

STATE OF LOUISIANA LEGISLATIVE AUDITOR

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

December 22, 1999



Financial and Compliance Audit Division

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

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LEGISLATIVE AUDITOR

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

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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, 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 22, 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, 1999

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November 29, 1999

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, 1999, 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, 1999, and the results of its operations 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 29, 1999, 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 that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

RMC:DLH:DSP:dj
{TFSC}

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

Balance Sheet, June 30, 1999

| | GOVERNMENTAL FUND - GENERAL FUND | ACCOUNT GROUPS | | TOTAL (MEMORANDUM ONLY) |
|---|---|----------------------------|-------------------------------------|-------------------------------|
| | | GENERAL FIXED ASSETS | GENERAL LONG-TERM OBLIGATIONS | |
| ASSETS AND OTHER DEBITS | | | | |
| Assets: | | | | |
| Cash (note 2) | \$303,204 | | | \$303,204 |
| Receivables (note 4) | 224,484 | | | 224,484 |
| Inventories of materials and supplies (note 1-G) | 26,167 | | | 26,167 |
| Fixed assets (note 5) | | \$68,467 | | 68,467 |
| Other Debits - amount to be provided for general long-term obligations | | | \$17,731 | 17,731 |
| TOTAL ASSETS AND OTHER DEBITS | \$553,855 | \$68,467 | \$17,731 | \$640,053 |
| LIABILITIES, FUND EQUITY, AND OTHER CREDITS | | | | |
| Liabilities: | | | | |
| Payables (note 10) | \$33,389 | | | \$33,389 |
| Due to State of Louisiana (note 11) | 60,000 | | | 60,000 |
| Compensated absences payable (note 8) | | | \$17,731 | 17,731 |
| Total Liabilities | 93,389 | NONE | 17,731 | 111,120 |
| Equity and Other Credits: | | | | |
| Investment in general fixed assets | | \$68,467 | | 68,467 |
| Fund balance: | | | | |
| Reserved for inventories of materials and supplies (note 1-G) | 26,167 | | | 26,167 |
| Unreserved - undesignated | 434,299 | | | 434,299 |
| Total Equity and Other Credits | 460,466 | 68,467 | NONE | 528,933 |
| TOTAL LIABILITIES, FUND EQUITY, AND OTHER CREDITS | \$553,855 | \$68,467 | \$17,731 | \$640,053 |

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, 1999

REVENUES

| | |
|-----------------------|----------------|
| Visitor handling fees | \$419,364 |
| Membership fees | 101,217 |
| Voucher sales | 53,040 |
| Advertising revenue | 18,149 |
| Interest Income | 3,945 |
| Miscellaneous | 13 |
| Total revenues | <u>595,728</u> |

EXPENDITURES

| | |
|--|----------------|
| Personal services and related benefits | 331,203 |
| Travel | 23,526 |
| Operating services | 174,261 |
| Supplies | 6,133 |
| Professional services | 40,009 |
| Acquisitions | 1,581 |
| Total expenditures | <u>576,713</u> |

EXCESS OF REVENUES OVER EXPENDITURES19,015**OTHER FINANCING SOURCES (Uses)**

| | |
|--------------------------------------|--------------------|
| Reimbursement for sales tax refunds | 2,312,258 |
| Sales tax refunds processed (note 3) | <u>(2,311,038)</u> |
| Total other financing sources (uses) | <u>1,220</u> |

**EXCESS OF REVENUES AND OTHER SOURCES OVER
EXPENDITURES AND OTHER USES**

20,235

FUND BALANCE AT BEGINNING OF YEAR - Restated (note 14)

419,240

INCREASE IN INVENTORY20,991**FUND BALANCE AT END OF YEAR**\$460,466

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, 1999

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|--|-----------------|--------------------|---|
| REVENUES | | | |
| Visitor handling fees | \$502,000 | \$419,364 | (\$82,636) |
| Membership fees | 118,000 | 101,217 | (16,783) |
| Voucher sales | 73,000 | 53,040 | (19,960) |
| Advertising revenue | 20,000 | 18,149 | (1,851) |
| Interest income | 4,800 | 3,945 | (855) |
| Miscellaneous | | 13 | (13) |
| Total revenues | <u>717,800</u> | <u>595,728</u> | <u>(122,072)</u> |
| EXPENDITURES | | | |
| Personal services | 362,188 | 331,203 | 30,985 |
| Travel | 40,335 | 23,526 | 16,809 |
| Operating services | 224,932 | 174,261 | 50,671 |
| Supplies | 12,020 | 6,133 | 5,887 |
| Professional services | 53,235 | 40,009 | 13,226 |
| Acquisitions | 1,660 | 1,581 | 79 |
| Total expenditures | <u>694,370</u> | <u>576,713</u> | <u>117,657</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>\$23,430</u> | <u>19,015</u> | <u>(\$4,415)</u> |
| OTHER FINANCING SOURCES (Uses) | | | |
| Reimbursement for sales tax refunds | | 2,312,258 | |
| Sales tax refunds processed (note 3) | | <u>(2,311,038)</u> | |
| Total other financing sources (uses) | | <u>1,220</u> | |
| EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | | 20,235 | |
| FUND BALANCE AT BEGINNING OF YEAR - Restated (note 14) | | 419,240 | |
| INCREASE IN INVENTORY | | <u>20,991</u> | |
| FUND BALANCE AT END OF YEAR | | <u>\$460,466</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, 1999

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 14 employees at June 30, 1999.

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

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

financial statements, which include the activity contained in the accompanying financial statements.

C. FUND ACCOUNTING

The commission uses a fund (General Fund) and account groups to report 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. 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 spent 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 recognized 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 reimbursed for sales tax refunds from taxing bodies and the sales tax refunds processed for foreign visitors. Amounts are recognized when the sales tax transactions associated with merchandise sold are measurable and available.

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, 1999, was approved on June 23, 1998. 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 time certificates of deposit of state banks organized under the laws of Louisiana 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.

Long-term obligations expected to be financed from the General Fund are accounted for in the general long-term obligations account group.

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 employees 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 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 obligation account group.

J. TOTAL COLUMN ON STATEMENT A

The total column on Statement A is captioned Memorandum Only 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, 1999, the commission has cash (book balances) totaling \$303,204 as follows:

| | |
|---|-------------|
| Demand deposits | \$270,582 |
| Cash on hand, restricted for sales tax refunds to international shoppers | 32,022 |
| Petty cash | 600 |
| | <hr/> |
| Total | \$303,204 |
| | <hr/> <hr/> |

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, 1999, the commission has \$403,052 in deposits (collected bank balances). These deposits are secured from risk by \$202,492 of federal deposit insurance (GASB Risk Category 1) and \$200,560 of pledged securities held by the commission's agent in the commission's name (GASB Risk Category 1).

3. SALES TAX REFUNDS PROCESSED

For the year ended June 30, 1999, \$2,311,038 of sales tax refunds were processed to 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 | \$1,048,897 |
| City of New Orleans | 751,758 |
| Jefferson Parish | 442,220 |
| Ascension Parish | 33,070 |
| East Baton Rouge Parish | 19,471 |
| Lafayette Parish | 10,812 |
| Other | 4,810 |
| | <hr/> |
| Total | <u><u>\$2,311,038</u></u> |

4. RECEIVABLES

The following is a summary of receivables at June 30, 1999:

| | |
|---------------------------------|-------------------------|
| Sales tax refund reimbursements | \$213,710 |
| Membership fees | 700 |
| Voucher sales | 855 |
| Advertising | 4,649 |
| Handling fees | 4,570 |
| | <hr/> |
| Total | <u><u>\$224,484</u></u> |

5. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

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

| | Balance July 1, 1998 | Adjustment to Beginning Balance | Adjusted Balance July 1, 1998 | Additions | Deletions | Balance June 30, 1999 |
|-----------|----------------------------|---------------------------------------|--|-----------|-----------|-----------------------------|
| Equipment | \$106,829 | (\$36,806) | \$70,023 | \$839 | (\$2,395) | \$68,467 |

The commission recorded an adjustment of \$36,806 to beginning balance to remove the duplicate recording of equipment in prior years.

In accordance with R.S. 39:321-332, the Louisiana Tax Free Shopping Commission has complied with movable property statutes of the State of Louisiana.

6. 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 \$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 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 Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

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, 1999, decreased to 12.4% of annual covered payroll from the 13.0% and 12.4% required in fiscal years ended June 30, 1998 and 1997, respectively. The commission's contributions to the system for the years ended June 30, 1999, 1998, and 1997, were \$28,740, \$29,409, and \$28,050, respectively, equal to the required contributions for the year.

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

7. 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 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, 1999, there were no costs paid for postretirement health care or life insurance benefits.

8. LONG-TERM OBLIGATIONS

General long-term obligations consist of compensated absences. The following is a summary of the long-term obligation transactions during the year:

| | <u>Compensated Absences</u> |
|--|---------------------------------|
| Long-term obligations payable at July 1, 1998 | \$17,670 |
| Additions | <u>61</u> |
| Long-term obligations payable at June 30, 1999 | <u><u>\$17,731</u></u> |

9. LEASES

The commission leases 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 leases, which required annual rents of \$23,346 and \$8,600, respectively, expired on April 30, 1999, and May 31, 1999. The commission continued to rent the spaces on a month-to-month arrangement. Rental and lease expenditures for fiscal year 1999 totaled \$31,946.

10. PAYABLES

The following is a summary of payables at June 30, 1999:

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

| | |
|-------------------|-----------------|
| Sales tax refunds | \$25,660 |
| Accounts | 4,090 |
| Payroll | <u>3,639</u> |
| Total | <u>\$33,389</u> |

11. DUE TO STATE OF LOUISIANA

The commission received an advance from the State Treasury in prior years to assist in making sales tax refunds. The advance represents a liability of the commission and must be repaid if not authorized annually. During the fiscal year ended June 30, 1999, the commission repaid \$60,000 of the advance. At June 30, 1999, the commission has a balance of \$60,000 due to the State of Louisiana.

12. RELATED PARTY TRANSACTIONS

The commission is composed of five members, one of whom is nominated by the World Trade Center. On May 1, 1998, the World Trade Center of New Orleans, Inc., entered into a lease agreement with the Louisiana Tax Free Shopping Commission 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, which commenced on May 1, 1998, and expired on April 30, 1999, was made for and in consideration of \$1,946 per month. The trade center did not have a formal lease agreement with the commission for the period May 1, 1999, through August 30, 1999, but the commission continued to make rental payments for \$1,946 per month for the same space. On September 1, 1999, the World Trade Center of New Orleans, Inc., entered into a 36-month lease agreement with the Louisiana Tax Free Shopping Commission for lease of approximately 2,590 square feet on the twentieth floor of the World Trade Center Building at No. 2 Canal Street, New Orleans, Louisiana. The lease agreement was made for and in consideration of \$2,104 per month.

13. LITIGATION AND CLAIMS

There is no pending litigation against the commission at June 30, 1999.

14. RESTATED BEGINNING FUND BALANCE

The commission restated the beginning fund balance to record as a current liability the \$120,000 balance due to the State of Louisiana at June 30, 1998.

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

| | |
|--|-------------------------|
| Beginning fund balance at July 1, 1998 | \$539,240 |
| Reclassification of a long-term liability to a short-term liability | <u>(120,000)</u> |
| Beginning fund balance at July 1, 1998 - restated | <u><u>\$419,240</u></u> |

15. YEAR 2000 ISSUE

The commission does not use any computer systems that are date sensitive. The commission maintains its financial records on Lotus spreadsheets, Rbase database, and Quicken accounting software. These software programs operate in a Windows 95 operating environment and network.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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



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LEGISLATIVE AUDITOR

November 29, 1999

Report on Compliance and on Internal Control Over
Financial Reporting Based Solely on an Audit of the Financial Statements
Performed in Accordance With *Government Auditing Standards*

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, 1999, and have issued our report thereon dated November 29, 1999. 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 general purpose 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.

EXHIBIT A

LEGISLATIVE AUDITOR

LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE
STATE OF LOUISIANA

Compliance and Internal Control Report

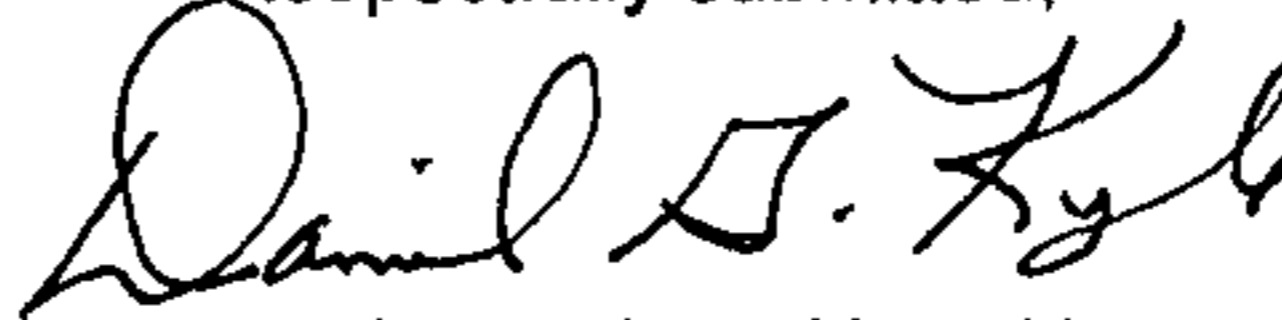
November 29, 1999

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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 is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

RMC:DLH:DSP:dl

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