

REPORT

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA

JUNE 30, 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the Auditor and other appropriate public officials. This report is available for public inspection at the Public Access Office of the Legislative Auditor and, unless otherwise indicated, at the office of the parish clerk of court.

Release Date: 9/4/02

LOUISIANA TAX FREE SHOPPING COMMISSION

DEPARTMENT OF REVENUE
STATE OF LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

August 16, 2002

Louisiana Tax Free Shopping Commission
Department of Revenue
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Louisiana Tax Free Shopping Commission, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, as listed in the foregoing notes to report. These financial statements are the responsibility of the Louisiana Tax Free Shopping Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Louisiana Tax Free Shopping Commission as of June 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Louisiana Tax Free Shopping Commission adopted the provisions of the Government Accounting Standards Board Statement Number 34, *Basis of Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of July 1, 2000.

Management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 16, 2005, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Office of Statewide Reporting Package is presented for purposes of additional analysis and is not a required part of the financial statements of the Board. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Dupont, Hargrave, Hogan & Miller, L.L.P.

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

The Management's Discussion and Analysis of the Louisiana Tax Free Shopping Commission's financial performance presents a narrative overview and analysis of Louisiana Tax Free Shopping Commission's financial activities for the year ended June 30, 2002. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the Louisiana Tax Free Shopping Commission's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The Louisiana Tax Free Shopping Commission's assets exceeded its liabilities at the close of fiscal year 2002 by \$315,586, which represents a decrease from last fiscal year. The net assets decreased by \$40,588 (or 12%).
- The Louisiana Tax Free Shopping Commission's operating revenues decreased \$166,218 (or 20%) and the net results from activities increased by \$76,081 (or 18%).

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements...and Management's Discussion and Analysis...for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the Louisiana Tax Free Shopping Commission as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Fund Net Assets, and the Statement of Cash Flows.

The *Statement of Net Assets* (page 8) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Louisiana Tax Free Shopping Commission is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Fund Net Assets* (page 9) presents information showing how Louisiana Tax Free Shopping Commission's assets changed as a result of current year operations. Regardless of when cash is collected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The *Cash Flow Statement* (page 10) presents information showing how Louisiana Tax Free Shopping Commission's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
 as of June 30, 2002
 (in thousands)

	<u>2002</u>	<u>2001</u>
		(prior to restructuring)
Current and other assets	\$ 143	\$ 196
Capital assets	--	--
Total assets	<u>143</u>	<u>196</u>
Other liabilities	214	21
Long-term debt outstanding	34	--
Total liabilities	<u>248</u>	<u>21</u>
Net assets:		
Invested in capital assets, net of debt	--	--
Restricted	--	--
Unrestricted	<u>143</u>	<u>196</u>
Total net assets	\$ <u>143</u>	\$ <u>196</u>

**LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on what their income may be used for. The Louisiana Tax Free Shopping Commission has no restricted net assets as of June 30, 2002.

Net assets of Louisiana Tax Free Shopping Commission decreased by approximately \$40,588 (or 12%), from June 30, 2001 to June 30, 2002. An adjustment decreasing the beginning net asset balance, in the inclusion of \$58,014 of accumulated depreciation on assets. This was not included in general fixed assets of Louisiana Tax Free Shopping Commission under the basis of accounting prior to adoption of GASB Statement 34. Another decrease resulted from the inclusion of the \$20,570 liability for compensated absences, which were previously reported in the long-term debt group of accounts, and now reflected as a long term liability in the statement of net assets.

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
for the years ended June 30, 2002
(in thousands)**

	<u>2002</u>	<u>2001</u>
Operating revenues	\$ 412	\$ 581
Operating expenses	<u>11,682</u>	<u>10,021</u>
Operating income/(loss)	<u>1,168</u>	<u>(4,440)</u>
Non-operating revenue/(expense)	<u>11</u>	<u>3</u>
Income/(loss) before transfers	<u>1,179</u>	<u>(4,437)</u>
Transfers in	-	-
Transfers out	<u>-</u>	<u>-</u>

The Louisiana Tax Free Shopping Commission's total revenues decreased approximately \$169,600 (or 37%). The total cost of all programs and services decreased by approximately \$187,600 (or 30%). These decreases were attributable to the events of September 11, 2001, which caused a significant decline in international air travel and spending, the primary source of LTFSC's revenue and activity.

**LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2002, the Louisiana Tax Free Shopping Commission had \$0, net of accumulated depreciation of \$35,614 invested in capital assets, including computer equipment and office equipment. (See following Table and notes).

Capital Assets at Year-end
(Net of Depreciation, in thousands)

	2002		2001
Land	\$ 0		\$ 0
Buildings and improvements	0		0
Equipment	0		0
Infrastructure	0		0
	Total \$ 0		\$ 0

There were no additions in the current period.

Debt

The Louisiana Tax Free Shopping Commission has no bonds and notes outstanding at year-end, and had no bonds and notes outstanding last year.

The Louisiana Tax Free Shopping Commission has no claims and judgments outstanding at year-end, and had none last year. Other obligations include the account for future compensated absences.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

There were no amendments to the original budget.

**LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
MANAGEMENT DISCLOSURE AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S SUBJECTS AND RATES

The Louisiana Tax Free Shopping Commission is alerted and appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Revenue projections that were based on most recent travel and spending trends as opposed to pre-September 11 data.
- Expenses that will have to correspond with the recent reduction in overall activity.

The Louisiana Tax Free Shopping Commission reports that next year's results will improve based on the following:

- Anticipation of increased international tourism to Louisiana through redrafted marketing efforts and newly formed alliances within the travel industry.
- Travel industry indicators of anticipated rebound of international air travel and spending.

CONTACTING THE LOUISIANA TAX FREE SHOPPING COMMISSION MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Louisiana Tax Free Shopping Commission's finances and to show the Louisiana Tax Free Shopping Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joseph D'Arcangelo, Assistant Director, World Trade Center, Suite 2017, New Orleans, Louisiana, 70110.

LOUISIANA TAX FREE SHOPPING COMMISSION
 DEPARTMENT OF REVENUE
 STATE OF LOUISIANA
 STATEMENT OF NET ASSETS
 JUNE 30, 2002

ASSETS

Current assets:	
Cash (Note 2)	\$ 411,004
Receivables (Note 4)	16,887
Due from other governmental units (Note 3)	104,400
Inventory of supplies	11,511
Total current assets	<u>543,802</u>
Non-current assets:	
Capital assets - equipment, net of depreciation (Note 5)	—
TOTAL ASSETS	\$ <u>543,802</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and amounts due to State of Louisiana (Note 15)	\$ 24,487
Salaries and related payable	176,008
Total current liabilities	<u>200,495</u>
Non-current liabilities:	
Compensated absences payable (Note 8)	13,153
Total liabilities	<u>213,648</u>
Net assets:	
Invested in capital assets, net of related debt	—
Unrestricted	330,154
Total net assets	<u>330,154</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>543,802</u>

See accompanying notes.

LOUISIANA TAX FREE SHOPPING COMMISSION
 DEPARTMENT OF REVENUE
 STATE OF LOUISIANA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDING JUNE 30, 2008

OPERATING REVENUES (Note 1)	
Vendor handling fees	\$ 289,991
Membership fees	74,317
Voucher sales	83,048
Advertising revenue	154,072
Miscellaneous income	394
Use of money and property	5,946
Total operating revenues	<u>617,758</u>
OPERATING EXPENSES:	
Personnel services and related benefits	282,998
Taxes	11,385
Operating services	114,555
Supplies	2,115
Professional services	52,718
Other charges	1,554
Total operating expenses	<u>465,325</u>
Operating income (loss)	<u>152,433</u>
NONOPERATING REVENUES (EXPENSES)	
Reimbursement for sales tax refunds (Note 3)	1,476,715
Sales tax refunds (Note 3)	<u>(1,415,317)</u>
Total nonoperating revenues (expenses)	<u>61,398</u>
Change in net assets	<u>(12,218)</u>
NET ASSETS - BEGINNING OF YEAR, AS RESTATED (Note 14)	<u>298,224</u>
NET ASSETS - END OF YEAR	\$ 286,006

See accompanying notes.

LOUISIANA TAX FREE SHOPPING COMMISSION
 DEPARTMENT OF REVENUE
 STATE OF LOUISIANA
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received for services	\$ 486,448
Cash received for other revenue	1,946
Cash payments to suppliers for goods and services	(262,788)
Cash payments for salaries and related expenses	(281,627)
Net cash used by operating activities	<u>(24,219)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Advance from State of Louisiana	200,000
Payments to advance from State of Louisiana	(20,000)
Reimbursements for sales tax refunds	1,541,769
Cash paid for sales tax refunds	(1,436,298)
Net cash provided by noncapital financing activities	<u>285,471</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

261,252

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

62,294

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 413,504

RECONCILIATION OF OPERATING INCOME

TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (21,414)
Changes in assets and liabilities:	
Receivables	11,974
Inventory of supplies	16,974
Accounts payable and accrued	16,630
Compensated absences payable	16,277
Net cash used by operating activities	<u>\$ (24,219)</u>

See accompanying notes.

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
NOTICE TO FINANCIAL STATEMENTS
JUNE 30, 2012

INTRODUCTION

The Louisiana Tax Free Shopping Commission (the commission) established within the Department of Revenue, was created under the provisions of Louisiana Revised Statutes (R.S.) 51:1364-1374. The commission is composed of five members who serve without compensation or reimbursement from the state and is charged with operating the Louisiana Tax Free Shopping Program, a sales tax refund program for the purchase of tangible personal property from participating retailers by international travelers. The legislature finds that Louisiana, with its many attractions, has an extraordinary opportunity to generate additional revenue in the form of international tourism. Foreign visitors to the United States represent a more lucrative market than domestic travelers because they use tourism services to a much greater degree than their domestic counterparts. While the Louisiana Tax Free Shopping Program has an initial opportunity cost to state and local governments equal to the amount of sales tax refunded, this loss is offset by additional revenues generated from an increase in foreign tourism, who continue to pay tax on expenditures such as hotels, restaurants, entertainment, retail sales, riverboat rides, and other attractions. The commission is domiciled in New Orleans.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and reporting standards. The Commission applies all GASB pronouncements as well as Financial Accounting Standards (FASB) statements and interpretations issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

These financial statements were prepared in accordance with GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. All activities of the Commission are accounted for within a single proprietary (enterprise) fund. This fund type is used to report any activity for which a fee is charged to external users for goods and services. In addition, these financial statements include the implementation of GASB Statement Number 34, *Basic Financial Statements – Management's Discussion and Analysis for State and Local Governments* and related standards. This new standard provides for significant changes in terminology, recognition of contributions in the Statement of Revenues, Expenses and Changes in Net Assets, inclusion of a management discussion and analysis as supplementary information and other changes.

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

Reporting Entity:

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Louisiana Tax Free Shopping Commission is considered a component unit of the State of Louisiana because the state retains oversight responsibility as follows: (1) commission members are designated by state law; (2) the commission is established in the Louisiana Department of Revenue; (3) commission action for sales tax refunds is governed by the Louisiana Tax Free Shopping Program law; (4) sales tax refunds are provided within the boundaries of the state; and (5) additional revenues generated from an increase in foreign tourists benefit the state and its political subdivisions. The accompanying statements present information only as to the transactions of the Louisiana Tax Free Shopping Commission, a component unit of the State of Louisiana. Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements.

Basis of Accounting:

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The commission uses the following practices in recording revenues and expenses:

Revenues

Revenues are recognized using the full accrual basis of accounting; therefore revenues are recognized in the accounting period in which they are earned and become measurable. Annual membership fees are recognized as revenues in the period due. A portion of such sales tax refund is withheld from the visitor as a handling fee. These fees are recognized as revenue in the month earned. Interest earnings are recorded when the interest is earned.

Expenses

Expenses are recognized under the accrual basis of accounting; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Budget Functions:

In accordance with R.S. 51:1584, the commission has been established in the Department of Revenue and is authorized to exercise and carry out all powers, duties, and functions to implement the Louisiana Tax Free Shopping Program. These duties include establishing a budget for the program, taking into account anticipated operating revenues and expenditures. The commission prepares its budget of operating revenues and expenditures on the modified accrual basis of accounting and employs it as a management tool throughout the year. The budget is prepared before the first meeting of the fiscal year, at which time the budget is adopted by the commission. At year-end, the budget amounts do not lapse. The budget for the fiscal year ended June 30, 2002, was approved on June 18, 2001. There were no encumbrance cash during the year.

Cash and Cash Equivalents:

The commission considers cash and cash equivalents to be petty cash, cash on hand, and demand deposits. Under state law, the commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the commission may invest in time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in Louisiana.

Inventories of Materials and Supplies:

Inventories are valued at cost and are recorded as expenditures at the time the items are purchased.

Capital Assets:

Capital assets acquired are recorded at cost. Depreciation is charged to expense over the estimated useful lives of the assets and is determined using the straight-line method.

Employee Compensated Absence:

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employees' hourly rate of pay at the time of termination.

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

2. CASH

At June 30, 2002, the commission has cash (bank balances) totaling \$413,334 as follows:

Demand deposits	\$373,836
Cash on hand	39,500
petty cash	2,000
Total	<u>\$413,336</u>

Under state law, the bank balances of these 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. At June 30, 2002, the commission has \$403,336 in deposits (including bank balances). These deposits are secured from risk by \$393,436 of federal deposit insurance and \$299,890 of pledged securities held by the commission's agent in the commission's name.

3. SALES TAX REFUNDS

For the year ended June 30, 2002, \$1,617,317 of sales tax refunds was processed for foreign visitors under the Louisiana Tax Free Shopping Program. This amount (before the handling fee deduction) relates to sales taxes from the following taxing authorities:

State of Louisiana	\$ 845,119
City of New Orleans	303,464
Jefferson Parish	338,988
Assessor Parishes	25,472
East Baton Rouge Parish	22,878
Lafayette Parish	7,122
Other	1,681
Total	<u>\$1,626,313</u>

At June 30, 2002, reimbursements for sales tax credits were due from the following taxing authorities:

State of Louisiana	\$ 44,697
City of New Orleans	28,946
Jefferson Parish	28,021
Assessor Parishes	4,700
East Baton Rouge Parish	1,518
Other	863
Total	<u>\$138,415</u>

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

4. RECEIVABLES:

The following is a summary of receivables at June 30, 2002:

Membership fees	\$ 600
Vendor sales	7,268
Advertising	3,802
Handling fees	3,129
Other receivables	2,784
	_____ \$ 17,583
Total	\$ 17,583

5. CAPITAL ASSETS:

Capital activity for the year ended June 30, 2002 was as follows:

	Balance July 1, 2001	Plus Trans- Adjustments (Dets. 15)	Adjusted Balance July 1, 2002	Additions	Retirements	Adjusted Balance June 30 2002
Equipment	\$ 14,000	\$ -	\$ 14,000	\$ -	\$ -	\$ 14,000
Less: accumulated depreciation	_____	(5,610)	(5,610)	_____	_____	(5,610)
	\$ 14,000	\$ (5,610)	\$ 8,390	\$ _____	\$ _____	\$ 2,780

6. EMPLOYEE RETIREMENT SYSTEM:

Substantially all employees of the commission are members of the Louisiana State Employees' Retirement System, a cost-sharing, multiple-employer defined benefit pension plan. The system is a statewide public employee retirement system for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time commission employees are eligible to participate in the system. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$200 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

6. EMPLOYEE RETIREMENT SYSTEMS: (Continued)

years of service. The system also provides death and disability benefits. Benefits are established or amended by state statute. The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Louisiana State Employees' Retirement System, Post Office Box 44113, Baton Rouge, Louisiana 70884, or by calling (225) 922-6680 or (800) 256-3860.

Members are required by state statute to contribute 7.5% of gross salary, and the commission is required to contribute at an actuarially determined rate as required by R.S. 11:161. The contribution rate for the fiscal years ended June 30, 2001 and 2002 was 15.0% of annual covered payroll, an increase from 13.5% required in fiscal year ended June 30, 2000. The commission's contributions to the system for the years ended June 30 2000, 2001 and 2002, were \$27,044, \$77,851 and \$31,215, respectively, equal to the required contribution for the year.

7. POSTRETIREMENT HEALTHCARE AND LIFE INSURANCE BENEFITS:

The commission provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the commission's employees become eligible for these benefits if they reach normal retirement age while working for the commission. These benefits for retirees and similar benefits for active employees are provided through the state's insurance program whose monthly premiums are paid jointly by the employee and the commission. For the year ended June 30, 2002, there were no costs paid for postretirement health care or life insurance benefits.

8. LONG TERM LIABILITIES:

Long-term liabilities consist of compensated absences. The following is a summary of the long-term obligations to employees during the year:

Long-term liabilities payable at July 1, 2001	\$ 20,570
Additions	14,985
Deletions	<u>(11,589)</u>
Long-term liabilities payable at June 30, 2002	\$ 23,966

9. LITIGATIONS:

There is no pending litigation against the commission at June 30, 2002.

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

10. LEASES:

The commission has noncancelable operating leases for rental of office space and office equipment. The 36-month lease for rental of office space was effective on September 3, 1999 and requires monthly payments of \$2,804 through August 31, 2004 and \$2,212 thereafter. The commission also has four equipment leases expiring on various dates through December 2003. The commission also rents office space on a month-to-month basis for \$113 per month. Total cost for these leases was \$48,230 for the year ended June 30, 2002.

The future annual payments for operating leases are as follows:

Year Ended	Amount
<u>June 30</u>	
2003	\$ 3,588
2004	453
	<u>\$ 4,041</u>

11. ACCOUNTS PAYABLE AND ACCRUALS:

The following is a summary of accounts payable and accruals at June 30, 2002:

Sales tax refunds	\$ 18,960
Payroll and payroll taxes payable	18,778
Accounts payable	<u>17,611</u>
Total	<u>\$ 55,349</u>

12. RELATED PARTY TRANSACTIONS:

The commission is composed of five members, one of whom is nominated by the World Trade Center. On April 26, 1999, the World Trade Center of New Orleans, Inc., entered into a lease agreement with the Louisiana Tax Free Shopping Commission for the lease of approxmately 2,580 square feet on the twentieth floor of the World Trade Center Building at No. 2 Canal Street, New Orleans, Louisiana. The current lease agreement is for a 36-month period effective September 1, 1999, with monthly rental of \$2,804 through August 31, 2001 and \$2,212 thereafter.

13. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

14. CHANGE IN ACCOUNTING:

The beginning net assets reflected in the statement of revenues, expenses and changes in net assets on page 9, has been restated to reflect the implementation of GASB Statement Number 34 and the reporting of the Commission as a business-type activity. In previous years, the Commission reported as governmental activity. The effect of this change in accounting principle is as follows:

Equity at June 30, 2001	
General Fund	\$ 258,094
General Fixed Assets	58,014
General Long-Term Obligation	—
Total Equity Balance at June 30, 2001	<u>316,108</u>
Adjustments affecting net assets at June 30, 2002:	
Accumulated depreciation	(58,014)
Compensated absences	(20,770)
Net Assets at July 1, 2001, as restated	<u>\$ 237,324</u>

15. DUE TO STATE OF LOUISIANA:

During the year ended June 30, 2002, the Commission received a \$208,000 loan from the State of Louisiana. This loan is non-interest bearing. At June 30, 2002, the loan balance was \$170,808, which was repaid to the State in July 2002.

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2002

August 16, 2002

Louisiana Tax Free Shopping Commission
Department of Revenue
State of Louisiana
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Tax Free Shopping Commission, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 16, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Louisiana Tax Free Shopping Commission'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 these provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Tax Free Shopping Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the commission and its management and the Legislative Auditor, and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 14:513, this report is distributed by the Legislative Auditor as a public document.

Dugandis, Frapemon, Hogan & Maher, L.L.P.

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002

SUMMARY OF AUDITORS RESULTS:

1. The opinion based on the financial statements of Louisiana Tax Free Shopping Commission for the year ended June 30, 2002 was unqualified.
2. Internal Control
Material weaknesses: none noted
Reportable conditions: none noted
3. Compliance
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING
STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

None

SUMMARY OF PRIOR YEAR FINDINGS:

None

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2002

ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR,
DIVISION OF ADMINISTRATION, OFFICE OF STATEWIDE
REPORTING AND ACCOUNTING POLICY

The supplementary information presents the financial position of the Louisiana Tax Free Shopping Commission as of June 30, 2002, and the results of its operations for the year then ended. The information is presented in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Financial Report.

STATE OF LOUISIANA

LOUISIANA TAX FREE SHOPPING
COMMISSION

ANNUAL FINANCIAL REPORT

JUNE 30, 2002



FOR INFORMATION VISITERS

STATE OF LOUISIANA
 LOUISIANA TAX FREE BONDING COMMISSION
 Annual Financial Statements
 June 30, 2007

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August 27, 2002

State of Louisiana
Division of Administration
Office of Legislative Reporting
and Accounting Policy
P.O. Box 94995
Baton Rouge, LA 70804-8995

Please find enclosed the Annual Financial Report for the Louisiana Tax Free Shopping Commission (LTFSC) for the period ended June 30, 2002.

As a component unit of the State, this report is prepared in the format of "Special-purpose Governments, Integrated City or Business-Type Activities (DTA's)". LTFSC has also implemented GASBS Statement No. 34 for fiscal years ended June 30, 2001 and 2002 as required.

LTFSC is engaged in the promotion of international tourism to Louisiana by offering a sales tax refund on the purchase of tangible goods by international visitors. Overall activity of the LTFSC decreased during the fiscal year in the wake of the September 11, 2001 terrorist attacks, along with other factors such as a continuing weakening agricultural and business belt-by-farming within the travel industry.

As a self-revenue-generating agency, LTFSC has countered the diminished revenues with cuts in operating expenses for the upcoming fiscal year. However, the agency also anticipates a rebound in international air travel and spending, resulting in increases for LTFSC during the next fiscal year.

If you have any questions concerning this report, please contact me at (504) 487-0723 or (504) 586-5323.

Sincerely,



Joseph D'Arangelo
Assistant Director
Louisiana Tax Free Shopping Commission

JDF

Enclosure

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ended June 30, 2002

LOUISIANA TAX FREE SHOPPING COMMISSION

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94326
Baton Rouge, Louisiana 70804-0326

Legislative Auditor
P. O. Box 84387
Baton Rouge, Louisiana 70804-8387

AFFIDAVIT

Personally came and appeared before the undersigned notary, Joseph D'Amico, Assistant Director of the Louisiana Tax Free Shopping Commission, who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of the Louisiana Tax Free Shopping Commission at June 30, 2002 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and submitted before me, this

29th day of August, 2002


Joseph D'Amico, Assistant Director


NOTARY PUBLIC

Prepared by: Joseph D'Amico
Title: Assistant Director
Telephone No.: (225) 508-5300
Date: August 28, 2002

**STATE OF LOUISIANA
LOUISIANA TAX FREE SHOPPING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2002**

The Management's Discussion and Analysis of the Louisiana Tax Free Shopping Commission's (LTSC) financial performance presents a narrative overview and analysis of LTSC's financial activities for the year ended June 30, 2002. This document focuses on the current year's activities, resulting changes, and currently known facts in conjunction with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements presented on page 1 and the LTSC's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The Louisiana Tax Free Shopping Commission's assets (excluding its liabilities) at the close of fiscal year 2002 by \$3-0,500, which represents a 17% increase from last fiscal year. The net assets decreased by \$43,988 (or 12%).
- The Louisiana Tax Free Shopping Commission's operating revenue decreased \$100,728 (or 29%) and the net results from operating activities increased by \$16,901 (or 38%).

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of three sections: Management's Discussion and Analysis (this section), the actual items of statements (attached to the notes to the financial statements), and required supplementary information.

**STATE OF LOUISIANA
LOUISIANA TAX FREE SHOPPING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2002**

Basic Financial Statements

The basic financial statements present information for the Louisiana Tax Free Shopping Commission as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets, the Statement of Revenue, Expenses, and Changes in Fund Net Assets, and the Statement of Cash Flows.

The Statement of Net Assets (page 6) presents the current and long term positions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Louisiana Tax Free Shopping Commission is improving or deteriorating.

The Statement of Revenue, Expenses, and Changes in Fund Net Assets (page 6) presents information showing how Louisiana Tax Free Shopping Commission's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future time periods.

The Cash Flow Statement (pages 11 - 12) presents information showing how Louisiana Tax Free Shopping Commission's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by SFAS 94.

FINANCIAL ANALYSIS OF THE ENTITY

**Statement of Net Assets
as of June 30, 2002 and 2001
(in thousands)**

	Total	
	2002	2001 (prior to structure change)
Current and other assets	\$ 849	\$ 265
Control assets	0	0
Total assets	<u>849</u>	<u>265</u>
Other liabilities	238	21
Long-term debt outstanding	0	0
Total liabilities	<u>238</u>	<u>21</u>
Net assets:		
Invested in capital assets, net of debt		
Restricted		
Unrestricted	611	244
Total net assets	<u>\$ 611</u>	<u>\$ 244</u>

Restricted net assets represent those assets that are not available for spending as a result of legalistic requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any restrictions on what these amounts may be used for.

**STATE OF LOUISIANA
LOUISIANA TAX FREE SHOPPING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2002**

Net Assets of Louisiana Tax Free Shopping Commission decreased by \$43,568, or 17%, from June 30, 2001 to June 30, 2002. One of the major causes of this decrease includes reflecting compensated absences as a liability due to the adoption of GASB Statement 34. Also, accumulated compensation on capital assets was recorded due to the adoption of GASB Statement 34.

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
for the years ended June 30, 2002 and 2001
(in thousands)**

	Total	
	2002	2001
Operating revenues	\$ 444	\$ 541
Operating expenses	448	522
Operating income/(loss)	-4	19
Nonoperating revenue/(expense)	0	0
Income/(loss) before transfers	-4	19
Transfers in (transfers out)		
Net increase/(decrease) in net assets	\$ -4	\$ 19

This year, the Tax Free Shopping Commission's total revenues decreased by \$180,295 or (37%). The total cost of all programs and services decreased by \$185,832 or (32%). These decreases were attributable to the events of September 11, 2001, which caused a significant decline in merchandise as well as spending, the primary source of LTFSO's revenues and activity.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2002, the Louisiana Tax Free Shopping Commission had \$ 0 invested in a broad range of capital assets. (Note: Table below).

This amount represents a net increase (including additions and deductions) of \$ 0, or 0%, over last year.

STATE OF LOUISIANA
 LOUISIANA TAX FREE SHOPPING COMMISSION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AS OF JUNE 30, 2002

Capital Assets at Year-end
 (Net of Depreciation, in thousands)

	2002	2001
Land	\$	\$
Buildings and improvements		
Equipment		
Infrastructure		
Totals	\$	\$

This year's major additions included (in thousands):

- NONE

DEBT - NOT APPLICABLE

The _____ (DTA) had \$ _____ thousand in bonds and notes outstanding at year-end compared to \$ _____ thousand last year, an increase of _____ % as shown in the table below:

Outstanding Debt at Year-end
 (in thousands)

	2002	2001
General Obligation Bonds	\$	\$
Revenue Bonds and Notes		
Totals	\$	\$

How debt resulted from _____

The _____ (DTA)'s bond rating continues to carry the _____ rating for general obligation bonds, and _____ rating for other debt.

This tax free Tax Free Shopping Commission had no claims or judgments outstanding at year-end compared to \$ 0 last year. Other judgments include amounts payable and work orders.

**STATE OF LOUISIANA
LOUISIANA TAX FREE SHOPPING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2003**

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Operating revenues were approximately \$217 thousand under budget and operating expenditures were \$108 thousand less than budget. These variations were due primarily to significant decreases in customer parking resulting from the September 11 terrorist attacks. The subsequent decline in international travel and spending habits caused a substantial reduction in the self-generated operating revenue. As a result, the LTFSO cut back on all items of operational expenditures.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The LTFSO's elected and appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Economic projections that were based on more recent travel and spending trends as opposed to pre-September 11 data.
- Expenses, tax in all areas to correspond with the recent activities in retail industry.

The LTFSO expects that next year's results will improve based on the following:

- Anticipation of increased international travel to Louisiana through reduced marketing efforts and newly formed alliances within the travel industry.
- Travel industry indicators of anticipated rebound of international air travel and spending.

CONTACTING THE LOUISIANA TAX FREE SHOPPING COMMISSION'S MANAGEMENT

This financial report is designed to provide our officers, taxpayers, customers, and investors and creditors with a general overview of the Louisiana Tax Free Shopping Commission's finances and to assist the LTFSO in accountability for its financial activities. If you have questions about this report or need additional financial information, contact Joseph D'Arango, Assistant Director, Louisiana Tax Free Shopping Commission, 82 Canal Street, Suite 2017, New Orleans, LA, 70130, (504) 568-5300.

**STATE OF LOUISIANA
LOUISIANA TAX FREE SHOPPING COMMISSION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2000**

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 2)
 Accounts Receivable
 Prepaid expenses and deposits for monthly communications
 due from vendors (Note 2)
 Due from federal government
 Inventory
 Prepaid expenses
 Prepaid Insurance
 Prepaid Rent
 Prepaid Utilities
 Prepaid Other
 Other receivables
 Total Current Assets

NON-CURRENT ASSETS

Receivable from State of Louisiana
 Cash
 Investments
 Receivables
 Other receivables
 Cash and cash equivalents (Note 2)
 Cash
 Prepaid expenses and deposits
 Prepaid Insurance
 Prepaid Utilities
 Prepaid Other
 Total Non-Current Assets

LIABILITIES

LIABILITIES - CURRENT

Accounts payable (Note 2)
 Due to State of Louisiana
 Accounts payable - other
 Deferred income
 Accounts payable - other
 Other current liabilities - including payable to Internal Revenue
 Service (Note 2) (Note 3)
 Accounts payable
 Non-current liabilities
 Other non-current liabilities (Note 2)
 Other non-current liabilities (Note 2)
 Total Current Liabilities
 Total Non-Current Liabilities
 Total Liabilities

NET ASSETS - FUND BALANCE

Cash and cash equivalents
 Accounts receivable
 Prepaid expenses and deposits
 Inventory
 Other receivables
 Total Net Assets - Fund Balance

NET ASSETS

Cash and cash equivalents
 Accounts receivable
 Prepaid expenses and deposits
 Inventory
 Other receivables
 Total Net Assets

43,800

19,200

1,000

90,000

90,000

1,000

1,000

1,000

1,000

1,000

20,000

1,000

20,000

21,000

This report is prepared as an integral part of the financial statements and should be read in conjunction with them.

**STATE OF LOUISIANA
LOUISIANA TAX-FREE SHOPPING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002**

OPERATING REVENUES	
State of Louisiana Retail Sales Tax Assessments	\$ 412,000
Use of Retailers' and Dealers' License, Service, and Sales Allowance	1,000
Total operating revenues	<u>413,000</u>
OPERATING EXPENSES	
Cost of goods and services	400,700
Commissions	100,000
Bad debt	100,000
State income	100,000
Total operating expenses	<u>700,700</u>
Operating income/loss	<u>289,300</u>
NON-OPERATING AND FINANCIAL STATEMENTS	
Good acquisitions	_____
Bad acquisitions (non-revenue generating)	_____
Loss	_____
Gain on property sold/retained	_____
Gain/loss on disposal of fixed assets	_____
Dividends	_____
Interest expense	_____
Other effects (See Note 10 to financial statements)	6,100
Total non-operating and financial statements	<u>6,100</u>
Interest and betterment credits and other benefits	<u>20,000</u>
Change in net assets	
Capital contributions	_____
Transfers in	_____
Transfers out	_____
Change in net assets	<u>215,400</u>
Total net assets - beginning of fiscal year	<u>200,000</u>
Total net assets - ending	<u>415,400</u>

For more information on this report, see the financial statements.

October 2002

STATE OF LOUISIANA
 LOUISIANA TAX FREE SHOPPING COMMISSION
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2002

Expenses	Program Expenses		Net Expenses Revised and Changes in Net Assets
	Charges for Services	Grants and Contributions	
Component Unit			
Component Unit \$	440,751 \$	627,504 \$	\$
			(24,358)
Direct expenses:			
Taxes			
State accounts at risk			
Grants and contributions not related to specific programs			
Interest			1,845
Miscellaneous			
Benefit costs			5,705
Transfers			
Interagency activities, benefit costs, and transfers			11,743
Change in net assets			(24,358)
Net assets - beginning			200,784
Net assets - ending			\$ 276,209

**STATE OF LOUISIANA
LOUISIANA TAX FREE SHOPPING COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

Cash flows from operating activities

Cash received for services	\$ 470,443
Cash payments to suppliers for goods and services	(182,704)
Cash payments to employees for salaries & benefit	(261,026)
Payments of tax on cash	_____
Interest received on cash in other funds	_____
Depreciation on fixed assets	_____
Other operating revenues/expenses	1,027
Net cash provided/used by operating activities	26,733

26,733

Cash flows from non-capital financing activities

State Advances from State	250,000
Payments on State Advances	(200,000)
Principal payments on loans	_____
Interest paid on debt obligations	_____
Receipts from issuance of notes payable	_____
Principal payments on notes payable	_____
Interest payments on notes payable	_____
State payments for Sales Tax Refunds	1,000,000
Cash Paid for Sales Tax Refunds	(1,000,000)
Transfers in	_____
Transfers out	_____
Net cash provided/used by non-capital financing activities	250,000

250,000

Cash flows from capital and related financing activities

Proceeds from sale of bonds	_____
Proceeds from loans	_____
Interest payable from liabilities	_____
Proceeds from sale of fixed assets	_____
Proceeds from notes payable	_____
Interest payable from notes payable	_____
Amortization of debt of capital assets	_____
Proceeds from sale of capital assets	_____
Capital contributions	_____
Other	_____
Net cash provided/used by capital and related financing activities	0

0

Cash flows from investing activities

Purchases of property and equipment	_____
Proceeds from sale of property and equipment	_____
Invested and dividends received on investment securities	_____
Net cash provided/used by investing activities	0

0

Net increase (decrease) in cash and cash equivalents

26,733

Cash and cash equivalents at beginning of year

87,264

Cash and cash equivalents at end of year

\$ 113,997

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
LOUISIANA TAX FREE SHOPPING COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING JUNE 30, 2000**

Reconciliation of operating income(loss) to net cash provided to/by operating activities

Operating income(loss)	\$	(20,414)
Adjustments to reconcile operating income(loss) to net cash		
Change in current liabilities		
Change in prepaid expenses, net		
Change in accounts payable and accrued liabilities		
Decrease/(decrease) in accounts receivable	(3,700)	
Decrease/(decrease) in due from other funds		
Decrease/(decrease) in prepayments		
Increase/(decrease) in inventory	(3,970)	
Increase/(decrease) in other assets		
Increase/(decrease) in accounts payable and accrued liabilities	1,250	
Increase/(decrease) in accrued payroll and vacation benefits		
Increase/(decrease) in compensation allowances payable	(3,970)	
Increase/(decrease) in due to other funds		
Increase/(decrease) in deferred revenues		
Increase/(decrease) in other liabilities		
Net cash provided to/by operating activities	\$	(24,714)

Schedule of noncash investing, capital, and financing activities:

Issue of notes receivable		
Contributions of fixed assets		
Purchases of equipment on account		
Payroll taxes		
Other (Specify)		
Total noncash investing, capital, and financing activities		0

Approved:

The accompanying notes are an integral part of the financial

statements.

LOUISIANA TAX FREE SHOPPING COMMISSION
Notes to the Financial Statement
As of and for the year ended June 30, 2000

INTRODUCTION

The Louisiana Tax Free Shopping Commission (LTFSOC) is a component unit of the State of Louisiana created under the Louisiana Department of Revenue. LTFSOC was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 81:2029. The LTFSOC is composed of 6 members. Two members is appointed by the Board of Tax Collectors. The other four members include the Governor, the Governor or his designee, the Lieutenant Governor or his designee, the Secretary of the Department of Revenue or his designee, and the State Treasurer or his designee. There is no stated limit on the commissioner's term. The LTFSOC is directed with the responsibility of administering a sales tax relief program for the purchases of eligible personal property by international visitors. Operations of the LTFSOC are financed with appropriated revenues. The following table brief description of the operations of the LTFSOC.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1994, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards applicable to states and subdivisions of state and local governmental entities. The GASB has issued a Codebook of Governmental Accounting and Financial Reporting Standards (GARS Codebook). The codebook lists and summarizes GASB requirements and recognized as generally accepted accounting principles for state and local governments. The accounting principles statements have been prepared in accordance with such principles.

The accompanying financial statements of the Louisiana Tax Free Shopping Commission present information only as to the operations of the programs of the LTFSOC as authorized by laws and regulations and commissioning regulations. Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting refers to the timing of the measurement made, regardless of the measurement basis applied.

The accounts of the LTFSOC are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration - Office of Statistical Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting. Revenues increase as they are earned and the measuring period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis. Expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING

The Louisiana Tax Free Shopping Commission enters the following budgetary practices:

Annually, the LTFSOC approves a budget. The budget for their year ended June 30, 2000 was approved on June 19, 2001 and is detailed and reported on the enclosed annual cash of accounting. The budget amounts on the next page reflect the adopted budget for the fiscal year ended June 30, 2000. There were no amendments made to the budget.

LOUISIANA TAX FREE BONDSFINANCIAL STATEMENT
Notes to the Financial Statement
As of and for the year ended June 30, 2008

		APPROPRIATIONS	
Original approved budget -	Revenue	\$	401,500
	Expenses		<u>401,500</u>
Amendments:			
There were no amendments to the original approved budget.			

Final approved budget	(Excess Revenue Budgeted)	\$	<u>28,000</u>

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (If a agency does not invest and are deposited in the State Treasury - attached Note C)

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand, money, time deposits and certificates of deposit. Under state law the Louisiana Tax Free Bonding Commission may deposit funds within its fiscal agent bank, directed and controlled by the Internal Management Board (IMB). The IMB may invest in any certificate of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the State of Louisiana, in savings programs or plans of savings and loan associations and savings banks and in state accounts and other safe funds accounts of federal or state chartered banks or trust.

For the purpose of the Statement of Cash Flows, all highly liquid investments including restricted assets which mature in three months or less when purchased are considered to be cash equivalents.

Savings in bank accounts are placed in cash, which approximates par value. Under state law these deposits must be secured by federal bonded insurance in the pledge of collateral assets by the fiscal agent bank. The market value of the pledged accounts plus the federal deposit insurance must at all times equal the amount invested with the fiscal agent. These pledged accounts are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of withdrawing receipts held by the State Treasurer. The deposits at June 30, 2008, were recorded as follows:

	Deposits in bank accounts			
	Cash	Certificates of Deposit	Other (Savings)	Total
Deposits in bank accounts per balance sheet	\$ 279,216	\$	\$	<u>\$ 279,216</u>
Bank Reconciling				
1. Add: interest and other not yet recorded items				
By the fiscal agent bank	455,200			455,200
2. Cash related with securities held by the pledging institutions in all departments or agencies for collateral purposes				<u>0</u>
3. Cash value related to making any investments held by the pledging bank and in financial institutions				<u>0</u>
Total cash balance per	\$ 455,200	\$ 0	\$ 0	<u>\$ 455,200</u>

NOTE: The "Total Bank Deposits" is not necessarily equal to "Deposits in Bank Accounts per Balance Sheet"

LOUISIANA TAX-FREE SHOPPING COMMISSION
Notes to the Financial Statement
As of and for the year ended June 30, 2003

The following is a breakdown by banking institution, program account number, and amount of the interest examinations:

Bank Name	Program	Account Number	Amount
1. Bank One	LTDCC	3101040219	\$ 107,800
2. SunTrust National Bank	LTDCC	110117710	290,800
3. Hancock National Bank	LTDCC	141040461	3,400
Total:			\$ 498,000

None encumbered securities being the description in (2) above during the year significantly greater than June 30, 2002. If yes, attach statement being the inventory and a reason for the occurrence.

NO

Check if State Treasury and City Cash are not required to be reported in the FD-500 schedule. If allowed to add in recurring amounts reported on the balance sheet to amounts reported in this note, list below any cash in Treasury and City Cash that are included in the financial sheet.

Check if State Treasury	\$ _____
City Cash	\$ 28,800
City Cash	\$ 800

7. NON-APPLICABLE - NOT APPLICABLE

Under implementation of GASB Statement 31, recorded amount and fair value will refer to the same number.

The Louisiana Tax-Free Shopping Commission does not maintain investment accounts.

Investments can be classified according to the level of risk to the entity. Using the following categories, list each type of investment classified by the carrying amount, market value, and applicable category if not:

Category 1 - Issued or registered in the entity's name, or securities held by the entity or its agent, in the entity's name.

Category 2 - Issued and registered with securities held by the counterparty's trust instrument, or against the entity's name.

Category 3 - Issued and registered with securities held by the counterparty, or by its trust instrument or agent but not in the entity's name.

List the types of investments listed separately by category. These are to be listed separately at the end of the schedule in the amount provided.

LOUISIANA TAX FREE SHOPPING COMMISSION

Notes to the Financial Statement

As of and for the year ended June 30, 2000

Type of Investment	Category of Risk			Revised Balance	Tax Rate
	1	2	3		
Regulation approved by S.S. (Domestic) Investors	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Domestic S. reference state	_____	_____	_____	_____	_____
Domestic of origin	_____	_____	_____	_____	_____
Domestic origin	_____	_____	_____	_____	_____
Other (Local)	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____
Total category investments	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Investments not designated (not reported)	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
Total investments	_____	_____	_____	\$ _____	\$ _____

3. Other Disclosures Pertaining to Investments

a. Investments in funds managed by other governments or related funds _____

b. Securities underlying reverse repurchase agreements _____

c. Short-term investment loans _____

d. Commitments as of _____ (fiscal 2000) to other investors under joint venture or similar agreements:
 1. Company name and market value at June 30 of securities to be sold: _____

2. Description of the terms of the agreement _____

e. Investments types entered during the year but not entered as of June 30 _____

f. Loans during the year due to default by counterparties to deposit or investment contract _____

g. Securities purchased from prior periods (held) which are not shown separately on the balance sheet _____

LOUISIANA TAX FREE SHOPPING COORDINATOR**Notes to the Financial Statement**

As of and for the year ended June 30, 2000

Legal or Contractual Provisions for Reverse Repurchase Agreements

- b. Source of legal or contractual authorization for use of reverse repurchase agreements _____
- c. Significant violations of legal or contractual provisions for reverse repurchase agreements that occurred during the year _____

Reverse Repurchase Agreements as of the Balance Sheet Date

- d. Gross fair value of the reverse repurchase agreements outstanding at balance sheet date, that is, the aggregate amount of reverse repurchase agreement obligations, including accrued interest, computed at applicable market value of the securities underlying those agreements, excluding interest _____
- e. Carried over on _____ (face value), to purchase securities under yield maintenance agreements _____
- f. Market value on _____ (face value), of the securities to be purchased _____
- g. Description of the terms of the agreements to purchase _____
- h. Losses recognized during the year due to default by counterparties to reverse repurchase agreements _____
- i. Amounts recognized from principal losses which are not accounted for on the carrying statement _____

Fair Value Disclosures

- a. Methods and significant assumptions used to estimate fair value of investments, if fair value is not based on quoted market prices _____
- b. Steps for determining which investments, if any, are classified as a financial tool _____
- c. For investments in external investment pools that are not SPC registered, a brief description of any regulatory oversight for the pool _____
- d. Whether the fair value of your investment in the external investment pool is the same as the value of the fund shares _____
- e. Any intermediary participated in or an internal investment pool _____
- f. Whether you are unable to obtain info which bear a good reason to believe no fee for value of your investment in the pool should exist and significant amount and value in determining fee for which at the reasons for having had to make such an estimate _____

LOUISIANA TAX FREE SHOPPING COMMISSION
Notes to the Financial Statements
As of and for the year ended June 30, 2002

- v. Any assets that represent interests with one land that is assigned to receive land.

ii. CAPITAL ASSETS

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are reflected on the statement of net assets of the entity and are capitalized at cost. Depreciation of all depreciable fixed assets used by the entity are charged to an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

	2002	2001	2000	1999	1998	1997
Capital assets being depreciated						
Land	0	0	0	0	0	0
Buildings and related improvements	0	0	0	0	0	0
Construction in progress	0	0	0	0	0	0
Net capital assets to be depreciated	0	0	0	0	0	0
Other capital assets						
Investment in other entities	10000	0	0	0	0	0
Other capital assets	(10000)	0	0	0	0	0
Net investment in other entities and other capital assets	0	0	0	0	0	0
Equipment, improvements						
Equipment, improvements	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0
Equipment, improvements, net	0	0	0	0	0	0
Depreciable and capital assets						
Equipment, improvements, net	0	0	0	0	0	0
Investment in other entities and other capital assets	0	0	0	0	0	0
Net depreciable and capital assets	0	0	0	0	0	0
Other assets						
Investment in other entities	0	0	0	0	0	0
Net other assets	0	0	0	0	0	0
Net total assets						
Capital assets being depreciated	0	0	0	0	0	0
Other capital assets	0	0	0	0	0	0
Equipment, improvements, net	0	0	0	0	0	0
Investment in other entities and other capital assets	0	0	0	0	0	0
Net total assets	0	0	0	0	0	0

* If it is considered that they represent a total net asset of zero, it is reported as zero, not as a negative amount.

ILLINOIS TAX-FREE SHOPPING COMMISSION

Notes to the Financial Statement

As of and for the year ended June 30, 2000

F. INVENTORIES

The only inventories are valued at cost basis. These are reported inventories and are reported when used.

F. RESTRICTED ASSETS - NOT APPLICABLE

Restricted assets in the _____ (FFY) of _____ fiscal year ends, reflected as \$ _____ in the current period section on Statement A, consist of \$ _____ in cash with fiscal agent \$ _____ in receivables and \$ _____ (Property) in _____ (Specify the type of restricted asset.)

Restricted assets in the _____ (FFY) of _____ fiscal year ends, reflected as \$ _____ in the restricted assets section on Statement A, consist of \$ _____ in cash with fiscal agent \$ _____ in receivables and \$ _____ (Property) in _____ (Specify the type of restricted asset.)

G. LEAVE

1. COMPENSATORY LEAVE

The Louisiana Tax-Free Shopping Commission has the following policy on annual and sick leave:

Employees who are accumulating annual and sick leave at exit are not eligible depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is proportional to the number of their years of employment for up to 200 hours of annual annual leave and 100 hours of sick leave at the time of termination. Accumulated annual leave in excess of 200 hours and sick leave in excess of 100 hours is forfeited.

The cost of leave privileges, computed in accordance with GAAP conditions in Section 262, is recognized as a current year expenditure in the General Fund when leave is actually taken. It is recognized in the subsequent funds when the leave is earned. The cost of leave privileges applicable to general government operations and supporting fund activities is reported in the general fund notations account group.

2. COMPENSATORY LEAVE

Employees who are accumulating sick leave at exit are not eligible for the guidelines contained in the Louisiana Tax-Free Shopping Commission's 2000-2001 (FFY) policies on benefits. An employee will be paid for any time and amount of compensatory leave earned and may be eligible to take for any amount of their compensatory leave earned. The commission will not be liable for the employee's sick leave if any of their accumulated benefits. The cost for 200 and 100 hours of compensatory leave at June 30, 2000 is reported in accordance with the Classification of Governmental Accounting and Financial Reporting Standards, Section 260-100 as indicated to be 200. The same applies to all employees in the accompanying financial statements.

H. RETIREMENT SYSTEMS

Substantially all of the employees of the Louisiana Tax-Free Shopping Commission are members of the Louisiana Employees Retirement System (ERS), a cost sharing multi-employer defined benefit pension plan. The System is a retirement plan for employees of the State of Louisiana for the benefit of both employees, which is administered and controlled by a separate board of trustees.

LOUISIANA TAX FREE SHOPPING COMMISSION**Notes to the Financial Statements****As of and for the year ended June 30, 2003**

All active LTDC employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$225 plus \$50 of their highest consecutive 36 months' average salary multiplied by their years of credited service.

Retired employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 10 years of service, (b) age 50 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of lump-sum benefits at any age with 25 years of service. The System also provides death and disability benefits. Benefits are established or amended by State statute. The System's terms are annual policies available through a licensed broker that includes financial statements and various supplementary information for the System. This report may be obtained by writing to the State Legislative Accounting System, Post Office Box 44313, Baton Rouge, Louisiana 70804-0313, or by calling (225) 383-0350 or (800) 288-3837.

Contributions are deducted from checks to contribute 7.5% of gross salary, and the LTDC is required to contribute an additional uniform rate as required by R.S. 11:127. The contribution rate for the five-year period June 30, 2000, terminated at 10.0% of annual covered payroll; from 10.0% and 10.2% thereafter in each year ending June 30, 2001 and 2002, respectively. The LTDC contribution to the System for the years ending June 30, 2000, 2001, and 2002, were \$24,274, 3,372,001, and \$26,770, respectively. Equivalent employee contributions for each year:

B. POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS - NOT APPLICABLE

The Louisiana Tax Free Shopping Commission had no retirees as of June 30, 2003.

Details of the following disclosures about an employer's accounting for post-retirement health care and life insurance benefits:

1. A description of the benefits provided and the employee group covered.
2. A description of the accrual, vesting and funding policies, including the plan's benefits.
3. The cost of these benefits (including but not limited to the period, in which this cost can not readily be determined).
4. The effect of any funding method affecting the comparability of the costs recognized for all periods presented.

If the cost of any post-retirement health care or life insurance benefits cannot readily be separated from the cost of providing such benefits for active employees or otherwise be reasonably approximated, the sole cost of providing those benefits to active employees are included, as well as the number of active employees and the number of retirees covered by the plan (and its expenses).

Substantially all (BTAs) employees become eligible for post-employment health care, dental and life insurance benefits if they reach normal retirement age while working for the (BTA). These benefits for retirees are funded by active employees and paid for by the employer and the (BTA). For 2001, the cost of providing these benefits for the _____ calendar period is _____.

The _____ (BTA) provides certain continuing health care and life insurance benefits for its active employees. Substantially all (BTAs) employees become eligible for these benefits if they reach normal retirement age while working for the (BTA). These benefits for retirees and dental benefits for active employees are funded through an insurance company whose monthly premiums are paid jointly by the employee and by the (BTA). The (BTA) recognizes the cost of providing these benefits as BTAs a portion of premiums as an expenditure when paid during the year, which was \$_____ for the year ended June 30, _____. The cost of providing these benefits for _____ retirees, not deductible from the cost of providing benefits for the _____ active employees. Of the (BTA's) cost of providing health care and life insurance benefits are recognized as expenditures when the monthly premium is paid. For the year ended June 30, 2003, there were no costs paid for post-retirement health care or life insurance benefits.

LOUISIANA TAX FREE SHOPPING COMMISSION

Notes to the Financial Statements

As of and for the year ended June 30, 2001

J. LEASES

1 OPERATING LEASES

The total payments for operating leases during fiscal year 2001 - 2000 amounted to \$60,749. A schedule of payments for operating leases follows:

Schedule Dates	1999	2000	2001	2002	2003	1999-2001	2002-2003
1999-2000	\$ 4,425						
2000-2001		\$ 480					
Total	\$ 4,425	\$ 480	\$ 0	\$ 0	\$ 0	\$ 4	\$ 0

2 CAPITAL LEASES - NOT APPLICABLE

Capital leases are not recognized in the accompanying financial statements. The amounts to be accrued for these leases and the disclosures required for capital and operating leases by National Council on Governmental Accounting (NCGA) Statement No. 5 are adopted by the Governmental Accounting Standards Board, and FASB 13 should be reported in the follow up schedule.

Capital leases are defined as an arrangement in which any one of the following conditions apply: (a) the contract transfers by the end of the lease (2) the lease contains a bargain purchase option, (3) the lease term is 75% of the asset's life or (4) the discounted minimum lease payments are 90% of the fair market value of the asset.

Year(s) of lease	Date of lease	Total payments due	Portioning added to initial lease	Remaining principal at end of lease	Fiscal Year Payable
a. Operating		\$	\$		
b. Capitalized					
c. LPT					
Total		\$ 0	\$ 0	\$ 0	

The following is a schedule by years of fiscal year's total lease payments under lease for the reporting periods (lease value at the end of the period and the beginning of the fiscal year of year fiscal year) and a breakdown of yearly principal and interest:

LOUISIANA TAX-FREE SHOPPING COMMISSION

Notes to the Financial Statements

As of and for the year ended June 30, 2009

Year ending June 30, 2008	Total
2003	\$ _____
2004	_____
2005	_____
2006	_____
2007	_____
2008-2010	_____
2010-2011	_____
Total minimum lease payments	\$ _____
Less amounts representing operating costs	_____
Maximum lease payments	\$ _____
Less amounts representing interest	_____
Present value of net minimum lease payments	\$ _____

3. LEASES SUBJECT TO FINANCING LEASES - NOT APPLICABLE

A lease is classified as a direct financing lease if (1) when any one of the four capital value criteria used to define a type of lease for tax is met and (2) when both the following criteria are satisfied:

- Controllability of the net future lease payments is reasonably ascertainable.
- The lessee is obligated to reimburse the amount of the unamortized costs yet to be incurred by the lessor under the lease.

Provide a general description of the lease financing agreement, and complete the chart below:

General description	Date of lease	Minimum lease contract amount
a. Other lease	_____	\$ _____
b. Equipment	_____	_____
c. Lease	_____	_____
Less amounts representing operating costs		_____
Maximum lease payments available		\$ _____
Less amounts representing interest		_____
Net minimum lease payments available		\$ _____
Less amount of equity		_____
Net investment in direct financing lease	\$ _____	\$ _____

Minimum lease payments do not include contingent rentals which may be received or obligated in the lease contract. Contingent rental payments occur if the lessee uses the equipment, land, or building etc., in excess of a certain level of activity each year. Contingent rentals received for fiscal year 2008 were \$ _____ for office space, \$ _____ for equipment, and \$ _____ for land.

LOUISIANA TAX-FREE SHOPPING COMMISSION

Notes to the Financial Statements

As of and for the year ended June 30, 2007

The following is a schedule by year of minimum leases receivable for the reporting fiscal years of the commission as of _____ (the last day of your fiscal year)

Year ending _____	\$ _____
2006	_____
2005	_____
2004	_____
2003	_____
2002	_____
2001	_____
2000-2001	_____
2000-2001	_____
Total	\$ _____

4. LEASING - DEPLETING LEASE - NOT APPLICABLE

When a lease agreement does not satisfy at least one of the tax criteria (common to both GAAP and LSCAP accounting), and 20% of the value for a lease is reflected by and no certain identifiable costs, the lease is classified as an operating lease. In an operating lease, there is no depreciable asset and the lessee simply records total revenues as they become receivable with the sale.

Please do not deduct carrying amount, a portion of profits on lease or both for lease originator and/or cost of property and the amount of accumulated depreciation as of _____ 20__.

	Cost	Accumulated Depreciation	Carrying amount
a. 2006 lease	\$ _____	\$ _____	_____
b. 2005 lease	_____	_____	_____
c. 2004	_____	_____	_____
Total	\$ _____	\$ _____	_____

The following is a schedule by year of initial lease rentals on non-cancelable operating leases as of _____ (the last day of your fiscal year)

From Dates	Office Space	Equipment	Lease	Other	Total
June 30	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2006	_____	_____	_____	_____	_____
2005	_____	_____	_____	_____	_____
2004	_____	_____	_____	_____	_____
2003	_____	_____	_____	_____	_____
2002	_____	_____	_____	_____	_____
2001	_____	_____	_____	_____	_____
2000-2001	_____	_____	_____	_____	_____
2000-2001	_____	_____	_____	_____	_____
Total	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Costs against lease receivable from reporting lessee: reported for your fiscal year was \$ _____ for office space, \$ _____ for equipment, and \$ _____ for land.

LOUISIANA TAX FREE SHOPPING COMMISSION
Notes to the Financial Statement
As of and for the year ended June 30, 2002

II. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2002:

	2002 ended June 30, 2002				APPROX- IMATE TO THE 2002 YEAR
	Balance June 30, 2001	Added	Retired	Balance June 30, 2002	
Bank and note payable:					
Notes payable	\$	\$	\$	\$	\$
Reimbursement certificate payable					
Bank payable					
Total bank and bonds					
Other liabilities:					
Contracts payable					
Contingent amounts payable	20,210	14,998	21,020	18,854	
Capital lease obligations					
Liabilities payable from restricted assets					
Contractual program					
Other long-term liabilities					
Total other liabilities	20,210	14,998	21,020	18,854	
Total long-term debt	20,210	14,998	21,020	18,854	

A detailed summary of issues of debt outstanding at June 30, 2002, including existing interest at 2002 rates, is shown on schedule 4. Schedule 4 is an attachment schedule of the accompanying financial statement and is available for any loan made.

1. LITIGATION - NOT AFFIRMABLE

The Louisiana Tax Free Shopping Commission had no pending litigation as of June 30, 2002.

The Commission's legal liability for litigation seeking damages is as follows:

Date of Action	Description of Litigation	Plenary Amount	Damages Claimed	Plenary Coverage
		\$	\$	
Total		\$	\$	\$

The Commission's legal liability for litigation seeking damages is not covered by reinsurance which affects the amount of loss (should not materially affect the financial statements if it is not to be considered an effect on the financial statements).

The Commission's legal liability for litigation seeking damages is not covered by reinsurance which affects the amount of loss (should not materially affect the financial statements if it is not to be considered an effect on the financial statements).

LOUISIANA TAX-FREE SHOPPING COMMISSION**Notes to the Financial Statements**

As of and for the year ended June 30, 2001

M. RELATED PARTY TRANSACTIONS

The Louisiana Tax-Free Shopping Commission had the following related party transaction as defined by SFAS 67:

The Commission is composed of five members, one of whom is represented by the World Trade Center. On April 23, 1999, the World Trade Center of New Orleans, Inc., entered into a written agreement with the LFTSC for the lease of approximately 3,500 square feet in the World Trade Center Building at 909 P. Core Street, New Orleans, Louisiana. The written lease agreement, effective September 1, 1999, was made for a 30-month period of \$2,104.38 per month rent for a 30-month period.

N. ACCOUNTING CHANGES – NOT APPLICABLE

Accounting changes made during the year involved a change in accounting _____ for _____ accounts receivable. The effect of the change is insignificant in _____.

O. IN-KIND CONTRIBUTIONS – NOT APPLICABLE

() of all in-kind contributions for the period ended _____ were received (paying in-kind statements):

In-Kind Contributions	Cash/Estimated Cash/ Fair Market Value/Percentage for Charter
_____	\$ _____
_____	_____
_____	_____
_____	_____
_____	_____
Total	\$ _____

P. DEFERRED ISSUES – NOT APPLICABLE

In _____, the _____ (PTA) issued \$ _____ of taxable bonds. The purpose of the issue was to provide monies to advance relief and portions of _____ bonds. In order to fulfill the needs, portions of the proceeds of the issue were \$ _____ (see an attached) at _____ being fund monies together with certain other funds and/or securities, were deposited and held in my account fund created pursuant to an escrow deposit agreement dated _____ between the PTA and the escrow trustee. The amount of the escrow, together with interest earnings, will be used to pay the principal, scheduled payments, and interest when due. The refunding resulted in reducing the total debt service payments by almost \$ _____ and gave the PTA an estimated gain performance between the present value of the cash service payments on the old and new debt of \$ _____.

Q. COOPERATIVE EMPLOYERS – NOT APPLICABLE

None of these entities cooperative endeavors as any form of economic development assistance provided and among the state of Louisiana. In fact governmental fund revenue, present an economic development activities, the State Government or its agencies, or any other public or private agency.

LOUISIANA TAX-FREE SHOPPING CERTIFICATE

Notes to the Financial Statement

As of and for the year ended June 30, 2002

corporation, or individual. This term cooperative employer includes cooperative financing, cooperative development, or any form of association or enterprise designed to assist. The state of Louisiana has entered into cooperative employer agreements with certain entities aimed at decreasing the burden of the state. The law by establishing as of June 30, 2002, by funding source, is as follows:

NOTE: Amounts in excess of contract limits cannot be used to reduce the outstanding contract balance as of June 30, 2002. For example, if a contract specifies a percentage of usage for each month (35%) and usage exceeds that percentage (15%), you cannot claim actual usage that exceeds contract requirements (35%).

NOTE: In order to compute your ending balances by funding source, you should begin with your balances at June 30, 2001. These amounts will be increased by amounts for new contracts and amendments and decreased for payments, as well as for liquidation.

6. GOVERNMENT-MANDATED EXCHANGE TRANSACTIONS (GEMTS) – NOT APPLICABLE

The following government-mandated exchange transactions (gemts) were received during fiscal year 2001/2002:

GEMT Number	Project Name	Sub Grant Percentage	Total Amount Awarded
.....	\$
.....
.....
.....
.....
.....
.....
Total (contract) fee deficits (exchange limited use funds)			\$

7. USE KINDS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS – NOT APPLICABLE

As of June 30, 2001, the _____ (STA) was not in compliance with the provisions of _____ (STA) and _____ (STA). The _____ (STA) is _____ to correct this deficiency.

8. SHORT-TERM DEBT – NOT APPLICABLE

The _____ (STA) does not have any short-term debt as of _____.

Short-term debt activity for the year ending June 30, 2001, will be as follows:

	Interest On Debt	Report on Balance Sheet	Issued	Repaid	Ending Balance
Tax and government	\$	\$	\$	\$	\$

LOUISIANA TAX-FREE SHOPPING COMMISSION
Notes to the Financial Statement
As of and for the year ended June 30, 2002

The _____ (2012) year is ending into of credit to finance _____ prior to the issuance of related bonds.

Short-term debt activity for the year ended June 30, 2002, was as follows:

	Issued for Debt	Beginning Balance	Payoff	Repayment	Ending Balance
Line of credit		\$ _____	\$ _____	\$ _____	\$ _____

IV. DISAGGREGATION OF RECEIVABLE BALANCES

Short receivables at June 30, 2002, were as follows:

	Accounts Receivable	Taxes	Expenses from prior disbursements	Other receivables	Total Receivables
2002	\$ _____	\$ _____	\$ 10,412	\$ 1,885	\$ 11,297
2001 receivables due at balance of prior fiscal year	\$ _____	\$ _____	\$ 10,412	\$ 1,885	\$ 11,297
2002 receivables due at balance of prior fiscal year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2001 receivables due at balance of prior fiscal year	\$ _____	\$ _____	\$ 10,412	\$ 1,885	\$ 11,297
2002 receivables due at balance of prior fiscal year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2002 were as follows:

	Vendor	Interest due	State Tax	Other Payables	Total Payables
2002	\$ 10,000	\$ 2,000	\$ 1,000	\$ _____	\$ 13,000
2001 payables due at balance of prior fiscal year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2002 payables due at balance of prior fiscal year	\$ 10,000	\$ 2,000	\$ 1,000	\$ _____	\$ 13,000
2001 payables due at balance of prior fiscal year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

VI. SUBSEQUENT EVENTS

On July 30, 2002, Louisiana Tax-Free Shopping Commission had an Advance Payment due to the State of Louisiana Department of Administration in the amount of \$700,000 for September 2002. These funds were subsequently paid in full during the month of July, 2002.

LOUISIANA TAX-FREE SHOPPING COMMISSION
Notes to the Financial Statements
As of and for the year ended June 30, 2002

X. SIGNIFICANT INFORMATION – NOT APPLICABLE

Governments that report on their local level or that use enterprise fund accounting and reporting standards in reports that are not required to present segment information for those categories of the notes to the financial statements. For the purposes of the disclosure, a segment is an identifiable activity (or group of activities), separate or as well as groups or line or an other stand-alone entity that has one or more levels of direct costs attributable to it, including with a revenue stream that is a part of that unit. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately. This requirement for separate accounting applies if imposed by the national party such as accounting and reporting requirements set forth in federal regulations. Disclosure requirements for each segment should be met by identifying the types of goods and services provided and by presenting summarized financial statements for the entity, including the elements in A through G below (24588-04, paragraph 127, as modified by GASB 37, paragraph 17.)

Type of goods or services provided by the segment _____

A. Condensed statement of net assets

- (1) Total assets = displaying balance between current assets, capital assets and other assets. Amounts receivable from other funds or BFAS should be reported separately.
- (2) Total liabilities = displaying long term debt, current and long term liabilities. Amounts payable to other funds or BFAS should be reported separately.
- (3) Net net assets = displaying long term debt, long term liabilities, reporting expenses and other reportable to appropriate, unclassified, and amounts invested in capital assets, net of related debt.

Condensed Statement of Net Assets

	Segment	Page 1 of 1
Current assets	\$ _____	\$ _____
Due from other funds	_____	_____
Capital assets	_____	_____
Other assets	_____	_____
Due to other funds	_____	_____
Long term liabilities	_____	_____
Unreported liabilities	_____	_____
Unreported net assets	_____	_____
Net net assets	_____	_____
000		

B. Condensed statement of revenues, expenses, and changes in net assets

- (1) Operating revenues by fund type
- (2) Operating expenses. Depreciation related to any investments should be reported separately.
- (3) Operating income/loss
- (4) Nonoperating revenues and expenses - with separate reporting of major revenues and expenses
- (5) Capital contributions and other items to be reported and their amounts
- (6) Special and extraordinary items
- (7) Transfers
- (8) Change in net assets
- (9) Expense report assets
- (10) Ending net assets

LOUISIANA TAX-FREE SHOPPING COMMISSION
Notes to the Financial Statement
As of and for the year ended June 30, 2002

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Segment B1	Segment B2
Operating revenues	\$	\$
Operating expenses		
Net revenues and expenses on		
Operating income (loss)	\$	\$
Non-operating revenues (expenses)		
Net (non-) operating (loss) to		
operations and non-operating		
Revenues and expenses		
Revenues		
Expenses		
Change in net assets	\$	\$
Operating income (loss)	\$	\$
Change in net assets	\$	\$

C. Condensed Statement of Cash Flows

- (1) Net cash provided (used) by:
- (a) Operating activities
 - (b) Investing activities
 - (c) Capital and lease financing activities
 - (d) Fund transfers
- (2) Change in cash and cash equivalents
- (3) Ending cash and cash equivalent balances

Condensed Statement of Cash Flows

	Segment B1	Segment B2
Net cash provided (used) by operating activities	\$	\$
Net cash provided (used) by investing		
financing activities		
Net cash provided (used) by capital and lease		
financing activities		
Net cash provided (used) by fund transfers		
Change in cash and cash equivalent balances	\$	\$
Ending cash and cash equivalent balances	\$	\$

9. DUE TO/FRM AND TRANSFERS - NOT APPLICABLE

1. List the fund type and amounts due from/to other funds covered by all other funds in your field year end

Fund ID	Amount	Amount
	\$	\$
	\$	\$
	\$	\$

LOUISIANA TAX-FREE SHIPPING COMMISSION
Return to the Financial Statements
As of and for the year ended June 30, 2007

2. List by fund type the amounts due to other funds controlled by individual fund at fiscal year end:

Type of Fund	Name of Fund	Amount
_____	_____	\$ _____
_____	_____	\$ _____
TOTAL AMOUNTS DUE		\$ _____

3. List by fund type all transfers from other funds for the fiscal year:

Type of Fund	Name of Fund	Amount
_____	_____	\$ _____
_____	_____	\$ _____
TOTAL AMOUNTS RECEIVED		\$ _____

4. If it is fund type all transfers to other funds for the fiscal year:

Type of Fund	Name of Fund	Amount
_____	_____	\$ _____
_____	_____	\$ _____
TOTAL AMOUNTS PAID		\$ _____

2. LIABILITIES PAYABLE FROM RESTRICTED ASSETS - NOT APPLICABLE

Liabilities payable from restricted assets in the _____ (BTR) at _____ (fiscal year end), scheduled at \$ _____ in the current tax base section on Statement A, consist of \$ _____ in accounts payable, \$ _____ in notes payable, and \$ _____ in _____.

Liabilities payable from restricted assets in the _____ (BTR) at _____ (fiscal year end), scheduled at \$ _____ in the non-current liability section on Statement A, consist of \$ _____ in accounts payable, \$ _____ in notes payable, and \$ _____ in _____.

LOUISIANA TAX-FREE SHOPPING COMMISSION
Notes to the Financial Statements
As of and for the year ended June 30, 2002

AA. FIVE-YEAR RESTATEMENT OF NET ASSETS

The following adjustments were made in reclassifying net assets for June 30, 2002:

Fund Balance July 1, 2001, UNRECORDED	Adjustments 7/01/01	Beginning net assets, July 1, 2001, As Reported
\$ <u>528,224</u>	\$ <u>120,222</u>	\$ <u>648,446</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	<u>648,446</u>

Each adjustment should be explained in detail in a separate sheet.

(NOTE: Net Assets at July 1, 2001, previously reported, must correspond to Net Assets at June 30, 2001, (at the information received from DORAP.)

1. Computerized document reclassification is held by under 68428.00 (See Note K)

STATE OF LOUISIANA
LOUISIANA TAX-FREE SHOPPING COMMISSION
SCHEDULE OF STATE FUNDING
For the Year Ended June 30, 2000

NOT APPLICABLE

Description of Funding	Amount
1 _____	\$ _____
2 _____	_____
3 _____	_____
4 _____	_____
5 _____	_____
6 _____	_____
7 _____	_____
8 _____	_____
9 _____	_____
10 _____	_____
Total	\$ _____

FORM 2

STATE OF LOUISIANA
 LOUISIANA TAX FREE SHOPPING COMMISSION
 SCHEDULE OF NOTES PAYABLE
 June 30, 2002

NOT APPLICABLE

Issue	Date of Issue	Original Issue	Principal Outstanding (\$000)	Accrued (\$000)	Principal Outstanding (\$000)	Interest Rate	Interest Outstanding (\$000)
		\$ _____	\$ _____	\$ _____	\$ _____		\$ _____
Total		\$ _____	\$ _____	\$ _____	\$ _____		\$ _____

Send copies of any amendments to the schedule.

STATE OF LOUISIANA
 LOUISIANA TAX FREE SHOPPING COMMISSION
 SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
 For The Year Ended June 30, 2003

NOT APPLICABLE

Fiscal Year ending	(Dollars)	(Dollars)
2003	\$ _____	\$ _____
2004	_____	_____
2005	_____	_____
2006	_____	_____
2007	_____	_____
2008-2010	_____	_____
2010-2011	_____	_____
2011-2012	_____	_____
2012-2017	_____	_____
Total	\$ _____ **	\$ _____ **

SCHEDULE 4-A

STATE OF LOUISIANA
LOUISIANA TAX FREE SHOPPING COMMISSION
SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 2002

NOT APPLICABLE

Period Year Ending	Payment	Interest	Principal	Balance
2000	\$ _____	\$ _____	\$ _____	\$ _____
2001	_____	_____	_____	_____
2002	_____	_____	_____	_____
2003	_____	_____	_____	_____
2004	_____	_____	_____	_____
2005-2012	_____	_____	_____	_____
2013-2017	_____	_____	_____	_____
2018-2022	_____	_____	_____	_____
2023-2027	_____	_____	_____	_____
Total	\$ _____	\$ _____	_____	_____

SCHEDULE 5-B

STATE OF LOUISIANA
 LOUISIANA TAX FREE SHOPPING COMMISSION
 SCHEDULE C- NOTES PAYABLE AMORTIZATION
 For The Year Ended June 30, 2007

NOT APPLICABLE

Fiscal Year Ending	Fiscal	Interest
2003	\$ _____	\$ _____
2004	_____	_____
2005	_____	_____
2006	_____	_____
2007	_____	_____
2008-2012	_____	_____
2013-2017	_____	_____
2018-2022	_____	_____
2023-2027	_____	_____
Total	\$ _____	\$ _____

SCHEDULE C-1C

STATE OF LOUISIANA
 LOUISIANA TAX FREE SHOPPING COMMISSION
 SCHEDULE OF BONDS PAYABLE AMORTIZATION
 For The Year Ending June 30, 2002

NOT APPLICABLE

Fiscal Year Ending	<u>Principal</u>	<u>Interest</u>
2000	\$ _____	\$ _____
2001	_____	_____
2002	_____	_____
2003	_____	_____
2004	_____	_____
2005-2007	_____	_____
2008-2009	_____	_____
2010-2020	_____	_____
2021-2022	_____	_____
Total	\$ _____	\$ _____

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INFORMATION FOR "DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS"
Supplementary Information Schedule

Purpose:

Note C - This note provides the required disclosures about the governmental entities' deposits with financial institutions and investments. The disclosures required for deposits and investments as of the balance sheet date provides information about the credit risk and market risk of investments and Investments and are designed to provide users of the financial statements information about the potential for losses associated with the deposits and investments.

L. Comparison of amounts disclosed for GASB 3 requirements in the note to amounts shown on the balance sheet:

- Generally, the amounts of cash and investments on the balance sheet will not be classified exactly the way they would be classified in the note.
- "Deposits with Financial Institutions" and "Investments" in the note may be reported on the balance sheet using titles or line items that are different than those in the note, or there may be combinations of lines or line items. For instance, "Deposits" in the note may derive from several line items on the balance sheet such as "Cash in Bank" and "CD's" or even "Investments" (See section I below that goes further guidance on what should be considered "Deposits" in the note).
- Line items on the balance sheet may include amounts that would be deposits in the note, and may also include amounts that would be investments in the note. Also, cash and cash equivalents line items on the balance sheet may include amounts that are not deposited in bank accounts of the entity and therefore would not be reported in the note at all, such as petty cash, cash on hand, and treasury cash.
- Cash and debt on the balance sheet that involves cash or investments, including any restricted cash and/or investments, needs to be analyzed to determine what is included in the item and how it should be disclosed in the note.
- There is not a requirement to provide reconciliation between disclosures in the note and the amounts on the balance sheet, but preparing one could be useful. If a reconciliation is prepared, the total of the amount shown cash, cash equivalents, and investment line items should equal the total of the deposits and investments in the note (unless the balance sheet cash includes cash not reported in bank accounts as mentioned above).

II. "Deposits with Financial Institutions" section of the note

Generally, this section of the GASB 3 disclosure, previously titled "Cash and Cash Equivalents", refers to the various examples of "Deposits With Financial Institutions" (See A. for examples). The term "cash and cash equivalents" is used in reference to GASB Statement 3 that allows presentation for the balance sheet and statement of cash flows. For the note disclosure required by GASB Statement 3, "Deposits with Financial Institutions" includes deposit accounts in terms, savings and loan associations, and credit unions, it also includes demand savings, or time accounts, negotiable order of withdrawal (NOW) accounts, and non-negotiable CDs. As stated previously, deposits for GASB 3 disclosure may be a combination of balance sheet line items or lines. IT/NOT include treasury cash, petty cash not in a bank account, or cash on hand in the note. If a reconciliation of the note and the balance sheet is prepared as mentioned previously, these amounts would be reconciling items.

A. Examples and/or definitions:

Non-negotiable Certificate of Deposit - Non-negotiable CDs are time deposits that are placed by depositors directly with financial institutions and generally are subject to a penalty if redeemed before maturity. These are treated as "deposits" for GASB 3 disclosures. (Negotiable CDs are securities that are normally sold in 37 month units that are traded in a secondary market. These are treated as "investments" for GASB 3 Note disclosures.)

Money Market Accounts – financial institution "money market" accounts are simply deposits that pay interest at a fixed rate to make the accounts competitive with money market mutual funds. They should be treated like any other deposit account for GAOB 3-More disclosure.
Bank Investment Certificate (BIC) – A BIC is a general obligation instrument issued by a bank, typically to a pension plan, that provides for a guaranteed return on principal over a specified period. Since a bank never fails, they are treated as deposits for GAOB 3-More disclosure.

B. Other definitions as applied to deposits:

Insured (Insurance) – deposits are insured by Federal Deposit Insurance (FDIC), state deposit insurance, multiple insurance institution additional funds that insure public deposits, and even certain of insurance if scope of coverage could be substantially the same as FDIC.

Collateral – security pledged by a financial institution to a government entity for its deposits.

III. "Investments" section of Note

Investments for GAOB 3-investments and other "categorized as to level of credit risk" or "not categorized", and are generally classified by whether they fit the definition of securities or not (see the definition of securities in section IV D.).

A. Types of investments that can be categorized as to level of risk & definitional examples. (In general, investments that fit the definition of securities are categorized in categories of risk.)

1. **Repurchase Agreements** – An agreement in which a governmental entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower), the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for: a) the same securities, or for all of them; securities.
2. **U.S. Government Obligations** – examples include Treasury bills, Treasury notes and Treasury strips; obligations of certain U.S. Government Agencies such as FHMA, FHLB, or SLMA.
3. **Common & Preferred Stock** – a security that represents an ownership interest in a entity.
4. **Commercial Paper** – An unsecured promissory note issued primarily by corporations for a specific amount and maturing on a specific day. Absent of commercial paper is rated as to credit risk by rating services.
5. **Corporate Bonds**
6. **Other** – If it is not appropriate to present material amounts of investments as "Other", unless the narrative of the note disclosure describes the composition of the "Other" category.
7. **Closed-end Mutual Fund** – The investment company sells shares of its stock to investors and it invests on the shareholders' behalf in a diversified portfolio of securities. A closed-end mutual fund has a limited number of shares, the value depends on the market supply and demand for the shares (other than trading on the value of the portfolio, the fund does issue certificates, and the securities are listed on a stock exchange).

B. Types of investments that cannot be categorized as to level of risk. (In general, investments that are not securities are not classified in categories of credit risk.)

1. **Reverse Repurchase Agreements** – An agreement in which a broker-dealer or financial institution (buyer-lender) borrows cash to a governmental entity (seller-borrower); the entity transfers securities to the broker-dealer or financial institution.

and promises to repay the debt plus interest in exchange for (a) the same securities, or for (b) different securities.

2. **Open-end Mutual Funds** – The investment company sells shares of its stock to investors and it invests on the shareholders' behalf in a diversified portfolio of securities. In contrast to a closed-end mutual fund, the open-end mutual fund creates new shares in great investor demand, the value depends directly on the value of the portfolio, and the fund does not issue certificates, but sends out periodic statements showing account activity. These investments are not evidenced by securities that exist in physical or book entry form.
3. **Investments in pools managed by another government** – GASB 3 does not require the investment to be categorized as to level of risk, but it does not prohibit it either. Generally, these investments would not be categorized because they are not evidenced by securities that exist in physical or book entry form.
4. **Private placements, such as venture capital and limited partnerships**
5. **Investments in real estate, annuity contracts, and direct investments in companies**

IV. Categories of Credit Risk for Deposits and Investments

Deposits and investments are subject to several types of risks, mainly credit risk and market risk.

Credit risk – defined as the risk that a counterparty to an investment transaction will not fulfill its obligations and can be associated with the issuer of securities, with a financial institution holding deposits, or with a party holding investment or collateral securities.

Market risk – defined as the risk that the market value of investment securities, collateral securities protecting a deposit or securities of a repurchase agreement will decline.

Unrealized obsolescence – concerned with collateral credit risk, which is the risk that a government will not be able (1) to recover deposits if the depository financial institution fails or (2) to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit becomes insolvent.

- A. **Deposits are classified into three categories depending on whether they are insured or collateralized, and who holds the collateral and how the collateral is held.**

Collateral – Securities pledged by the financial institution for the purpose of securing the governmental entity's deposits.

Collateralized – When the entity's deposits are secured with securities pledged by the financial institution held up the deposits.

Category 1 – Deposits that are covered by insurance (FDIC) or collateralized with securities that are held by the entity in the entity's name or registered in the entity's name.

Category 2 – Deposits that are not insured but are collateralized with securities that are held by the financial institutions trust department or agent and are in the entity's name.

Category 3 – Deposits that are not covered by insurance and also are not collateralized. Not collateralized includes when the securities are held by the financial institution's trust department or agent and they are not in the entity's name.

- B. **Investments are classified into three categories depending on whether they are insured or registered, and who holds the securities and how they are held.**

Category 1 – Investments that are insured (PICIC) or registered in the entity's name, or securities held by the entity or agent in the entity's name.

Category 2 – Investments that are not insured or registered, and the securities are held by the counterparty's trust department or agent in the entity's name.

Category 3 – Investments that are not insured or registered, and the securities are held by the counterparty or its trust department or agent and in the entity's name.

C. Securities not applied to the credit risk categories:

Securities – A transferable financial instrument that evidences ownership or indebtedness. Securities can be in either paper or book-entry form.

1. Examples of securities that are often held by or pledged to (or collected) governmental entities include:

- a. Treasury bills, treasury notes, treasury bonds
- b. Federal agency obligations
- c. Corporate debt instruments (including commercial paper)
- d. Corporate equity investments
- e. Negotiable CDs (approved here is negotiable)
- f. Bankers' acceptances
- g. Shares of closed-end mutual funds (approved here is closed-end)
- h. Shares of unit investment trusts

2. Instruments or investments that are not securities include:

- a. Investments made directly with another party (such as limited partnerships)
- b. Real estate
- c. Short investments in mortgages and other loans
- d. Investments in open-ended mutual funds (approved here is open-ended)
- e. Pools managed by other governmental
- f. Annuity contracts
- g. Guaranteed investment contracts

These instruments or investments would not be categorized as to credit risk or OAR 3 disclosure requirements.