

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

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

February 24, 1999



***Financial and Compliance Audit Division***

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

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**LOUISIANA TAX FREE SHOPPING COMMISSION  
DEPARTMENT OF REVENUE  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

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

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.

**February 24, 1999**

**LOUISIANA TAX FREE SHOPPING COMMISSION  
DEPARTMENT OF REVENUE  
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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December 21, 1998

Independent Auditor's Report on  
the Financial Statements

**LOUISIANA TAX FREE SHOPPING COMMISSION**  
**DEPARTMENT OF REVENUE**  
**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, 1998, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Louisiana Tax Free Shopping Commission's management. 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. 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 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, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 13 to the financial statements, the Louisiana Tax Free Shopping Commission changed its method of reporting as a Proprietary Fund - Enterprise Fund on an accrual basis of accounting to a Governmental Fund - General Fund on a modified accrual basis of accounting.

LEGISLATIVE AUDITOR

LOUISIANA TAX FREE SHOPPING COMMISSION  
DEPARTMENT OF REVENUE  
STATE OF LOUISIANA  
Audit Report, June 30, 1998

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 1998, on the Louisiana Tax Free Shopping Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

RMC:LWM:AJR:dl

[TAXFREE]

**LOUISIANA TAX FREE SHOPPING COMMISSION  
DEPARTMENT OF REVENUE  
STATE OF LOUISIANA  
ALL FUND TYPES AND ACCOUNT GROUPS**

**Balance Sheet, June 30, 1998**

	GOVERNMENTAL FUND - GENERAL FUND	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
<b>ASSETS AND OTHER DEBITS</b>				
Assets:				
Cash (note 2)	\$256,787			\$256,787
Receivables (note 3)	338,173			338,173
Inventories of materials and supplies (note 1-G)	5,176			5,176
Fixed assets (note 4)		\$106,829		106,829
Other Debits - amount to be provided for general long-term obligations (note 7)			\$137,670	137,670
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$600,136</b>	<b>\$106,829</b>	<b>\$137,670</b>	<b>\$844,635</b>
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>				
Liabilities:				
Payables (note 9)	\$60,896			\$60,896
Due to State of Louisiana (note 7)			\$120,000	120,000
Compensated absences payable (note 7)			17,670	17,670
<b>Total Liabilities</b>	<b>60,896</b>	<b>NONE</b>	<b>137,670</b>	<b>198,566</b>
Equity and Other Credits:				
Investment in general fixed assets		\$106,829		106,829
Fund balance:				
Reserved for inventories of materials and supplies (note 1-G)	5,176			5,176
Unreserved - undesignated	534,064			534,064
<b>Total Equity and Other Credits</b>	<b>539,240</b>	<b>106,829</b>	<b>NONE</b>	<b>646,069</b>
<b>TOTAL LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>	<b>\$600,136</b>	<b>\$106,829</b>	<b>\$137,670</b>	<b>\$844,635</b>

The accompanying notes are an integral part of this statement.



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

**Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
For the Year Ended June 30, 1998**

**REVENUES**

Visitor handling fees	\$484,593
Membership fees	108,476
Voucher sales	62,237
Advertising revenue	12,322
Miscellaneous	3,948
Total revenues	<u>671,576</u>

**EXPENDITURES**

Personal services and related benefits	334,543
Travel	21,702
Operating services	183,149
Supplies	12,584
Professional services	37,820
Capital outlay - fixed assets	1,285
Other charges	150
Total expenditures	<u>591,233</u>

**EXCESS OF REVENUES OVER EXPENDITURES** 80,343

**OTHER FINANCING SOURCES (Uses)**

Reimbursement for sales tax refunds	2,171,321
Sales tax refunds	(2,167,643)
Payment to State of Louisiana (note 7)	(60,000)
Total other financing sources (uses)	<u>(56,322)</u>

**EXCESS OF REVENUES AND OTHER SOURCES OVER  
EXPENDITURES AND OTHER USES** 24,021

**FUND BALANCE AT BEGINNING OF YEAR - Restated (note 13)** 510,043

**INCREASE IN INVENTORY** 5,176

**FUND BALANCE AT END OF YEAR** \$539,240

The accompanying notes are an integral part of this statement.



LOUISIANA TAX FREE SHOPPING COMMISSION  
DEPARTMENT OF REVENUE  
STATE OF LOUISIANA  
GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures,  
and Changes in Fund Balance - Budget  
(GAAP) Basis and Actual  
For the Year Ended June 30, 1998

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>			
Visitor handling fees	\$486,000	\$484,593	(\$1,407)
Membership fees	107,700	108,476	776
Voucher sales	72,550	62,237	(10,313)
Advertising revenue	19,500	12,322	(7,178)
Interest income	4,800	3,948	(852)
Total revenues	<u>690,550</u>	<u>671,576</u>	<u>(18,974)</u>
<b>EXPENDITURES</b>			
Personal services	376,909	334,543	42,366
Travel	36,627	21,702	14,925
Operating services	219,938	183,149	36,789
Supplies	11,280	12,584	(1,304)
Professional services	43,835	37,820	6,015
Acquisitions	1,660	1,285	375
Other charges		150	(150)
Total expenditures	<u>690,249</u>	<u>591,233</u>	<u>99,016</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$301</u>	<u>80,343</u>	<u>\$80,092</u>
<b>OTHER FINANCING SOURCES (Uses)</b>			
Reimbursement for sales tax refunds		2,171,321	
Sales tax refunds		(2,167,643)	
Payment to State of Louisiana		(60,000)	
Total other financing sources (uses)		<u>(56,322)</u>	
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>		24,021	
<b>FUND BALANCE AT BEGINNING OF YEAR - Restated (note 13)</b>		510,043	
<b>INCREASE IN INVENTORY</b>		<u>5,176</u>	
<b>FUND BALANCE AT END OF YEAR</b>		<u>\$539,240</u>	

The accompanying notes are an integral part of this statement.

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

Notes to the Financial Statements  
As of and for the Year Ended June 30, 1998

**INTRODUCTION**

The Louisiana Tax Free Shopping Commission, established within the Department of Revenue, was created under the provisions of Louisiana Revised Statutes (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 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 tourists, who continue to pay tax on expenditures such as hotels, restaurants, entertainment, rental cars, riverboat rides, and other attractions. The commission, domiciled in Baton Rouge, has 17 employees at June 30, 1998.

**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; (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.

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

**C. FUND ACCOUNTING**

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

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

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

**D. BASIS OF ACCOUNTING**

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

The commission uses the following practices in recording revenues and expenditures in the General Fund:

**Revenues**

Revenues are reconized when they become measurable and available. Annual membership fees are recognized as revenue in the period due. 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 earned. Interest earnings are recorded when the income is earned. Other revenues are recognized when they become measurable and available as current assets.



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

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that obligations of employees' vested annual and sick leave are recorded as expenditures when paid.

**Other Financing Sources (Uses)**

Other financing sources (uses) represent amounts received for sales tax refunds from taxing bodies and the reimbursement to visitors for sales tax refunds. Amounts are recognized when the sales tax transactions associated with merchandise sold is measurable and available. In addition, annual payments on the advance from the State of Louisiana are accounted for as other financing (uses) and are recognized at the time the payments are made.

**E. BUDGET PRACTICES**

In accordance with R.S. 51:1304, 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 prepared 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, 1998, was approved on July 27, 1997. The budget amounts on Statement C reflect the original approved budget. There were no amendments made during the year.

**F. CASH**

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

**G. INVENTORY OF MATERIALS AND SUPPLIES**

Inventories are valued at cost and are recorded as expenditures at the time the items are purchased. Inventories are equally offset by fund balance reserves that indicate they do not constitute available spendable resources.

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

**H. GENERAL FIXED ASSETS AND  
LONG-TERM OBLIGATIONS**

Fixed assets are accounted for in the general fixed assets account group, rather than in the General Fund. Depreciation has not been provided on general fixed assets. All fixed assets are valued at historical costs. A summary of changes in general fixed assets is presented in note 4.

Long-term obligations expected to be financed from the General Fund are accounted for in the general long-term obligations account group. A summary of changes in long-term obligations is presented in note 7.

**I. EMPLOYEE COMPENSATED ABSENCES**

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 employee's hourly rate of pay at the time of termination.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when leave is actually taken. The cost of leave privileges not requiring current resources is recorded in the general long-term obligations account group.

**J. TOTAL COLUMN ON STATEMENT A**

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

**2. CASH**

At June 30, 1998, the commission has cash (book balances) totaling \$256,787 as follows:

Demand deposits	\$230,142
Cash on hand, restricted for sales tax refunds to international shoppers	26,045
Petty cash	<u>600</u>
Total	<u><u>\$256,787</u></u>

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

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, 1998, the commission has \$342,786 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance (GASB Risk Category 1) and \$142,786 of pledged securities held in joint custody by the Federal Reserve Bank (GASB Risk Category 2).

**3. RECEIVABLES**

The following is a summary of receivables at June 30, 1998:

Sales tax refund reimbursements	\$326,573
Membership fees	2,200
Voucher sales	3,788
Handling fees	4,934
Miscellaneous	<u>678</u>
Total	<u><u>\$338,173</u></u>

**4. CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance July 1, 1997	Prior Period Adjustment due to Change in Accounting (note 13)	Adjusted Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Equipment	<u>\$66,144</u>	<u>\$61,017</u>	<u>\$127,161</u>	<u>\$432</u>	<u>(\$20,764)</u>	<u>\$106,829</u>

**5. 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 (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% 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



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

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. 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 (225) 922-0609 or (800) 256-3000.

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. 11:102. The contribution rate for the fiscal year ended June 30, 1998, increased to 13.0% of annual covered payroll from the 12.4% and 12.0% required in fiscal years ended June 30, 1997 and 1996, respectively. The commission contributions to the System for the years ending June 30, 1998, 1997, and 1996, were \$29,409, \$28,050, and \$27,697, respectively, equal to the required contributions for each year.

**6. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The commission provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the board's employees become eligible for these benefits if they reach normal retirement age while working for the board. 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, 1998, there were no costs paid for postretirement health care or life insurance benefits.

**7. LONG-TERM OBLIGATIONS**

General long-term obligations consist of compensated absences and amount due to the State of Louisiana (note 10). The following is a summary of the long-term obligation transactions during the year:

	<u>Compensated Absences</u>	<u>Due to State of Louisiana</u>	<u>Total</u>
Long-term obligations payable at July 1, 1997	\$15,021	\$180,000	\$195,021
Additions	15,141		15,141
Deductions	<u>(12,492)</u>	<u>(60,000)</u>	<u>(72,492)</u>
Long-term obligations payable at June 30, 1998	<u>\$17,670</u>	<u>\$120,000</u>	<u>\$137,670</u>



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

**8. LEASES**

The commission rents space at the World Trade Center in New Orleans and the New Orleans International Airport for the operation of its tax free shopping program. The existing lease, which require annual rents of \$23,352 and \$8,426, respectively, expire on April 30, 1999, and May 31, 1999.

**9. PAYABLES**

The following is a summary of payables at June 30, 1998:

Sales tax refunds	\$27,410
Accounts	29,289
Payroll	<u>4,197</u>
Total	<u>\$60,896</u>

**10. DUE TO THE STATE OF LOUISIANA**

The commission received an advance from the State Treasury in prior years to assist in making sales tax refunds. The advance is noninterest-bearing and has no set repayment schedule. A summary of changes in the amount due to the State of Louisiana is included in note 7, Long-Term Obligations.

**11. RELATED PARTY TRANSACTIONS**

The commission is composed of five members, one of whom is nominated by the World Trade Center. On March 24, 1997, and March 17, 1998, the World Trade Center of New Orleans, Inc., entered into rental agreements with Louisiana Tax Free Shopping for lease 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 24, 1997, and expiring on April 30, 1998, was made for and in consideration of \$1,946 per month rent. The lease agreement commencing on May 1, 1998, and expiring on April 30, 1999, was also made for and in consideration of \$1,946 per month rent.

**12. LITIGATION AND CLAIMS**

There is no pending litigation against the commission at June 30, 1998.

**LOUISIANA TAX FREE SHOPPING COMMISSION  
DEPARTMENT OF REVENUE  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Concluded)

**13. CHANGE IN ACCOUNTING PRINCIPLES**

Prior to the fiscal year June 30, 1998, the commission's financial statements were reported as a proprietary fund type - enterprise fund on the accrual basis of accounting. To better reflect the commission's intentions to increase tourism by refunding state and local sales taxes to foreign visitors, the 1998 financial statements have been prepared as a governmental fund type. In order to convert from an accrual basis of accounting to a modified accrual basis of accounting, certain revenues and expenditures needed to be adjusted between the 1997 and 1998 fiscal years. To implement this accounting change, the commission has restated beginning fund balance as follows:

Beginning retained earnings at July 1, 1997	\$355,415
Adjustments to prior year retained earnings to convert from an accrual basis of accounting to modified basis of accounting:	
Receivables (increase)	5,556
Prepaid expenses (decrease)	(2,968)
Property and equipment (decrease)	(66,144)
Payables (increase)	(31,058)
Due to the State of Louisiana	180,000
Deferred revenue (decrease)	54,221
Compensated absences (decrease)	<u>15,021</u>
Beginning fund balance - restated - at July 1, 1997	<u><u>\$510,043</u></u>

**14. YEAR 2000 ISSUE**

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the commission's operations as early as fiscal year 1999.

The Louisiana Department of Revenue maintains all computerized financial records of the commission. The department is responsible for remediating the electronic data processing systems and is solely responsible for any costs associated with this project. However, because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the department is or will be Year 2000 ready, that the department's remediation efforts will be successful in whole or in part, or that parties with whom the department does business will be Year 2000 ready.

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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



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

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December 21, 1998

Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of the  
General Purpose Financial Statements

**LOUISIANA TAX FREE SHOPPING COMMISSION**  
**DEPARTMENT OF REVENUE**  
**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 December 21, 1998. We conducted our audit in accordance with generally accepted auditing standards 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 and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Louisiana 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.

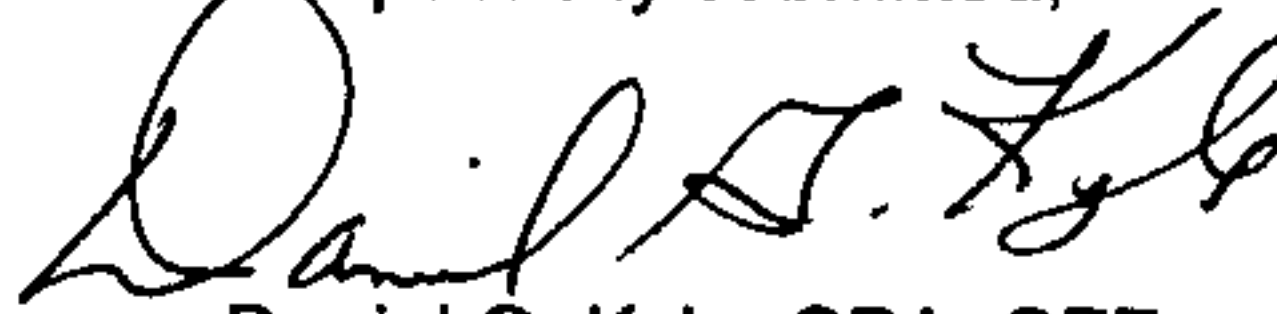
**EXHIBIT A**

LEGISLATIVE AUDITOR

LOUISIANA TAX FREE SHOPPING COMMISSION  
DEPARTMENT OF REVENUE  
STATE OF LOUISIANA  
Compliance and Internal Control Report  
December 21, 1998  
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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,

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

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

RMC:LWM:AJR:dl

[LTFSC]

EXHIBIT A