

LOUISIANA TAX FREE SHOPPING COMMISSION
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

E. CASH

Cash includes 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 certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. PROPERTY AND EQUIPMENT

Furniture and equipment and leasehold improvements are stated at cost at the date of acquisition, estimated cost if actual cost is not known, or fair market value at date of donation in the case of gifts. Depreciation is computed using the straight-line method.

G. COMPENSATED ABSENCES

Commission 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 are compensated for up to 200 hours of unused annual leave at the employee's hourly rate of pay. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The cost of leave privileges, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section 268.105, is recognized as a current-year expense in the enterprise fund.

3. CASH

At June 30, 1995, the commission has cash (bank balances) totaling \$251,752 as follows:

Demand deposits, including restricted cash of \$18,333 for sales tax refunds to international shoppers	\$233,418
Cash on hand, restricted for sales tax refunds to international shoppers	42,734
Petty cash	900
Total	<u>\$251,752</u>

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 1995, the commission has \$319,231 in deposits



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November 8, 1998

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

LOUISIANA TAX FREE SHOPPING COMMISSION
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the general purpose 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, 1998, and have issued our report thereon dated November 8, 1998.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

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

Respectfully submitted,


Daniel G. Kyla, CPA, CFE
Legislative Auditor

DLHLLW08

11/9/98

LEGISLATIVE AUDITOR

LOUISIANA TAX FREE SHOPPING COMMISSION

STATE OF LOUISIANA

Internal Control Report

November 8, 1996

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Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and/or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

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

Respectfully submitted,



Daniel G. Kyles, CPA, CFE
Legislative Auditor

DH:LPM:dl

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November 8, 1998

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

LOUISIANA TAX FREE SHOPPING COMMISSION
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the general purpose 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, 1998, and have issued our report thereon dated November 8, 1998.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

In planning and performing our audit of the general purpose financial statements of the Louisiana Tax Free Shopping Commission for the year ended June 30, 1998, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

LOUISIANA TAX FREE SHOPPING COMMISSION
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

leases, which require annual rents of \$22,283 and \$5,826, respectively, expire on April 30, 1997, and on September 30, 1998.

**9. ADVANCE OF SALES TAX REFUND
REIMBURSEMENTS FROM THE
LOUISIANA DEPARTMENT OF
REVENUE AND TAXATION**

In fiscal year 1994, the Louisiana Department of Revenue and Taxation advanced \$350,000 to the commission. This advance is noninterest-bearing and has no set repayment schedule. The advance is classified as current because the Department of Revenue and Taxation has the right to request repayment of this amount at any time. The commission began repaying the advance beginning in fiscal year 1996 and the balance as of June 30, 1996, is \$250,000. The amount is offset by \$87,012 of sales tax refund reimbursements due at June 30, 1996, from the Department of Revenue and Taxation. This advance and all sales tax refund transactions are handled through a separate bank account. At June 30, 1996, the following assets were related to the balance of this advance due to the State of Louisiana:

Restricted cash	\$15,333
Sales tax refund reimbursements due from other taxing bodies	234,655
Advance repayments to Department of Revenue and Taxation	<u>(60,000)</u>
Due to State of Louisiana	<u>\$189,988</u>

10. RELATED PARTY TRANSACTIONS

The commission is composed of five members, one of whom is nominated by the World Trade Center. On March 8, 1994 and April 26, 1996, the World Trade Center of New Orleans, Inc., entered into rental agreements with Louisiana Tax Free Shopping for leases of approximately 2,210 square feet on the tenth floor of the World Trade Center Building at No. 2 Canal Street, New Orleans, Louisiana. The lease agreement commencing on March 8, 1994, and expiring on April 30, 1996, was made for and in consideration of \$2,060 per month rent. The lease agreement commencing on May 1, 1996, and expiring on April 30, 1997, was made for and in consideration of \$1,927 per month rent.

11. LITIGATION AND CLAIMS

There is no pending litigation against the commission at June 30, 1996.

LOUISIANA TAX FREE SHOPPING COMMISSION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

(collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance (GAAP Risk Category 1) and \$118,231 of pledged securities held in joint custody by the Federal Reserve Bank (GAAP Risk Category 2).

3. SALES TAX REFUNDS PROCESSED

For the year ended June 30, 1996, sales tax refunds to foreign visitors (before a handling fee deduction), totaling \$2,807,252, were processed under the Louisiana Tax Free Shopping Program. This amount related to sales taxes of the following taxing authorities:

State of Louisiana	\$1,100,038
City of New Orleans	603,115
Jefferson Parish	435,214
St. Tammany Parish	12,817
City of Baton Rouge	18,279
Lafayette Parish	10,179
Other	<u>25,819</u>
Total	<u>\$2,807,252</u>

4. RECEIVABLES

The following is a summary of receivables at June 30, 1996:

Sales tax refund reimbursements receivable	\$234,833
Voucher sales	7,284
Advertising fees	7,864
Other	<u>1,283</u>
Total	<u>\$251,564</u>

5. PROPERTY AND EQUIPMENT

A summary of property and equipment and accumulated depreciation follows:

Furniture and equipment	\$92,274
Leasehold improvements	<u>15,281</u>
Total property and equipment	107,555
Less accumulated depreciation	<u>(47,183)</u>
Property and equipment net of accumulated depreciation	<u>\$60,372</u>



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November 8, 1995

**Independent Auditor's Report on
the Financial Statements**

LOUISIANA TAX FREE SHOPPING COMMISSION
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying general purpose 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, 1995, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of management of the Louisiana Tax Free Shopping Commission. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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 general purpose 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, 1995, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 8, 1995, on our consideration of the Louisiana Tax Free Shopping Commission's internal control structure and a report dated November 8, 1995, on its compliance with laws and regulations.

Respectfully submitted,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DLH/WRB
paw/mj

LOUISIANA TAX FREE SHOPPING COMMISSION
STATE OF LOUISIANA

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1998

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STATE OF LOUISIANA LEGISLATIVE AUDITOR

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

December 4, 1999



Financial and Compliance Audit Division

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



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

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

LOUISIANA TAX FREE SHOPPING COMMISSION
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Furniture and equipment and household improvements are depreciated over 5-10 years and 10 years, respectively, in accordance with LSA-R.S. 38:321-322; the commission has complied with the Louisiana movable property statutes.

6. RETIREMENT SYSTEM

Substantially all employees of the commission are members of the Louisiana State Employees Retirement System (System), a cost-sharing, multiple employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) 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 \$300 plus 2.5 percent 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 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 State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (504) 922-0068 or (800) 258-0090.

Members are required by state statute to contribute 7.5 percent of gross salary, and the commission is required to contribute at an actuarially determined rate as required by Louisiana Revised Statute 11:102. The contribution rate for the fiscal year ended June 30, 1993, increased to 12.0 percent of annual covered payroll from the 11.8 percent required in fiscal years ended June 30, 1992 and 1991. The commission contributions to the System for the years ending June 30, 1993, 1994, and 1995 were \$27,897, \$27,000, and \$20,595, respectively, equal to the required contributions for each year.

7. COMPENSATED ABSENCES

At June 30, 1995, employees of the commission have accumulated and vested \$16,584 of employee leave benefits, which was computed in accordance with GASB Codification Section 220. This amount is recorded within the enterprise fund.

8. LEASES

The commission rents space at the World Trade Center in New Orleans and at the New Orleans International Airport for the operation of its tax free shopping program. The existing

LOUISIANA TAX FREE SHOPPING COMMISSION
STATE OF LOUISIANA
Baton Rouge, Louisiana

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1999

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

December 4, 1999

LOUISIANA TAX FREE SHOPPING COMMISSION
 STATE OF LOUISIANA
 PROPRIETARY FUND - ENTERPRISE FUND

Balance Sheet, June 30, 1998

ASSETS

Cash, including restricted cash (note 2)	\$251,752
Receivables (note 4)	251,588
Pre-paid expenses	528
Property and equipment (note 5)	<u>34,532</u>
TOTAL ASSETS	<u>\$508,398</u>

LIABILITIES AND FUND EQUITY

Liabilities:	
Accounts payable	\$5,802
Salaries payable	7,344
Payroll deductions and withholdings payable	590
Due to State of Louisiana (note 6)	182,880
Deferred revenue	58,578
Accrued compensated absences (note 7)	<u>12,594</u>
Total Liabilities	<u>267,890</u>
Fund Equity - retained earnings	<u>240,508</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$508,398</u>

The accompanying notes are an integral part of this statement.

LOUISIANA TAX FREE SHOPPING COMMISSION
 STATE OF LOUISIANA
 PROPRIETARY FUND - ENTERPRISE FUND

Statement of Revenues, Expenses,
 and Changes in Retained Earnings
 For the Year Ended June 30, 1996

OPERATING REVENUES	
Visitor handling fees	5452,742
Membership fees	195,332
Voucher sales	59,491
Advertising revenue	10,664
Total operating revenues	<u>6108,229</u>
OPERATING EXPENSES	
Personal services and related benefits	389,966
Supplies	8,012
Travel	20,280
Operating services	174,842
Professional services	17,835
Other	360
Depreciation	8,841
Total operating expenses	<u>635,136</u>
OPERATING INCOME	<u>575,093</u>
NONOPERATING REVENUES (Expenses)	
Interest earnings	4,887
Interest expense	(55)
Total nonoperating revenues (expenses)	<u>4,832</u>
NET INCOME	<u>579,925</u>
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>168,532</u>
RETAINED EARNINGS AT END OF YEAR	<u><u>\$748,457</u></u>

The accompanying notes are an integral part of this statement.

LOUISIANA TAX FREE SHOPPING COMMISSION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statement of Cash Flows
For the Year Ended June 30, 1994

Cash flows from operating activities:		
Operating income		\$87,599
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,541	
Changes in assets and liabilities:		
(Increase) in sales tax refund reimbursements receivable	(134,982)	
(Increase) in receivables from voucher sales	(1,779)	
(Increase) in other receivables	(8,847)	
(Increase) in pre-paid expenses	(526)	
Increase in accounts payable	828	
(Decrease) in payroll deductions and withholdings payable	(3,892)	
(Decrease) in due to other funds	(74,832)	
(Decrease) in deferred revenue	(11,997)	
(Decrease) in accrued compensated absences	(2,192)	
Net cash provided by operating activities		<u>(\$128,214)</u>
Cash flows from noncapital financing activities - interest paid		100
Cash flows from capital and related activities - disposition of movable property		11,890
Cash flows from investing activities - receipt of interest earnings		<u>4,287</u>
Net decrease in cash		<u>(112,977)</u>
Cash at beginning of year		<u>387,724</u>
Cash at end of year		<u>\$274,747</u>

The accompanying notes are an integral part of this statement.

**LOUISIANA TAX FREE SHOPPING COMMISSION
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 1995

INTRODUCTION

The Louisiana Tax Free Shopping Commission, established within the Department of Revenue and Taxation, was created under the provisions of Louisiana Revised Statutes (LSA-R.S.) 51:1301-1316. 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 purchases 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 had an initial opportunity cost to state and local governments equal to the amount of sales tax refunded, this loss was offset by additional revenues generated from an increase in foreign tourists, who continue to pay for expenditures such as hotels, restaurants, entertainment, rental cars, riverboat rides, and other attractions. The commission, domiciled in Baton Rouge, employed 18 people at June 30, 1995. The accounting records are maintained by Department of Revenue and Taxation employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

B. 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 exercises oversight responsibility as follows: (1) commission members are designated by state law; (2) the commission is established in the Louisiana Department of Revenue and Taxation; (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,

LOUISIANA TAX FREE SHOPPING COMMISSION
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

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.

C. FUND ACCOUNTING

The commission uses a proprietary fund type - enterprise fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. The enterprise fund is used to account for operations that are financed and operated similarly to private business enterprises - the intent of the governing body is that costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for using a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, the assets and liabilities associated with the operation of the fund are included on the balance sheet. The commission uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized at the time liabilities are incurred. Revenues and expenses are recorded as follows:

Revenues

Annual membership fees are recognized as revenue uniformly over the membership year. A portion of each sales tax refund is withheld from the visitor as a handling fee. These fees are recognized as revenue in the month the related visitor refund is processed. Interest earnings are recorded when the income is earned. Other revenues are recognized when they become measurable and available as current assets.

Expenses

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