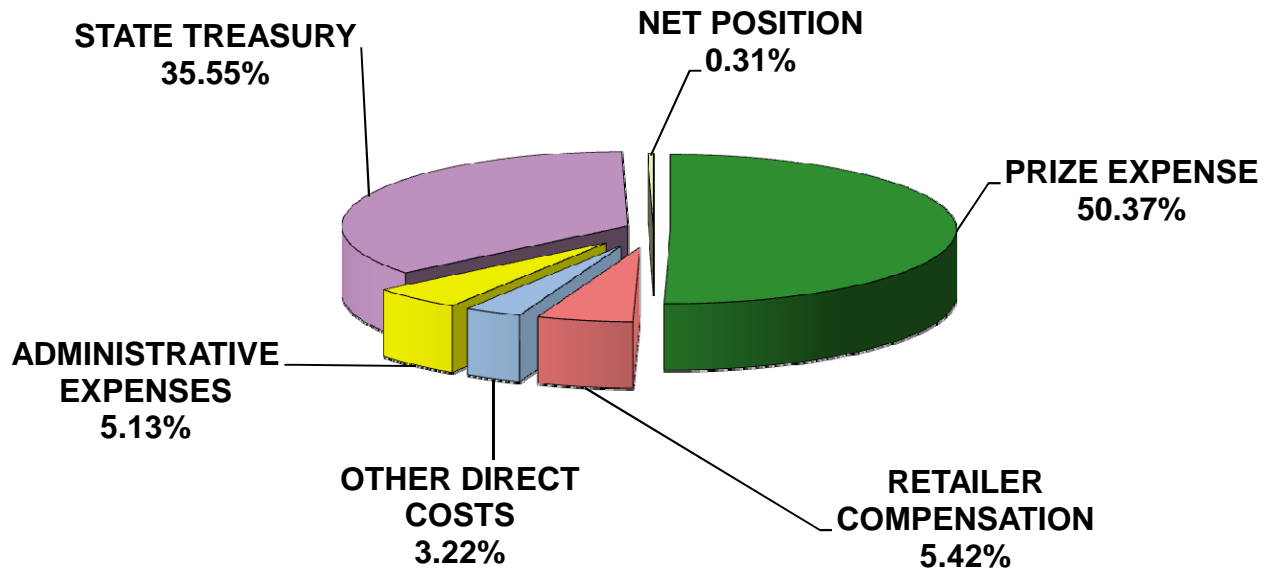
ADMINISTRATIVE EXPENSES



STATE TREASURY



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



**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>
SEPTEMBER 1991			
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		

**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>
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	
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

**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>
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	
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	
JULY 2004	\$8,488,925		
AUGUST 2004	8,584,735		
SEPTEMBER 2004	8,909,205		
OCTOBER 2004	9,832,180		
NOVEMBER 2004	9,095,720		
DECEMBER 2004	10,279,105		\$114,038,320
JANUARY 2005	8,349,700		
FEBRUARY 2005	8,080,810		
MARCH 2005	8,508,585		
APRIL 2005	8,315,245		
MAY 2005	11,268,835		
JUNE 2005	10,678,740	\$110,391,785	
JULY 2005	8,254,655		
AUGUST 2005	8,120,950		
SEPTEMBER 2005	5,519,665		
OCTOBER 2005	10,870,295		

**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>
NOVEMBER 2005	8,526,875		
DECEMBER 2005	9,919,900		106,414,255
JANUARY 2006	10,185,345		
FEBRUARY 2006	14,389,255		
MARCH 2006	11,385,060		
APRIL 2006	10,355,990		
MAY 2006	9,967,465		
JUNE 2006	11,937,660	119,433,115	
JULY 2006	10,153,400		
AUGUST 2006	10,072,650		
SEPTEMBER 2006	10,605,385		
OCTOBER 2006	9,880,170		
NOVEMBER 2006	9,925,840		
DECEMBER 2006	10,506,110		129,364,330
JANUARY 2007	12,367,020		
FEBRUARY 2007	10,355,750		
MARCH 2007	11,982,960		
APRIL 2007	9,526,925		
MAY 2007	9,725,800		
JUNE 2007	13,161,365	128,263,375	
JULY 2007	9,750,850		
AUGUST 2007	13,338,790		
SEPTEMBER 2007	9,451,140		
OCTOBER 2007	9,842,235		
NOVEMBER 2007	10,459,865		
DECEMBER 2007	10,213,145		130,175,845
JANUARY 2008	10,819,300		
FEBRUARY 2008	11,978,880		
MARCH 2008	13,997,750		
APRIL 2008	11,461,080		
MAY 2008	10,500,360		
JUNE 2008	10,048,130	131,861,525	
JULY 2008	10,434,160		
AUGUST 2008	10,053,780		
SEPTEMBER 2008	9,919,085		
OCTOBER 2008	10,456,065		
NOVEMBER 2008	10,507,165		
DECEMBER 2008	11,907,450		132,083,205
JANUARY 2009	12,547,960		
FEBRUARY 2009	11,947,750		
MARCH 2009	11,753,030		
APRIL 2009	11,153,370		
MAY 2009	12,742,510		
JUNE 2009	12,485,915	135,908,240	
JULY 2009	10,327,065		
AUGUST 2009	11,897,360		
SEPTEMBER 2009	11,258,660		
OCTOBER 2009	10,661,110		
NOVEMBER 2009	9,831,460		

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

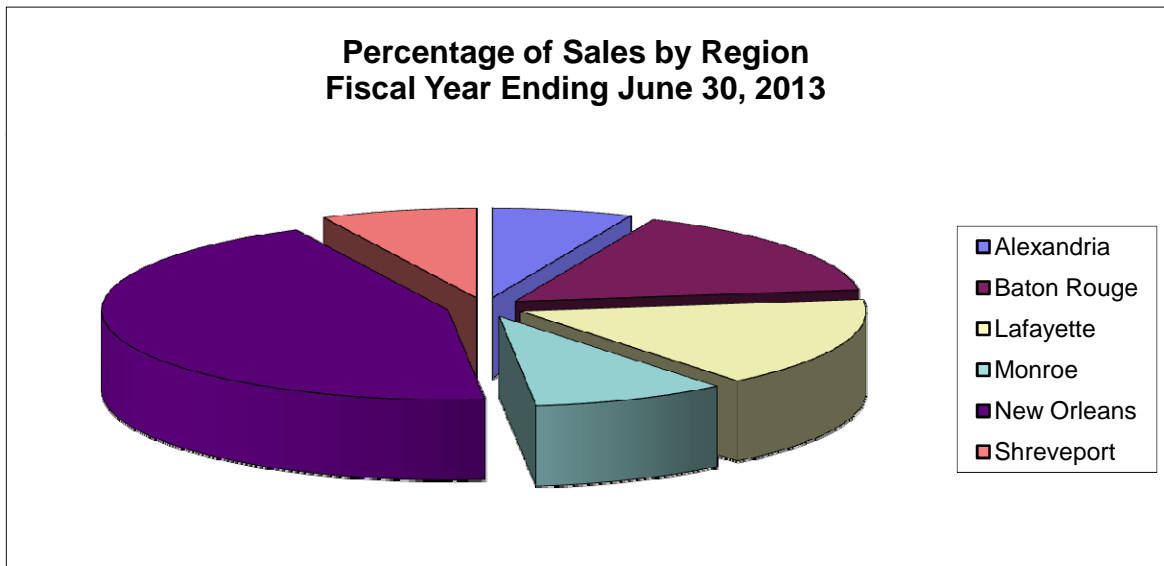
<u>DATE</u>	<u>AMOUNT</u>	<u>LOTTERY FISCAL YEAR TOTAL</u>	<u>CALENDAR YEAR TOTAL</u>
DECEMBER 2009	10,644,340		137,250,530
JANUARY 2010	10,093,340		
FEBRUARY 2010	11,090,400		
MARCH 2010	11,998,175		
APRIL 2010	11,458,715		
MAY 2010	11,626,600		
JUNE 2010	12,814,550	133,701,775	
JULY 2010	10,865,260		
AUGUST 2010	10,623,000		
SEPTEMBER 2010	10,823,825		
OCTOBER 2010	11,018,115		
NOVEMBER 2010	10,940,940		
DECEMBER 2010	10,844,190		134,197,110
JANUARY 2011	11,148,940		
FEBRUARY 2011	11,865,840		
MARCH 2011	12,854,140		
APRIL 2011	11,755,625		
MAY 2011	11,453,130		
JUNE 2011	12,170,485	136,363,490	
JULY 2011	11,355,280		
AUGUST 2011	12,059,415		
SEPTEMBER 2011	10,594,485		
OCTOBER 2011	11,953,000		
NOVEMBER 2011	11,601,880		
DECEMBER 2011	12,903,980		141,716,200
JANUARY 2012	11,792,440		
FEBRUARY 2012	14,992,910		
MARCH 2012	16,819,660		
APRIL 2012	12,495,950		
MAY 2012	12,490,100		
JUNE 2012	17,846,390	156,905,490	
JULY 2012	11,691,265		
AUGUST 2012	12,696,755		
SEPTEMBER 2012	11,525,090		
OCTOBER 2012	11,094,020		
NOVEMBER 2012	16,830,180		
DECEMBER 2012	11,712,280		161,987,040
JANUARY 2013	11,673,530		
FEBRUARY 2013	12,158,140		
MARCH 2013	15,516,120		
APRIL 2013	12,470,790		
MAY 2013	17,641,110		
JUNE 2013	15,205,695	160,214,975	84,665,385
TOTAL INCEPTION-TO-DATE	2,717,490,285	2,717,490,285	2,717,490,285

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Instant Ticket Game Launches and Sales by Price Point
Fiscal Year Ending June 30 for the Years Shown

Price Point	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	% of Total 2013
Number of Launches											
\$1	39	32	19	17	18	18	20	22	23	24	34.29%
\$2	13	16	10	12	18	21	23	23	24	27	38.57%
\$3	3	6	5	5	4	4	4	4	6	6	8.57%
\$5	6	8	6	4	6	8	10	10	11	9	12.86%
\$10	0	1	0	1	3	2	2	3	4	4	5.71%
Total	61	63	40	39	49	53	59	62	68	70	100.00%
Sales											
\$1	\$56,476,199	\$44,811,865	\$46,001,479	\$45,165,388	\$41,239,408	\$39,525,468	\$37,228,056	\$39,838,415	\$42,863,800	\$41,059,283	25.17%
\$2	22,509,278	26,033,894	27,799,094	33,035,430	34,806,831	37,306,124	34,192,992	36,095,682	41,880,575	39,332,690	24.11%
\$3	13,677,891	12,633,261	14,550,588	13,704,063	12,015,639	12,139,287	13,163,915	14,467,278	15,415,458	15,686,361	9.62%
\$5	15,424,130	17,608,325	20,797,750	25,762,520	24,547,595	31,318,900	32,180,710	36,238,597	34,593,695	37,594,100	23.05%
\$10	3,343,219	3,014,820	9,715,900	16,985,320	19,438,960	21,103,990	19,241,240	21,444,370	23,274,875	29,436,550	18.05%
Total	\$111,430,717	\$104,102,165	\$118,864,811	\$134,652,721	\$132,048,433	\$141,393,769	\$136,006,913	\$148,084,342	\$158,028,403	\$163,108,984	100.00%

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Lottery Retailers and Sales by Region
Fiscal Year Ending June 30, 2013**

Region	Number of Retailers	% of Total Retailers	Sales	% Total Sales
Alexandria	197	6.68%	\$29,226,554	6.53%
Baton Rouge	598	20.28%	73,434,840	16.41%
Lafayette	681	23.09%	72,818,103	16.28%
Monroe	276	9.36%	40,657,298	9.09%
New Orleans	895	30.35%	198,841,850	44.44%
Shreveport	302	10.24%	32,441,251	7.25%
Total	2,949	100.00%	\$447,419,896	100.00%



LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Lottery Retailers and Sales by Region
Fiscal Year Ending June 30 for the Years Shown

Number of Retailers

	2006	2007	2008	2009	2010	2011	2012	2013
Region								
Alexandria	204	195	201	201	197	205	203	197
Baton Rouge	538	543	548	564	570	588	591	598
Lafayette	579	582	594	607	633	652	661	681
Monroe	213	218	224	233	235	247	265	276
New Orleans	705	783	798	824	834	868	870	895
Shreveport	281	280	290	313	323	324	307	302
Total	<u>2,520</u>	<u>2,601</u>	<u>2,655</u>	<u>2,742</u>	<u>2,792</u>	<u>2,884</u>	<u>2,897</u>	<u>2,949</u>

Sales

	2006	2007	2008	2009	2010	2011	2012	2013
Region								
Alexandria	\$26,876,128	\$27,988,305	\$28,371,735	\$28,333,187	\$28,051,476	\$28,537,137	\$29,839,616	\$29,226,554
Baton Rouge	65,303,460	66,138,117	67,480,827	69,301,062	69,701,334	70,344,305	74,433,097	73,434,840
Lafayette	59,490,369	60,240,860	61,633,363	63,541,296	62,036,370	64,733,611	71,072,146	72,818,103
Monroe	38,541,327	39,688,387	42,038,577	41,438,609	39,780,683	38,236,763	40,451,779	40,657,298
New Orleans	105,946,748	124,566,931	137,340,680	137,733,963	136,388,277	146,713,671	178,811,317	198,841,850
Shreveport	35,958,628	35,570,138	36,828,872	38,175,636	36,428,266	35,027,568	35,007,714	32,441,251
Total	<u>\$332,116,660</u>	<u>\$354,192,738</u>	<u>\$373,694,054</u>	<u>\$378,523,753</u>	<u>\$372,386,406</u>	<u>\$383,593,055</u>	<u>\$429,615,669</u>	<u>\$447,419,896</u>

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Demographic and Economic Statistics
Calendar Years 2004 to 2013

<u>Calendar Year</u>	<u>Statewide Population</u>	<u>Statewide Personal Income (millions of dollars)</u>	<u>Statewide Personal Income per Capita</u>	<u>Statewide Unemployment Rate</u>
2004	4,506,685	121,919	27,053	5.9%
2005	4,523,628	128,621	28,433	5.5%
2006	4,287,768	132,715	30,952	4.6%
2007	4,293,204	149,214	34,756	3.8%
2008	4,410,796	159,983	36,271	4.6%
2009	4,492,076	159,499	35,507	7.3%
2010	4,533,372	174,292	38,446	7.5%
2011	4,574,836	176,489	38,578	7.3%
2012	4,601,893	181,373	39,413	6.4%
2013	a	a	a	7.0%

Sources:

Population from U.S. Census Bureau; Personal income from U.S. Bureau of Economic Analysis; Unemployment rate from U.S. Department of Labor, Bureau of Statistics.

Note:

a= Not yet available.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Principal Employers
Fiscal Year Ending June 30 for the Year Shown**

<u>2012 EMPLOYERS</u>	<u>RANGE</u>
State of Louisiana	45,000+
Louisiana State University System	25,000+
Oschner Health System	10,000+
University of Louisiana System	5,000 - 9,999
Northrop Grumman Ship Systems	5,000 - 9,999
Willis Knighton Health System	5,000 - 9,999
Hilton- New Orleans Riverside	5,000 - 9,999
Lafayette Medical Center	5,000 - 9,999
Our Lady of the Lake Medical Center	5,000 - 9,999
Tulane University	5,000 - 9,999
Louisiana Community and Technical College System	5,000 - 9,999

* Information obtained from State of Louisiana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Lottery Employees
Fiscal Year Ending June 30 for the Years Shown

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Full-time	135	129	119	120	113	111	111	105	102	105
Part-time	21	18	19	18	19	21	18	13	11	11
Total	<u>156</u>	<u>147</u>	<u>138</u>	<u>138</u>	<u>132</u>	<u>132</u>	<u>129</u>	<u>118</u>	<u>113</u>	<u>116</u>
Sales:										
Alexandria	6	6	6	6	5	4	5	5	5	4
Baton Rouge	9	8	13	7	8	8	7	6	7	7
Lafayette	10	10	8	11	9	10	9	8	9	9
Monroe	5	5	6	6	6	6	6	6	6	6
New Orleans	13	13	5	11	10	11	11	10	11	10
Shreveport	8	7	9	5	5	5	5	5	4	5
Warehousing	7	7	6	6	5	7	7	7	7	8
Marketing and administration	98	91	85	86	84	81	79	71	64	67
Total	<u>156</u>	<u>147</u>	<u>138</u>	<u>138</u>	<u>132</u>	<u>132</u>	<u>129</u>	<u>118</u>	<u>113</u>	<u>116</u>

U.S. LOTTERY STATISTICS (UNAUDITED)

The following tables:

- U.S. Lotteries' Fiscal 2012 Sales By Game.
- Fiscal 2012 U.S. Lottery Sales, Prizes & Government Transfers

Measured by Gross Domestic Product.

(Source: La Fleur's 2013 World Lottery Almanac)

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Rockville, MD 20850

www.lafleurs.com

U.S. lotteries' fiscal 2012 sales by game*

(in \$millions)				Systems Games								Total Sales	
Lottery	Pop. (M)	Instant	Pull tab	3-digit	4-digit	Lotto	Cash Lotto	Power Ball	Mega Millions	Hot Lotto	Keno		Other
Arizona	6.6	409.78	3.27	8.49		34.63	18.09	104.21	56.07			12.15	646.68
Arkansas	2.9	391.29		6.18	3.33			37.90	25.57			8.82	473.09
California	38.0	2,755.38		135.32	29.53	423.76	164.03		720.08		131.06	12.33	4,371.49
Colorado	5.2	364.24				33.28	19.52	81.87	37.12			9.27	545.30
Connecticut	3.6	653.31		121.52	98.54	27.37	33.78	74.28	40.63			32.31	1,081.74
Delaware	0.9	45.71		25.03	18.63	4.52	1.12	24.96	11.97	2.62		0.13	134.69
D.C.	0.6	59.94		53.07	65.67		15.10	17.14	10.63	2.75	12.48	12.91	249.68
Florida	19.3	2,566.99		314.75	244.71	419.04	92.35	503.70				308.4	4,449.90
Georgia	9.9	2,310.18		468.84	195.69	28.74	94.97	110.99	159.00		174.26	17.22	3,559.89
Idaho	1.6	99.83	15.58	1.77		0.14	2.10	34.75	14.09	2.70		4.88	175.84
Illinois ¹	12.9	1,624.59		278.55	194.14	104.88	131.59	147.92	188.72				2,670.40
Indiana	6.5	557.79		29.74	30.21	56.93	4.06	101.12	46.18			29.57	855.58
Iowa	3.1	188.81	17.44	6.74	2.79		4.31	57.93	22.29	10.53			310.85
Kansas	2.9	124.01	9.04	6.01			15.59	37.67	15.66	6.98	23.13	8.07	246.14
Kentucky	4.4	450.25		123.29	37.57	7.91	10.66	83.07	40.06			15.08	767.89
Louisiana	4.6	158.03		48.96	38.51	31.02		106.85	32.82			13.42	429.62
Maine	1.3	165.14		5.27	4.30	16.40	4.73	22.08	7.96	2.47			228.35
Maryland	5.9	506.80		254.59	265.54	30.71	21.87	82.86	110.85		387.41	134.26	1,794.89
Massachusetts	6.6	3,251.48	0.86		333.86	33.58	84.59	82.91	101.48		790.46	50.39	4,729.60
Michigan	9.9	771.72	27.31	323.48	357.65	48.30	51.92	119.54	166.76		538.38	8.41	2,413.46
Minnesota	5.4	355.26		12.84			29.55	73.66	26.24	9.43		13.05	520.03
Missouri	6.0	742.54		65.07	31.38	22.57	28.97	94.69	42.79		65.33	4.09	1,097.43
Montana ¹	1.0	16.53				1.90	4.15	15.94	5.56	3.15		5.54	52.76
Nebraska	1.9	81.95		3.51		1.78	11.56	36.41	13.43			1.97	150.61
N. Hampshire	1.3	176.91		5.18	5.13	9.46	2.43	33.02	14.99	3.18		4.36	254.66
New Jersey	8.9	1,417.66		431.48	261.76	84.16	142.22	183.89	238.19			-0.47	2,758.90
New Mexico	2.1	68.74		3.64			7.51	33.77	14.26	5.43		0.45	133.79
New York	19.6	3,578.93		880.54	813.75	122.27	323.24	296.58	464.58		502.04	30.76	7,012.69
N. Carolina	9.8	959.96		247.75	91.53		57.97	153.92	85.56				1,596.69
N. Dakota	0.7							11.74	6.20	2.73		5.37	26.04
Ohio	11.5	1,507.46		357.41	207.93	42.28	63.79	105.34	179.30		209.78	65.69	2,738.98
Oklahoma	3.8	95.98		4.65	2.05		4.21	58.24	27.33	7.41			199.85
Oregon	3.9	117.52			1.35	37.54	5.55	38.78	22.21		93.46	6.76	323.16
Pennsylvania	12.8	2,134.58		359.92	245.60	66.01	159.85	277.69	151.23			86.01	3,480.90
Rhode Island	1.1	83.95			25.41		4.89	32.86	13.94		82.25	6.17	249.48
S. Carolina	4.7	758.44		138.85	66.78		22.28	96.15	53.03				1,135.53
South Dakota	0.8	24.77				1.96	2.29	16.22	4.63	3.27			53.14
Tennessee	6.5	955.25		57.97	27.69		19.22	102.75	53.96				1,216.85
Texas	26.1	3,086.14		279.64	73.41	169.69	65.61	198.67	252.69			64.97	4,190.82
Vermont	0.6	74.54		1.38	1.30	5.36	1.00	9.65	4.68	1.06		2.0	100.93
Virginia	8.2	842.12		243.27	222.77	33.15	26.68	89.05	140.24			18.72	1,616.00
Washington	6.9	318.15		16.60	12.41	54.47	22.96	42.86	59.20		5.63	2.93	535.20
West Virginia	1.9	117.68		8.70	5.03		5.47	38.69	14.75	4.74	6.25		201.29
Wisconsin ¹	5.7	320.13	2.35	24.14	12.17	24.83	47.66	78.21	36.99			1.20	547.68
Total	297.8	35,290.45	75.84	5,354.14	4,028.11	1,978.63	1,829.44	3,950.50	3,733.93	68.42	3,021.91	997.09	60,328.5
% of total		58.5%	0.1%	8.9%	6.7%	3.3%	3.0%	6.5%	6.2%	0.1%	5.0%	1.7%	100.0%

* Fiscal year ends June 30 for all U.S. states, except New York (March 31), Texas (August 31), D.C. and Michigan (Sept. 30); ¹ Unaudited sales

FY12 U.S. Lottery Sales, Prizes & Government Transfers Measured by GDP*

Lottery	2012 Pop. ¹ (Mil)	2011 Gross Domestic Product ² (Mil)	(in \$millions)				PC Sales	PC Gov't	Ticket Sales as % of GDP	Gov't Transfers as % of GDP ⁷
			Traditional Ticket Sales ³ (Mil)	VLT (net) (Mil)	Prizes ⁴ (Mil)	Gov't Transfers ⁵ (Mil)				
Arizona	6.6	227,098	646.67		396.71	164.72	\$99	\$25	0.285%	0.073%
Arkansas	2.9	91,496	473.09		315.32	97.71	\$160	\$33	0.517%	0.107%
California	38.0	1,735,360	4,371.49		2,560.31	1,300.24	\$115	\$34	0.252%	0.075%
Colorado	5.2	234,308	545.30		342.64	123.25	\$105	\$24	0.233%	0.053%
Connecticut	3.6	201,386	1,081.74		659.90	311.90	\$301	\$87	0.537%	0.155%
Delaware ^{4,5}	0.9	57,293	134.68	475.73	85.65	329.06	\$147	\$359	0.235%	0.574%
D.C.	0.6	91,643	249.68		137.31	66.40	\$395	\$105	0.272%	0.072%
Florida	19.3	661,091	4,449.90		2,766.12	1,321.60	\$230	\$68	0.673%	0.200%
Georgia	9.9	365,809	3,559.89		2,289.81	901.33	\$359	\$91	0.973%	0.246%
Idaho	1.6	51,463	175.84		108.86	41.60	\$110	\$26	0.342%	0.081%
Illinois ⁶	12.9	582,094	2,670.40		1,675.02	705.08	\$207	\$55	0.459%	0.121%
Indiana	6.5	240,933	855.58		532.96	205.25	\$131	\$31	0.355%	0.085%
Iowa	3.1	128,597	310.85		182.44	78.73	\$101	\$26	0.242%	0.061%
Kansas	2.9	113,367	246.14		138.90	71.00	\$85	\$25	0.217%	0.063%
Kentucky	4.4	141,266	767.89		459.16	216.44	\$175	\$49	0.544%	0.153%
Louisiana	4.6	205,877	429.62		226.28	156.91	\$93	\$34	0.209%	0.076%
Maine	1.3	44,821	228.35		142.83	54.33	\$172	\$41	0.509%	0.121%
Maryland ^{4,5}	5.9	264,373	1,794.89	195.09	1,065.65	685.15	\$305	\$116	0.679%	0.259%
Massachusetts	6.6	348,577	4,729.60		3,396.83	983.79	\$712	\$148	1.357%	0.282%
Michigan	9.9	337,427	2,413.46		1,369.75	786.92	\$244	\$80	0.715%	0.233%
Minnesota	5.4	244,912	520.03		320.61	123.81	\$97	\$23	0.212%	0.051%
Missouri	6.0	216,099	1,097.43		722.08	273.60	\$182	\$45	0.508%	0.127%
Montana ⁶	1.0	31,983	52.76		28.62	13.06	\$52	\$13	0.165%	0.041%
Nebraska	1.9	79,889	150.61		87.39	36.08	\$81	\$19	0.189%	0.045%
N. Hampshire	1.3	56,572	254.66		158.89	66.77	\$193	\$51	0.450%	0.118%
New Jersey	8.9	426,765	2,758.90		1,617.77	950.08	\$311	\$107	0.646%	0.223%
New Mexico	2.1	70,497	133.79		72.03	41.33	\$64	\$20	0.190%	0.059%
New York	19.6	1,016,350	7,012.69	1,426.78	4,130.41	2,877.99	\$358	\$147	0.690%	0.283%
N. Carolina	9.8	385,092	1,596.69		961.56	460.47	\$164	\$47	0.415%	0.120%
N. Dakota	0.7	34,262	26.04		13.41	7.62	\$37	\$11	0.076%	0.022%
Ohio	11.5	418,881	2,738.98	11.08	1,680.79	771.03	\$237	\$67	0.654%	0.184%
Oklahoma	3.8	134,146	199.86		103.05	70.49	\$52	\$18	0.149%	0.053%
Oregon ^{4,5}	3.9	186,228	323.16	727.15	238.28	525.11	\$83	\$135	0.174%	0.282%
Pennsylvania	12.8	500,433	3,480.90		2,120.50	1,060.89	\$273	\$83	0.696%	0.212%
R. Island ^{4,5}	1.1	43,663	249.48	527.32	152.62	377.71	\$238	\$360	0.571%	0.865%
S. Carolina	4.7	143,278	1,135.53		721.38	300.08	\$240	\$64	0.793%	0.209%
S. Dakota ^{4,5}	0.8	34,443	53.14	176.64	29.24	103.70	\$64	\$124	0.154%	0.301%
Tennessee	6.5	233,997	1,215.86		757.48	323.44	\$188	\$50	0.520%	0.138%
Texas	26.1	1,149,908	4,190.82		2,632.62	1,155.52	\$161	\$44	0.364%	0.100%
Vermont	0.6	22,968	100.93		64.61	22.33	\$161	\$36	0.439%	0.097%
Virginia	8.2	375,747	1,616.00		962.28	464.09	\$197	\$57	0.430%	0.124%
Washington	6.9	310,906	535.20		311.55	138.04	\$78	\$20	0.172%	0.044%
W. Virginia ^{4,5}	1.9	55,765	201.29	1,175.96	120.61	693.84	\$109	\$374	0.361%	1.244%
Wisconsin ⁶	5.7	221,741	547.68		320.12	149.95	\$96	\$26	0.247%	0.068%
Total	297.8	12,518,804	60,327.5	4,715.8	37,180.4	19,608.4	\$203	\$66	0.482%	0.157%

* Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30). ¹ Source: U.S. Census Bureau

² Source: U.S. Bureau of Economic Analysis; ³ This data represents only revenue from traditional lottery games; ⁴ Prizes do not include VLT

⁵ Includes government transfers for VLT operations; ⁶ Unaudited

Note: If a lottery's operating statement did not include government transfers, then net income is reported.

SOURCE: La Fleur's 2013 World Lottery Almanac (Copyright)

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Capital Asset Information
Fiscal Year Ending June 30 for the Years Shown

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Owned buildings - square feet										
<i>Headquarters</i>										
555 Laurel Street Baton Rouge 70801	28,176	28,176	28,176	28,176	28,176	28,176	28,176	28,176	28,176	28,176
<i>Distribution center</i>										
Baton Rouge	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Leased locations - square feet occupied (Leasehold improvements on schedule of capital assets)										
2222 Clearview Parkway Metairie, Suite B3 70001	5,525	5,525	5,525	5,525	5,525	5,525	5,525	5,525	5,525	5,525
5520-L Johnston Street Lafayette 70503	3,516	3,516	3,516	3,516	3,516	3,516	3,516	3,516	3,516	3,516
1325 Macarthur Drive Alexandria 71301	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
1128 Pecanland Road Monroe 71203	2,480	2,480	2,480	2,480	2,480	2,480	2,480	2,480	2,480	2,480
8201 Jewella Avenue Shreveport 71108	2,480	2,480								
767 Shreveport - Barksdale Highway Shreveport 71105			3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300
3519 Patrick Street Lake Charles 70605	160	160	160							
Fleet of owned vehicles										
Cars - security department	5	5	5	5	5	5	3	4	4	4
Passenger vans - sales representatives	52	50	47	47	53	43	42	47	38	45
Trucks	1	1	1	2	2	2	2	3	3	4
Promotional trailers	4	3	3	3	3	3	3	3	3	3
	<u>62</u>	<u>59</u>	<u>56</u>	<u>57</u>	<u>63</u>	<u>53</u>	<u>50</u>	<u>57</u>	<u>48</u>	<u>56</u>

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 3, 2013

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Basic Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the Louisiana Lottery Corporation (Corporation), a component unit of the State of Louisiana, as of and for the years ended June 30, 2013, and June 30, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 3, 2013.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

ELM:DG:BDC:THC:ch

LLC 2013