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LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

JUNE 30, 2004 AND 2003

BATON ROUGE, LOUISIANA

CONTENTS

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August 23, 2004

Independent Auditor's Report

The Board of Directors
Louisiana Economic Development Corporation
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of Louisiana Economic Development Corporation, a component unit of the State of Louisiana, as of June 30, 2004 and 2003, and for the years then ended as listed in the foregoing table of contents. These basic financial statements are the responsibility of the management of Louisiana Economic Development Corporation. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Economic Development Corporation as of June 30, 2004 and 2003, and the result of its operations and its cash flows of its enterprise fund for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2004, on our consideration of the Louisiana Economic Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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.

The 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. We have applied certain limited procedures, which consisted principally 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information schedule and "Annual Financial Report" as required by the Louisiana Division of Administration listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Louisiana Economic Development Corporation. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Hannis T. Bourgeois, LLP

State of Louisiana
Louisiana Economic Development Corporation
Management's Discussion and Analysis
As of June 30, 2004

The Management's Discussion and Analysis of the Louisiana Economic Development Corporation's financial performance presents a narrative overview and analysis of Louisiana Economic Development Corporation and its subsidiaries' financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the Louisiana Economic Development Corporation's financial statements.

FINANCIAL HIGHLIGHTS

For the fiscal year ending June 30, 2004, Louisiana Economic Development Corporation had 2 adjustments totaling $37,499,576 to the original budget, bringing this year's final budget to $63,853,544 compared to last year's final budget of $57,788,310. This increase of $6,065,234 or 10.5% was needed to meet the state's demand for economic growth.

The 2004 investments at fair market value are $24,386,928. A net decrease in fair value of $2,252,333 occurred in 2004 due mostly to the portfolio's start up of early stage technology companies' and stock market changes from the current economy.

The total liabilities increased from $3,700,880 to $7,830,528, or 111.6%, for the fiscal year due mainly to the increased use of the Economic Development Award Program administered by Louisiana Economic Development Corporation. The majority of grants administered in the Economic Development Awards Program and Workforce Development and Training Program extend over many years. Awards are funded as reimbursements of expenses; therefore, awards granted last year are still being funded this fiscal year.

The total net assets decreased from $104,089,040 for 2003 to $92,666,024 as a result of the increased activities in the programs and a $11,423,016 loss for the year.

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.

State of Louisiana
Louisiana Economic Development Corporation
Management's Discussion and Analysis
As of June 30, 2004

Management's Discussion and Analysis

Basic Financial Statements

Required supplementary information
(other than MD&A)

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.

Basic Financial Statements

The basic financial statements present information for the Louisiana Economic Development Corporation and its subsidiaries as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Balance Sheet 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 Economic Development Corporation is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how Louisiana Economic Development Corporation'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 fiscal periods.

The Cash Flow Statement presents information showing how Louisiana Economic Development Corporation 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 GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

The following is a condensed statement of the Balance Sheet for Louisiana Economic Development Corporation at June 30, 2004 and 2003:

Balance Sheet
as of June 30, 2004 and 2003

	Total	
	2004	2003
Current assets	$51,685,107	$65,060,230
Noncurrent assets	48,811,445	42,729,690
Total assets	$100,496,552	$107,789,920
Current liabilities	$5,306,412	$1,717,374
Noncurrent liabilities	2,524,116	1,983,506
Total liabilities	$7,830,528	$3,700,880
Net assets:		
Restricted	$7,573,580	$10,113,095
Unrestricted	85,092,444	93,975,945
Total net assets	$92,666,024	$104,089,040
Total net assets and liabilities	$100,496,552	$107,789,920

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be used for.

The following is a condensed statement of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2004 and 2003:

Statement of Revenues, Expenses, and Changes in Fund Net Assets
for the years ended June 30, 2004 and 2003

	Total	
	2004	2003
Operating revenues	($1,288,050)	($324,240)
Operating expenses	23,901,151	7,876,831
Operating income(loss)	($25,189,201)	($8,201,071)
Non-operating revenues(expenses)	13,766,185	20,840,745
Changes in net assets	($11,423,016)	$12,639,674

Interest income from bank deposits and program loans fell by 27.6% due to a continued decline in interest rates. Also, a write down of $2,252,333 for 2004, compared to a write down of $1,359,994 for 2003 on investments resulted in a decrease of total operating revenues to ($1,288,050) from ($324,240) in 2003, or -297%.

Total operating expenses increased to $23,901,151 in 2004 from $7,876,831 in 2003, or 203.4% mainly due to a 307.7% increase in Resource Services and Capital Outlay grants from the previous year.

Income from Vendor's Compensation fell 20.1% due to a decrease in tax collections and interest from the funds held in the Treasurer's Office fell from $1,086,149 to $677,559 in 2004, or 37.6%. This along with the decline in the appropriation from the General Fund from $8,700,000 in 2003 to $4,339,000 in 2004, caused a decrease in Non-Operating Revenue of $7,074, 560 or 339.5%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Louisiana Economic Development Corporation does not have any capital assets or debt.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

The appropriation for Louisiana Economic Development Corporation is dedicated each year from the dedicated fund, although it receives operating and non-operating income during the year. The income for 2004 was approximately $2,980,643 un der budget, due mainly to an expected decrease in Vendor's Compensation. Administrative expenditures were slightly below budget due to a staff vacancy, while an increase demand throughout the state for Louisiana Economic Development Corporation's Venture Capital Programs, Matching Grant Program and the Economic Development Awards Program caused an additional $37,499,576 to be budgeted during the year. This increased our original budget of $26,353,968 to a final budget of $63,853,544, or 142.3%

ECONOMIC FACTORS AFFECTING THIS YEARS FINANCIAL CONDITION AND NEXT YEAR'S BUDGET

The primary factors affecting Fiscal Year 2003-2004 financial condition of Louisiana Economic Development Corporation were the outside factors brought on by a weakened economy. The events of September 11, 2001 are still contributing to the unsettled stock market and affected the decrease in investment valuations.

The Economic Development Awards program was allocated $6,570,250 for the upcoming year, which is an increase of 39.8% over the $4,700,000 from 2003. Of this year's allocation, $4,700,000 is funded from General Obligation Bonds and will have to be presented to the Bond Commission before funding. There is still a concern regarding the increased activity in this area and the limited funds available in 2004. Management continues to monitor the health of the guarantee portfolio for losses due to the slow economy. The investment portfolio is directly tied to the health of the market; however, there are some investments that are being held that may be able to be liquidated as soon as the market shows a comeback. The fact that the Economic Development Fund is a dedicated revolving fund allows Louisiana Economic Development Corporation to request additional funds as needed, but due to increased activity and legislative requests the fund amount has decreased significantly.

As in the past, the legislature has looked to Louisiana Economic Development Corporation to assist in other Economic Development projects other than through our programs. In 2004, Northrup Grumman Ship Systems was dedicated $3,500,000 by 2003 House Bill 2 for economic development. According to 2004 Act 585, during 2005 $2,000,000 will be transferred to the General Fund for special legislative projects and an additional $7,500,00 will be transferred to the General Fund for the Louisiana Stadium and Exposition District.

CONTACTING THE LOUISIANA ECONOMIC DEVELOPMENT CORPORATION'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Louisiana Economic Development Corporation and its subsidiaries' finances and to show the Louisiana Economic Development Corporation and its subsidiaries' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael O. Williams, Resource Services Director at (225) 342-5675.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

BALANCE SHEETS

JUNE 30, 2004 AND 2003

ASSETS

	2004	2003
Current Assets:		
Cash	$ 45,848,785	$ 59,044,979
Short-Term Interest-Bearing Deposits with Banks and Other Cash Equivalents	140,116	55,304
Total Cash and Cash Equivalents	45,988,901	59,100,283
Accrued Interest Receivable	270,182	230,235
Accrued Vendor Compensation Receivable	1,842,204	2,598,404
Loans, Net	329,883	111,929
Investments, at Fair Value	3,017,549	2,844,380
Other Receivables	68,768	9,375
Note Receivable - Current Portion	167,620	165,624
Total Current Assets	51,685,107	65,060,230
Noncurrent Assets:		
Longer-Term Interest-Bearing Deposits with Banks and Other Cash Equivalents	23,463,109	20,411,793
Investments, at Fair Value	21,369,379	18,618,292
Loans, Net	1,572,948	1,125,976
Note Receivable - Long-Term Portion	2,406,009	2,573,629
Total Noncurrent Assets	48,811,445	42,729,690
Total Assets	$ 100,496,552	$ 107,789,920

LIABILITIES AND NET ASSETS

	2004	2003
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 5,237,702	$ 1,639,238
Accrual for Losses on Loan Guarantees	68,710	78,136
Total Current Liabilities	5,306,412	1,717,374
Noncurrent Liabilities:		
Accrual for Losses on Loan Guarantees	2,524,116	1,983,506
Total Noncurrent Liabilities	2,524,116	1,983,506
Total Liabilities	7,830,528	3,700,880
Net Assets:		
Restricted	7,573,580	10,113,095
Unrestricted	85,092,444	93,975,945
Total Net Assets	92,666,024	104,089,040
Total Liabilities and Net Assets	$ 100,496,552	$ 107,789,920

The accompanying notes are an integral part of this statement.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004 AND 2003

	2004	2003
Operating Revenues:		
Interest Income:		
Interest on Loans	$ 113,950	$ 121,240
Interest on Deposits with Banks and Others	383,489	566,266
Dividend Income	85,537	141,425
Net Increase (Decrease) in Fair Value of Investments	(2,252,333)	(1,359,994)
Other	185,594	97,242
Guarantee Fees	195,713	109,581
Total Operating Revenues	(1,288,050)	(324,240)
Operating Expenses:		
Provisions for Losses:		
Direct and Participation Loans	122,113	954,000
Guaranteed Loans	510,751	72,000
Salaries and Employee Benefits	444,043	522,835
Management and Professional Fees	153,450	153,450
Resource Service Awards	15,519,123	4,370,299
Capital Outlay Awards	6,339,386	991,326
Administrative Fees	27,323	33,707
Travel	15,027	16,601
Interagency Transfer - Department of Economic Development	406,965	387,380
Interagency Transfer - Small and Emerging Business Development	362,970	375,233
Total Operating Expenses	23,901,151	7,876,831
Operating Income (Loss)	(25,189,201)	(8,201,071)
Non-Operating Revenues (Expenses):		
Intergovernmental:		
Vendor Compensation	8,749,626	11,054,596
Interagency Transfer - State General Fund	4,339,000	8,700,000
Interest on Funds Held by State Treasurer	677,559	1,086,149
Total Non-Operating Revenues (Expenses)	13,766,185	20,840,745
Change in Net Assets	(11,423,016)	12,639,674
Total Net Assets - Beginning of Year	104,089,040	91,449,366
Total Net Assets - End of Year	$ 92,666,024	$ 104,089,040

The accompanying notes are an integral part of this statement.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2004 AND 2003

	2004	2003
Cash Flows from Operating Activities:		
Cash Received - Interest on Loans, Investments and Deposits with Banks and Dividends	$ 537,305	$ 881,259
Cash Received from Customers	421,914	320,496
Cash Payments to Suppliers for Goods and Services and Grants	(19,146,266)	(5,860,002)
Cash Payments to Employees for Services	(457,933)	(501,467)
Net Cash Used in Operating Activities	(18,644,980)	(5,159,714)
Cash Flows from Capital and Related Financing Activities:		
Cash Received from State Treasurer - Appropriations	4,339,000	8,700,000
Cash Received from State Treasurer - Vendor's Compensation	9,505,826	10,086,041
Cash Received from State Treasurer - Interest	683,283	1,086,149
Net Cash Provided by Capital and Related Financing Activities	14,528,109	19,872,190
Cash Flows From Investing Activities:		
(Increase) Decrease in Longer-Term Interest-Bearing Deposits with Banks	(3,051,316)	1,248,295
Purchase of Investments, Net of Pay Downs on Debt Investments	(5,176,589)	(8,532,979)
Loan Originations Net of Repayments, Recoveries, and Charge Offs	(766,606)	(359,239)
Net Cash Used in Investing Activities	(8,994,511)	(7,643,923)
Net Increase (Decrease) in Cash and Cash Equivalents	(13,111,382)	7,068,553
Cash and Cash Equivalents - Beginning of Year	59,100,283	52,031,730
Cash and Cash Equivalents - End of Year	$ 45,988,901	$ 59,100,283
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss)	$ (25,189,201)	$ (8,201,071)
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Provisions for Losses on Loans and Guarantees	632,864	1,026,000
Change in Unrealized (Gain) Loss on Investments	2,252,333	1,359,994
(Increase) Decrease in Accrued Interest Receivable	(45,671)	52,328
(Increase) Decrease in Note Receivable	165,624	(639,253)
(Increase) Decrease in Other Receivables	(59,393)	13,673
Increase (Decrease) in Accounts Payable and Accrued Expenses	3,598,464	1,228,615
Net Cash Used in Operating Activities	$ (18,644,980)	$ (5,159,714)

The accompanying notes are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies -

A. Scope of Reporting Entity

Organization

The Louisiana Economic Development Corporation is a public authority whose purpose is to stimulate the flow of private capital in the form of long-term loans and other financial assistance for the sound financing of the development, expansion, and retention of small business concerns in the State of Louisiana as a means of providing high levels of employment, income growth, and expanded social and economic opportunities, especially to disadvantaged persons and within distressed areas. It is a component unit of the State of Louisiana and was authorized by Louisiana Revised Statutes 51:2311.

Effective July 1, 2001 pursuant to Act No. 9 dealing with House Bill No. 1666, the authority for the administration of the Workforce Development and Training Program (Workforce) and the Economic Development Award Program (EDAP) was transferred from the Department of Economic Development to the LEDC. Therefore, the financial activities of these two programs are also included in these financial statements.

Reporting Entity

Governmental Accounting Standards Board Statement No.14 established criteria for determining which component units should be considered part of the State of Louisiana for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
   a. The ability of the state to impose its will on that organization and/or
   b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the state.
2. Or ganizations for which the state does not appoint a voting majority but are fiscally dependent on the state.
3. Or ganizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The Louisiana Economic Development Corporation is considered to be a component unit of the State of Louisiana due to the fact that the state appoints its Board of Directors and has the ability to impose its will on the organization. The accompanying basic financial statements present only transactions of the Louisiana Economic Development Corporation and its consolidated subsidiaries.

Annually the State of Louisiana through the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy issues both comprehensive and basic financial statements which include the activity contained in the accompanying basic financial statements. The basic financial statements of the state are audited by the Louisiana Legislative Auditor.

Basis of Consolidation

The financial statements contained in this report include the consolidated financial position and results of operations and cash flows of Louisiana Economic Development Corporation and its wholly owned subsidiaries; Louisiana Economic Development Corporation, Louisiana Venture Fund, and Louisiana Growth Fund, LLC (collectively "LEDC"). All significant intercompany accounts have been eliminated in consolidation.

B. Measurement Focus and Basis of Accounting

Measurement Focus - On July 1, 2001, the LEDC adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government.*" Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a balance sheet, a statement of activities and changes in net assets and a statement of cash flows.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting - The LEDC uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred or economic asset used.

Interest income on loans and debt instruments is generally accrued on the principal balance outstanding. The accrual of interest income on loans and debt instruments is discontinued when the receipt of principal and interest on a timely basis becomes doubtful. Any accrued interest is reversed when a loan is placed on nonaccrual.

Under the provisions of GASB Statement 20, "Accounting and Financial Reporting for Proprietary Fund Accounting," LEDC follows pronouncements of the GASB and has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

C. Assets, Liabilities, and Net Assets

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments (including LEDC's share of pooled investments held in the state treasury) with a maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. The majority of receivables are in the form of loans and the related interest, and amounts due for vendor compensation. The allowance for loan losses is discussed in the next section.

Allowance for Losses on Loans and Guarantees

Valuation allowances have been established and are available for absorbing losses incurred on loans and guarantees. All losses are charged to either the reserve for loan losses or the accrual for losses on guarantees when the loss actually occurs or when a determination is made that a loss is likely to occur. Recoveries are credited to the allowance or accrual at the time of recovery.

Management's judgment as to the level of future losses on existing loans and guarantees involves the consideration of current and anticipated economic conditions and their potential effects on specific borrowers; an evaluation of the existing relationships among loans, potential losses, and the present level of the allowance and the accrual; and management's internal review of the loan and loan guarantee portfolio. In determining the collectibility of certain loans and the possibility of losses on loan guarantees, management also considers the fair value of any underlying collateral.

Foreclosed Real Estate

Real estate properties acquired through, or in lieu of, loan foreclosures are initially recorded at the lower of the carrying amount, or fair value less costs to sell, which becomes the property's new cost basis. After foreclosure, foreclosed assets are carried at the lower of (a) fair value minus estimated costs to sell or (b) their new cost basis. Costs relating to development and improvement of property are capitalized, whereas costs relating to the holding of property are expensed. There were no foreclosed real estate as of June 30, 2004 and 2003.

Investments

The corporation records its investments at estimated fair value or at book value if fair value is not readily determinable as determined by the corporation's management. Fair value generally is considered to be the amount which the corporation might reasonably expect to receive for its investments if negotiations for sale were entered into on the valuation date. Valuation as of any particular date, however, is not necessarily indicative of the amount which the corporation ultimately may realize as a result of a future sale or other disposition of the investments.

In preparing the financial statements, the corporation's management is required to make significant judgments that affect the reported amounts of investments as of the date of the balance sheet and the change in unrealized appreciation (depreciation) for the period.

The process of valuing investments requires significant judgments that are particularly susceptible to change. The corporation's management believes that investment values are appropriate. While the corporation's management uses available information to recognize declines in investment values, future adjustments may be necessary based on changes in economic conditions or changes in the results of the operations of investee companies.

The valuation policies of the corporation's management in determining the fair value of the corporation's investments include the following:

- Marketable securities listed on a national securities exchange are valued at their closing sales price on the valuation date;

- Marketable securities traded over-the-counter are valued at their closing bid price on the valuation date, as reported in the National Association of Securities Dealers' Automated Quotation System (NASDAQ) or if not reported in NASDAQ, as reported by the National Quotation Bureau (or any successor to such organization) ;

- Restricted securities (securities not freely marketable, but part of a class of securities listed on a national securities exchange or traded over-the-counter) are valued at a discount from the security's value determined under the above subsections, reflecting their limited marketability; and

- All other securities are valued initially at cost with subsequent adjustments to values which reflect meaningful third-party transactions in the private market or at fair market value reflecting, in any event, their marketability, the business and prospects of the issuer of such securities and other relevant factors.

Fixed Assets

Effective July 1, 2001, all of LEDC's fixed assets were transferred to the Department of Economic Development (DED) due to the restructuring by the State of Louisiana to include LEDC within DED. Consequently, fixed assets which consist solely of furniture, fixtures, and equipment are not reflected in the accompanying balance sheet at June 30, 2004 and 2003. Due to the immateriality of the items acquired, the cost is generally expenses as incurred. Inventory records are maintained by the purchasing department of the Department of Economic Development which conducts an annual physical inventory of each sub-department including LEDC.

LEDC does not capitalize and has not incurred any interest costs on fixed assets.

LEDC has no infrastructure assets.

State Appropriation and Pooled Investments

The Louisiana Legislature has authorized LEDC to withdraw approximately $16,500,000 from the state treasury in the year ending June 30, 2005. If that amount proves insufficient to fund

LEDC's operating requirements, LEDC can, with the approval of the Louisiana Legislative Budget Committee, withdraw additional funds from the state treasury. These additional withdrawals are limited to LEDC's share of pooled investments held in the state treasury.

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. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits. State law allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment of annual and sick leave which would otherwise have been used to compute years of service for retirement. The liability for unused annual leave payable at June 30, 2004 and 2003 is $48,447, and $61,644, respectively. The leave payable is recorded in the accompanying consolidated financial statements.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net assets - The components of net asset consist of net assets that do not meet the definition of "restricted".

The adoption of Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement.

D. Revenues and Expenses

Operating revenues and expenses consists of those revenues and expenses that result from the ongoing principal operations of the LEDC. Operating revenues consist primarily of vendor compensation, interest earnings, and state general fund transfers. Non-operating revenues and expense consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions.

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the LEDC's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

E. Reclassifications

Certain amounts in the 2003 financial statements have been reclassified to conform with the 2004 presentation.

Note 2 - Deposits with Banks -

For reporting purposes, deposits with financial institutions include certificates of deposit and money market funds. Under state law Louisiana Economic Development Corporation may invest in time certificates of deposit of state banks organized under the Laws of Louisiana, national banks having their principal office in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law 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. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer. The deposits at June 30, 2004 were secured as follows:

		Deposits in Bank Accounts		
	Cash	Certificates of Deposit	Other (Money Market Accounts)	Total
Deposits in Bank Accounts per Balance Sheet	$ 45,848,785	$ 23,463,109	$ 140,116	$ 69,452,010
Bank Balances (Category 3 Only):				
a. Uninsured and Uncollateralized	$ -	$ 701,240	$ 40,116	$ 741,356
b. Uninsured and Collateralized with Securities Held by the Pledging Institution	-	-	-	-
c. Uninsured and Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent, but not in the Entities Name	-	-	-	-
Total Category 3 Bank Balances	$ -	$ 701,240	$ 40,116	$ 741,356
Total Bank Balances (Regardless of Category)	$ 45,848,785	$ 23,463,109	$ 140,116	$ 69,452,010

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statue 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

Note 3 - Investments -

The cost and estimated fair value, including gross unrealized gains and losses of LEDC's investments at June 30, 2004 and 2003 were as follows:

2004:	Cost	Unrealized Gains	Gross Unrealized Losses/Paydowns	Fair Value
Debt Investments	$ 1,526,309	$ -	$ 622,659	$ 903,650
Equity Investments	26,796,225	3,215,044	9,145,431	20,865,838
Commercial Paper	2,617,440	-	-	2,617,440
Total Investments	$ 30,939,974	$ 3,215,044	$ 9,768,090	$ 24,386,928

2003:	Cost	Unrealized Gains	Gross Unrealized Losses/Paydowns	Fair Value
Debt Investments	$ 1,300,000	$ -	$ 613,136	$ 686,864
Equity Investments	21,616,876	3,215,044	6,893,097	17,938,823
Commercial Paper	2,836,985	-	-	2,836,985
Total Investments	$ 25,753,861	$ 3,215,044	$ 7,506,233	$ 21,462,672

Investments as of June 30, 2004 and 2003, consist of securities for which market quotations are not readily available and, consistent with LEDC's policy, are reflected at fair value estimated by the corporation's or the respective subsidiary's management. Such securities are restricted as to salability or transferability. Proceeds from maturities of debt investments for the year ended June 30, 2004 and 2003 were $9,523 and $60,035, respectively. Realized gains and losses are calculated independently of net change in fair value of investments. Realized gains or losses on investments that had been held in more than one fiscal year and sold in the current year have been included as a net change in the fair value of investments reported in prior years and the current year.

There were no sales of investments for the year ended June 30, 2004 and 2003.

As of June 30, 2004 and 2003, the following increases (decreases) in the carrying value of investments have been recorded:

2004:	Unrealized Gains	Unrealized Losses	Total
Equity Instruments:			
Gulf Coast Bidco	$ -	$ (77,784)	$ (77,784)
Audubon Capital Fund, L.P.	8,268	-	8,268
Jefferson Capital Fund, L.P.	-	(131,285)	(131,285)
Endgame Entertainment Fund, L.L.C.	-	(96,205)	(96,205)
Aurora Ventures IV, L.L.C	-	(362,839)	(362,839)
The Football Network	-	(1,200,000)	(1,200,000)
Birchmere Venture II, L.P.	-	(405,702)	(405,702)
Axxon, L.L.C.	13,214	-	13,214
	$ 21,482	$ (2,273,815)	$ (2,252,333)

2003:	Unrealized Gains	Unrealized Losses	Total
Equity Instruments:			
Gulf Coast Bidco	$ -	$ (29,817)	$ (29,817)
Audubon Capital Fund, L.P.	-	(9,089)	(9,089)
Jefferson Capital Fund, L.P.	-	(39,779)	(39,779)
Aurora Ventures IV, L.L.C	-	(152,999)	(152,999)
GoAntiques, Inc.	-	(189,451)	(189,451)
Birchmere Venture II, L.P.	-	(859,979)	(859,979)
Axxon, L.L.C.	-	(78,880)	(78,880)
	$ -	$ (1,359,994)	$ (1,359,994)

In its normal course of business, LEDC and its subsidiaries become party to various financial transactions that involve various risks, including market and credit risk. The management of LEDC or its subsidiaries minimizes exposure to loss from investing activities by evaluating the business and prospects of potential investee companies.

In an effort to diversify the risk in the investment portfolio, the management of LEDC or its subsidiaries follow established policies which require them to avoid concentrations in anyone industry or customer group. Management believes that at original cost, the investment portfolio had no significant industry or customer concentrations in the fiscal year ended June 30, 2004 and 2003.

LEDC entered into agreements with investment managers to manage the operations of its subsidiaries through approximately fiscal 2007 or earlier if certain conditions are met, as specified in the agreements. These subsidiaries had total assets of $3,277,210 and $$3,448,785 at June 30, 2004 and 2003, respectively.

LEDC previously had an investment agreement with the Louisiana Venture Fund, Inc., which expired on June 30, 2002. The transfer of the remaining investments in this fund to LEDC was completed in the fiscal year ended June 30, 2003. Accordingly, LEDC paid no management fees to this Corporation for the years ended June 30, 2004 and 2003. This Corporation is considered inactive for the year ended June 30, 2004. Management plans to dissolve the Corporation in 2005.

Louisiana Growth Fund, LLC (the Fund) was formed under the laws of the State of Louisiana on November 1, 1997 to provide venture capital financing through loans or stock purchases in small-business enterprises maintaining headquarters and production facilities in Louisiana. The Fund is comprised of one member, Louisiana Economic Development Corporation (LEDC). Pursuant to an Investment and Management Services Agreement (the Agreement), the Fund is managed by Stonehenge Financial Holdings, Inc. (Stonehenge), formerly known as Banc One Capital Markets, Inc. Stonehenge provides the Fund with administrative services and is responsible for identifying, investigating, evaluating and making investments in small business enterprises. Under the Agreement, Stonehenge will receive an annual fee of 2.5% of the initial $5,000,000 capital contribution less any funds returned to the Fund from the sale or liquidation of investments, adjusted quarterly. In addition to the annual fee, Stonehenge is entitled to receive 20% of net investment income and net realized gains from dispositions of investments by the Fund after the initial $5,000,000 capital contribution is recovered by the Fund in cash or publicly marketable securities. The Fund incurred management fee expense of $125,000 and $125,000 to Stonehenge for the years ended June 30, 2004 and 2003, respectively. The Fund will continue until

November 1, 2007, unless terminated prior to that date due to complete liquidation of investments. The Fund may be extended for up to two years to allow for liquidation of assets.

Under state law, LEDC may invest in, among other things, obligations of the U.S. Treasury or any other federally insured investment as well as common or preferred stock of certain closely held businesses.

As of June 30, 2004, all of the investments of LEDC consist of debt or equity securities, the instruments of which are held by LEDC or its agent in LEDC's name and are therefore classified as Category 1.

As of June 30, 2004, LEDC had the following unfunded investment commitments:

- LEDC had $947,404 invested in Audubon Capital Fund and certificates of deposit at Washington State Bank totaling $1,552,596 which is the remaining balance of the $2,500,000 LEDC had committed to invest in Audubon Capital. The bank has issued a letter of credit for the $1,552,596 which is secured by the certificates of deposit.

- LEDC had $454,544 invested in Jefferson Capital, L.P. and certificates of deposits at Hibernia Bank totaling $545,456 which is the remaining balance of the $1,000,000 LEDC had committed to invest in this limited partnership. The Bank has issued a letter of credit for the $545,456 which is secured by the certificates of deposit.

- LEDC had $-0- invested in Connect Utilities, Inc., with an unfunded commitment of $118,750. The funds securing this unfunded commitment are on deposit with the State Treasury.

- LEDC had $3,360,000 invested in Birchmere Venture II, L.P. with an unfunded commitment of $1,640,000 (total commitment of $5,000,000). Funds securing this unfunded commitment in the amount of $1,140,000 are on deposit with the State Treasury. The remaining amount will be funded by future appropriations.

- LEDC had $105,000 invested in Louisiana Squared, Inc., with an unfunded commitment of $3,395,000 (total commitment of $3,500,000). Funds securing this unfunded commitment in the amount of $895,000 are on deposit with the State Treasury. The remaining amount wil be funded by future appropriations.

- LEDC had $247,138 invested in LSU Research and Technology Foundation with an unfunded commitment of $5,502,862 (total commitment of $5,750,000). Funds in the amount of $800,000 are on deposit with the State Treasury. The remaining amount will be funded by future appropriations.

- LEDC had $1,268,031 invested in Aurora Ventures IV, L.L.C. with an unfunded commitment of $3,731,969 (total commitment of $5,000,000). Funds in the amount of $1,250,000 securing this commitment are on deposit with the State Treasury. The remaining amount will be funded by future appropriations.

- LEDC had $100,000 invested in Venture Capital Experts with an unfunded commitment of $4,900,000 (total commitment of $5,000,000). Funds in the amount of $800,000 securing this commitment are on deposit with the State Treasury. The remaining amount will be funded by future appropriations.

Note 4 - Loans -

The balance in the LEDC's loan portfolio consisted of the following at June 30, 2004 and 2003:

	2004	2003
Direct Loans	$ 2,257,880	$ 1,841,875
Participation Loans	2,154,864	1,783,830
Total Loans	4,412,744	3,625,705
Allowance for Loan Losses	(2,509,913)	(2,387,800)
Net Loans	$ 1,902,831	$ 1,237,905

Activity in the allowance for loan losses was as follows for the year ended June 30, 2004 and 2003:

	2004	2003
Balance, July 1	$ 2,387,800	$ 1,433,650
Provision Charged to Expense	122,113	954,000
Amounts Charged Off	-	-
Recoveries	-	150
Balance, June 30	$ 2,509,913	$ 2,387,800

In the prior year LEDC had a certificate of deposit in the amount of $750,000 in a financial institution as collateral for a $1,000,000 stand-by letter of credit in favor of Iberia Parish to be called on only in case of an unresolvable financial default by Pride Aviation Group, Inc. on rent payments to Acadian Regional Airport Authority. In the prior year Pride Aviation Group, Inc., was in default of rent payments and LEDC was required to pay $359,450 to Acadian Regional Airport Authority for past due rent as required by the stand-by letter of credit agreement. This amount was recorded as an additional direct loan to Pride Aviation Group, Inc., as of June 30, 2003. The stand-by letter of credit expired June 30, 2003. LEDC received warrants on 15,000 shares of Aviation Group, Inc.'s common stock to be exercised in 3 years upon termination of the letter of credit.

In addition, direct and participation loans approved but unfunded at June 30, 2004 and 2003 amounted to $400,000 and $-0-, respectively. There were no loan guarantees approved but unfunded at June 30, 2004 and 2003.

Note 5 - Accrual for Losses on Loan Guarantees -

To meet the financing needs of its customers, LEDC is a party to various financial instruments with off-balance sheet risk in the normal course of business. These financial instruments consist primarily of financial guarantees. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the combined balance sheet. The contract or notional amounts of those instruments reflect the extent of the involvement LEDC has in particular classes of financial instruments. LEDC's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for financial guarantees is represented by the contractual notional amount of those instruments. LEDC uses the same credit policies in making these commitments and conditional obligations as it does for on-balance sheet instruments.

LEDC evaluates customers' creditworthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by LEDC upon extension of credit, is based on management's credit evaluation of the customer.

Financial guarantees are conditional commitments issued by LEDC to guarantee the performance of a customer to a third party. The credit risk involved in issuing financial guarantees is essentially the same as that involved in extending loan facilities to its customers.

At June 30, 2004, LEDC had guaranteed approximately $14,405,000 of $23,542,034 of loans to customers made by various banks. Included in the loans guaranteed at June 30, 2004 were several lines of credit totaling $10,645,000 of which LEDC guaranteed 60%. The amount drawn down on the lines of credit at June 30, 2004 was $9,844,049 of which LEDC guaranteed $5,377,738.

Changes in the accrual for losses on loan guarantees are summarized as follows:

	2004	2003
Balance, July 1	$ 2,061,642	$ 2,374,329
Provision Charged to Expense	510,751	72,000
Amounts Charged Off	-	(394,547)
Recoveries	20,433	9,860
Balance, June 30	$ 2,592,826	$ 2,061,642

Note 6 - Retirement Plan -

Substantially all of the employees of LEDC are members of the Louisiana State Employee's Retirement System (LASERS), a cost sharing multiple employer defined benefit pension plan. The LASERS 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 Louisiana Economic Development Corporation 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. 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 (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and LEDC 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, 2004, was 15.8% of annual covered payroll and 14.1% and 13% in fiscal years ended June 30, 2003 and 2002, respectively. LEDC's contributions to the System for the years ending June 30, 2004 and 2003 and 2002, were $54,325, $62,376 and $51,616, respectively, equal to the required contributions for each year.

Note 7 - Board Compensation and Per Diem -

The Board of Directors of LEDC do not receive compensation or per diems; however, they are reimbursed for travel expenses incurred on behalf of the corporation. The following schedule sets forth the names and amounts paid to board members for travel expenses for the years ended June 30, 2004 and 2003:

	2004	2003
Tommy Vassel (Term Expired April 2004)	$ 1,993	$ 1,998
Linda Sell (Appointed April 2004)	435	-
Alden Andre	-	-
Gregory Ferrara	635	217
Sibal Holt	-	-
Don Hutchinson	-	-
Jennifer Jones (Term Expired April 2004)	174	-
Terry Jones (Resigned February 2004)	-	-
Leon Kahn (Term Expired April 2004)	898	702
Octave Francis III (Appointed April 2004)	-	-
Philip Montelepre	286	408
A.J. Roy, III	165	-
Peggy Savant (Appointed May 2003)	386	-
Charles Weed (Resigned February 2003)	-	1,284
Hal Hinchliffe (Appointed April 2004)	233	-
	$ 5,205	$ 4,609

Note 8 - Related Party Transactions - Department of Economic Development -

Effective July 1, 2001, LEDC was reorganized and was transferred under the Department of Economic Development. Certain expenses such as personnel services, rent, and other various administrative type expenses are now being shared between the two entities. For fiscal year ended June 30, 2004 and 2003, LEDC's share of these expenses were $406,965 and $387,380, respectively, and are included in these financial statements.

Note 9 - Restricted Net Assets -

Restricted net assets at June 30, 2004 and 2003 consist of the following projects approved by the State Legislature:

	2004	2003
$3,400,000 for University of New Orleans Research and Technology Foundation	$ 369,928	$ 3,059,360
$3,500,000 for Northrup Grumman Shipyard	3,500,000	-

(CONTINUED)

	2004	2003
$200,000 for St. Martin Parish for marketing, retention and recruitment	118,921	192,926
$7,000,000 for National Center for Advanced Manufacturing equipment acquisition	3,584,731	6,860,809
	$ 7,573,580	$ 10,113,095

Note 10 - Notes Receivable - EDAP Program -

In June 1999, Department of Economic Development (DED) loaned to the Town of Colfax, Louisiana (through the EDAP Program) $2,300,000 in the form of a non-interest bearing note receivable due in 23 annual payments of $100,000 with the final payment due in July 2022. This note receivable was then transferred to LEDC effective July 1, 2001, upon the transfer of the entire EDAP program from DED to LEDC. The purpose of this loan was to enable the Town of Colfax to purchase a newly constructed warehouse/distribution facility located in the Town of Colfax's Industrial Park who then would lease/purchase the property to Ditto Apparel. The rent paid by Ditto Apparel would then be used to meet the debt service requirements for the note receivable. Also, Ditto Apparel agreed to certain performance objectives such as generating minimum annual payrolls at the facility as additional consideration.

The fair value of this note receivable is estimated using discounted cash flow analysis, with an interest rate similar to the rate LEDC was charging to other Governmental entities at that time which was approximately 5%. The terms of the note were used in calculating the discounted cash flows. The carrying value and fair value at June 30, 2004 and 2003 are as follows:

	2004	2003
$2,300,000 Face Amount, Non Interest Bearing, $100,000 due Annually Thru 2022	$ 2,000,000	$ 2,100,000
Less: Note Installment	(100,000)	(100,000)
	1,900,000	2,000,000
Less: Current Portion	(100,000)	(100,000)
	$ 1,800,000	$ 1,900,000

The unamortized discount based on imputed interest of 5% to be amortized and netted with interest income over the remaining life of the note was $692,039 and $754,168 at June 30, 2004 and 2003, respectively. The total amount of discount amortized and netted with interest income for the year ended June 30, 2004 and 2003 was $62,129 and $64,080, respectively.

In March 2003, LEDC loaned to the City of Winnsborro, Louisiana (through the EDAP Program) $750,000 in the form of a note receivable bearing interest at 3% due in 120 monthly payments at $7,242 with the final payment due in April 2013. The purpose of the loan was to enable the City of Winnsboro to acquire land and construct a building suitable for the manufacturing and distribution of furniture. The City of Winnsboro would then lease/purchase the property to Ron's Warehouse Furniture, Inc. ("the Company"). The rent paid by the Company would then be used to meet the debt service requirements of the note receivable. Also a separate agreement was signed and included a provision to reduce the payments due on the note based on the number of jobs created by the Company. The maximum amount of the job creation credit is $315,000 which will be applied against the monthly payments due as long as the stipulated number of jobs created are maintained during the terms of the agreement. As of June 30, 2004 and 2003, the Company was in compliance with the job creation requirement and therefore monthly installments in the amount of $65,624 and $10,747 have been forgiven for the years ended June 30, 2004 and 2003. This amount and the corresponding interest forgiven is recorded as an expense of the EDAP program in these financial statements. The following is a summary of the note receivable at June 30, 2004 and 2003:

	2004	2003
$750,000 Face Amount, 3% Interest, $7,242 due Monthly Thru April 2013	$ 739,253	$ 750,000
Less: Note Installments forgiven	(65,624)	(10,747)
	673,629	739,253
Less: Current Portion	(67,620)	(65,624)
	$ 606,009	$ 673,629

Note 11 - Unfunded Commitments (Grants and Awards) -

The following amounts were approved contracts under the EDAP and workforce programs, but unfunded as of June 30, 2004:

Economic Development Awards Program (EDAP)	$ 17,995,710
Economic Development Capital Outlay Program	$ 6,696,196
Workforce Development and Training Program (Workforce)	$ 3,320,800
Grants Matching Program	$ 1,278,892

These contracts will be funded with carryover funds from these programs.

Note 12 - Disaggregation of Payable Balances -

Accounts Payables and Accrued Expenses at June 30, 2004 and 2003, were as follows:

	2004	2003
Vendors	$ 1,441	$ 27,414
Salaries and Benefits	61,916	75,807
EDAP and Workforce Grants	5,174,345	1,536,017
Total Payables	$ 5,237,702	$ 1,639,238

Note 13 - Appropriations -

In accordance with the Louisiana Legislature's House Bill Number 2 of the 2003 Regular Session, \$361,000 in appropriations were deposited into a cash capital outlay account to be used to provide funding for EDAP grants. At June 30, 2004, none of these funds have been expended, however, \$350,952 has been committed for future grants. It is anticipated that these grants will be funded in the 2005 fiscal year. Since none of this revenue has been spent at June 30, 2004, it is not reflected in these financial statements.

Note 14 - Subsequent Event -

The Louisiana Legislature passed Act Number 585 of the 2004 Regular Session which authorized the Louisiana State Treasurer to transfer \$2,000,000 of LEDC funds to the State of Louisiana General Fund to be used by the State in the fiscal year 2004-2005. In addition, Act Number 585 ordered LEDC to execute a loan from monies in the Louisiana Economic Development Fund in fiscal year 2004-2005 to the Louisiana Stadium and Exposition District in an amount sufficient for the district to pay contractual obligations of the district relative to professional sports franchises, not to exceed \$7,500,000, for a repayment period not to exceed eight years. After the payment in full of all contractual, necessary, statutory, and usual charges, including any indebtedness heretofore or hereafter issued by the district, the loan shall be repaid from the revenues received by the district in any fiscal year which exceed the amount of revenues received by the district in fiscal year 2004-2005 together with a growth factor equal to the increase in the consumer price index. In accordance with the provisions of this Act \$9,500,000 were withdrawn in July 2004 from LEDC funds.

SUPPLEMENTAL INFORMATION

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

SUPPLEMENTAL SCHEDULE OF INVESTMENTS

JUNE 30, 2004

	Cost	Valuation By Management
Debt Investments:		
Glass Masters, LLC - 14% promissory note, due October 31, 2005	$ 500,000	$ -
Moran Printing (Westco) - 9.75% promissory note, due November 28, 2006	100,000	83,253
MB Industries, LLC - 14% promissory note, due October 1, 2008	205,921	205,921
Greentech Panels, LLC - 12% promissory note, due November 5, 2007	500,000	500,000
P.J.'s Coffee and Tea Company, Inc. - 18% promissory note, due August 2004	20,388	20,388
P. J.'s Coffee and Tea Company, Inc. - 12% promissory note, due May 31, 2004 (extended to August 2004)	200,000	94,088
Total Debt Investments	1,526,309	903,650
Equity Investments:		
Gulf Coast Business and Industrial Development Corporation -113,636 shares of Class C common stock	2,500,000	700,563
Business Resource Capital Specialty BIDCO (formerly New Orleans SBIDCO, Inc.) - 2,000,000 shares of Class B, nonvoting common stock	2,000,000	2,000,000
United Agents Holdings, Inc. - 35,000 shares of Series A convertible preferred stock (8% cumulative)	350,000	-
Travelbyus, Inc. - 82,153 shares $.01 par common stock	369,690	-

(CONTINUED)

	Cost	Valuation By Management
Equity Investments (Continued):		
Source Capital L.L.C. (formerly First Louisiana BIDCO) - 18,000 shares common stock	2,500,000	2,500,000
U.S. Agencies, Inc. - 370,000 shares, Class B nonvoting common stock	370,924	1,850,000
Certia, Inc.	500,000	-
Presonus Audio Electronics, Inc. - 101,828 shares of common stock	101,828	712,796
U.S. Agencies, Inc. - 250,000 shares of common stock	250,000	1,375,000
Presonus Audio Electronics, Inc. - 20,400 shares of Series A preferred stock	175,000	142,800
Professional Employer Services, Inc. - 60 shares of Series D convertible preferred stock	666,666	-
73.2 shares of Series E convertible preferred stock	50,000	-
iMinorities.com, Inc. - 475,003 shares of Series A convertible preferred stock	400,000	-
Golfball.com, Inc. - 300,000 shares of Series A convertible preferred stock	300,000	-
United Agents Holding, Inc. - 23,810 shares of 8% convertible Series C preferred stock (with warrants)	250,000	-
Sterifx, Inc. - 260,000 shares of class A preferred stock and 233,609 shares of Class B preferred stock	630,000	500,000
Appro Systems, Inc. - 7,183 shares of Series A convertible preferred stock	150,000	150,000
Selltis - 110,743 Shares Common Units	500,000	299,216
GoAntiques, Inc. - 454,548 Shares Common Stock	500,000	-

(CONTINUED)

	Cost	Valuation By Management
Equity Investments (Continued):		
Birchmere Venture II, LP - 6.471% ownership	3,360,000	1,962,404
Jefferson Capital I, LP - 9.0% limited partnership interest	454,544	250,311
Audubon Capital Fund - 10.99% limited partnership interest	947,404	830,288
The Football Network, Inc. - 500,000 shares of common stock	1,250,000	50,000
Aurora Ventures IV, LLC - 5 Class A Units (6.63% Ownership)	1,268,031	752,193
Endgame Entertainment Fund, L.L.C.	5,000,000	4,903,795
AIR2LAN of Louisiana, Inc. - 5,681,818 shares of Series A preferred stock	500,000	500,000
MD Technologies, Inc. - 208,333 shares of common stock	500,000	500,000
L.S.U. System Research and Technology Fund - Equity interest	247,138	247,138
V.C. Experts Fund - limited partnership interest	100,000	100,000
Louisiana Squared, Inc. - 1,400,000 Class B membership units	105,000	105,000
Axxon, LLC - 6,250,000 shares of Class E convertible preferred units	500,000	434,334
Total Equity Investments	26,796,225	20,865,838
Commercial Paper	2,617,440	2,617,440
Total Investments	$ 30,939,974	$ 24,386,928

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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August 23, 2004

The Board of Directors
Louisiana Economic Development Corporation
Baton Rouge, Louisiana

We have audited the basic financial statements of the Louisiana Economic Development Corporation, a component unit of the State of Louisiana, as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated August 23, 2004. 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 Economic Development Corporation's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying schedule of findings and questioned costs as item 04-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana Economic Development Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 basic 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 operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Louisiana Economic Development Corporation in a separate letter dated August 23, 2004.

This report is intended for the information and use of the Board of Directors, management, and the Louisiana Legislative Auditor 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,

Hannis T. Bourgeois, LLP

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2004

As required by the Office of Louisiana Legislative Auditor, the following is a summary of the results of our audit:

- Type of report issued on financial statements - unqualified.
- There were no material weaknesses in internal controls needed.
- One finding to be reported under Government Auditing Standards is presented below.
- The results of our audit procedures disclosed no material noncompliance.

Current Year Finding:

Compliance:

Finding 04-1

As indicated in Note 2 of the basic Financial Statements, LEDC failed to maintain adequate federal deposit insurance or obtain a sufficient amount of pledged collateral for their Cash and Cash Equivalents. At June 30, 2004, LEDC was underinsured by $741,356. This relates to LEDC's custodial banks failing to pledge adequate securities on the deposits.

Recommendation:

We recommend that LEDC more closely monitor the pledged collateral on all deposits and make sure LEDC's fiscal agents have pledged adequate collateral to insure all deposits.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2004

Internal Control Over Financial Reporting:

Finding 03-1:

During the course of our prior year audit work, we noted that a current working trial balance, and financial statement were not available and had not been prepared for several months. However, it was noted that the Board and Management were kept abreast of the financial condition of the Corporation through a variety of other current financial information such as reports on investments, loans and the related allowance for loan loss, and other information obtained from the State's ISIS system.

Recommendation:

We recommended that a working trial balance and corresponding financial statements be prepared timely after the close of a month end. The financial statements should be delivered to the Board and Management on a timely basis along with the other financial reports currently prepared. By implementing these procedures, the financial reporting process would be greatly enhanced and the complete financial condition of the Corporation would be reported timely to the Board.

Corrective Action Taken:

During the current year, it was noted that a working trial balance and the corresponding financial statement were being prepared timely.

CORRECTIVE ACTION PLAN

State of Louisiana

LOUISIANA ECONOMIC DEVELOPMENT

Kathleen Babineaux Blanco
Governor

Michael J. Olivier
Secretary

CORRECTIVE ACTION PLAN

August 30, 2004

Louisiana Legislative Auditor
Baton Rouge, LA 70804

Louisiana Economic Development Corporation of Baton Rouge, Louisiana respectfully submits the following corrective action plan for the year ended June 30, 2004.

Name and address of independent public accounting firm: Hannis T. Bourgeois, LLP, 2322 Tremont Dr, Suite 200, Baton Rouge, LA 70809

Audit period: Year ended June 30, 2004

Current Year Finding:

Compliance

04-01 Insufficient Amount of Pledged Collateral

Action Taken: The staff accountant will check pledged securities when new deposits are made to ensure that adequate collateral is pledged or additional securities need to be pledged. Also, the financial institution will verify that deposits are considered public funds at time of deposit and proof of sufficient pledged collateral will be supplied.

Sincerely,

Michael O. Williams

Michael O. Williams
Resource Director

Post Office Box 94185/Baton Rouge, LA 70804-94185/Phone (225) 342-5675
1051 North 3rd Street/Baton Rouge, LA 70802/Fax (225) 342-0142
AN EQUAL OPPORTUNITY EMPLOYER

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION, STATE OF LOUISIANA, ANNUAL FISCAL REPORT (AFR)

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the Year Ended June 30, 2004
(Fiscal Close)

Name		Amount
Tommy Vassel (Term Expired April 2004)	$	1,993
Linda Sell (Appointed April 2004)		435
Leon Kahn (Term Expired April 2004)		898
Octave Francis, III (Appointed Arpril 2004)		0
A.J. Roy, III		165
Philip Montelepre		286
Gregory Ferrara		635
Sibal Holt		0
Terry Jones (Resigned February 2004)		0
Alden Andre		0
Don Hutchinson		0
Jennifer Jones (Term Expired April 2004)		174
Hal Hinchliffe (Appointed April 2004)		233
Peggy Savant (Appointed April 2004)		386
	$	5,205

Schedule Number

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 2004

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, Michael O. Williams, Resource Services Director of Louisiana Economic Development Corporation who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Louisiana Economic Development Corporation at June 30, 2004 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 subscribed before me, this 30 day of August, 2004.

Michael O. Williams
Signature of Agency Official

#8752
Thomas A. Austin
NOTARY PUBLIC

Prepared by: Susan B. Saucier

Title: Staff Accountant

Telephone No.: (225) 342-5400

Date: August 30, 2004

LOUISIANA ECONOMIC DEVELOMPMENT CORPORATION
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2004

CONTENTS

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

Please refer to the Management's Discussion and Analysis of the Louisiana Economic Development Corporation as it appears in the Introductory Section of this report as of June 30, 2004.

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEET
AS OF JUNE 30, 2004

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note C1)	$	45,988,901
Investments (Note C2)		3,017,549
Receivables (net of allowance for doubtful accounts)(Note U)		2,511,037
Due from other funds (Note Y)		
Due from federal government		
Inventories		
Prepayments		
Notes receivable		167,620
Other current assets		
Total current assets		51,685,107
NONCURRENT ASSETS:		
Restricted assets (Note F):		
Cash		
Investments		
Receivables		
Notes receivable		2,406,009
Capital assets (net of depreciation)(Note D)		
Land		
Buildings and improvements		
Machinery and equipment		
Infrastructure		
Construction in progress		
Cash and cash equivalents (Note C1)		23,463,109
Other noncurrent assets (Investments and Loans) (Note 2)		22,942,327
Total noncurrent assets		48,811,445
Total assets	$	100,496,552
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accruals (Note V)	$	5,237,702
Due to other funds (Note Y)		
Due to federal government		
Deferred revenues		
Amounts held in custody for others		
Other current liabilities		
Current portion of long-term liabilities:		
Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		
Capital lease obligations - (Note J)		
Accrual for Loan Loss Guarantees		68,710
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total current liabilities		5,306,412
NON-CURRENT LIABILITIES:		
Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		
Capital lease obligations (Note J)		
Notes payable		
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		2,524,116
Total long-term liabilities		2,524,116
Total liabilities		7,830,528
NET ASSETS		
Invested in capital assets, net of related debt		
Restricted for:		
Capital projects		
Debt service		
Unemployment compensation		
Other specific purposes		7,573,580
Unrestricted		85,092,444
Total net assets		92,666,024
Total liabilities and net assets	$	100,496,552

The accompanying notes are an integral part of this financial statement.

Statement A

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

OPERATING REVENUES	
Sales of commodities and services	$
Assessments	
Use of money and property	582,976
Licenses, permits, and fees	195,713
Other (including net decrease in fair value of investments-2,252,333)	(2,066,739)
Total operating revenues	(1,288,050)
OPERATING EXPENSES	
Cost of sales and services	22,854,343
Administrative	1,046,808
Depreciation	
Amortization	
Total operating expenses	23,901,151
Operating income(loss)	(25,189,201)
NON-OPERATING REVENUES(EXPENSES)	
State appropriations	4,339,000
Intergovernmental revenues (expenses)	8,749,626
Taxes	
Use of money and property	677,559
Gain (loss) on disposal of fixed assets	
Federal grants	
Interest expense	
Other	
Total non-operating revenues(expenses)	13,766,185
Income(loss) before contributions and transfers	(11,423,016)
Capital contributions	
Transfers in	
Transfers out	
Change in net assets	(11,423,016)
Total net assets – beginning as restated	104,089,040
Total net assets – ending	$ 92,666,024

The accompanying notes are an integral part of this financial statement.

Statement B

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Component Unit:					
LEDC	$ 23,901,151	$ (1,288,050)	$	$	$ (25,189,201)

General revenues:	
Taxes (Vendor's Compensation)	8,749,626
State appropriations	4,339,000
Grants and contributions not restricted to specific programs	
Interest	677,559
Miscellaneous	
Special items	
Transfers	
Total general revenues, special items, and transfers	13,766,185
Change in net assets	(11,423,016)
Net assets - beginning	104,089,040
Net assets - ending	$ 92,666,024

Statement C

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

Cash flows from operating activities		
Cash received from customers	$ 421,914	
Cash payments to suppliers for goods and services	(19,146,266)	
Cash payments to employees for services	(457,933)	
Payments in lieu of taxes		
Internal activity-payments to other funds		
Claims paid to outsiders		
Other operating revenues(expenses)	537,305	
Net cash provided(used) by operating activities		(18,644,980)
Cash flows from non-capital financing activities		
State appropriations	4,339,000	
Proceeds from sale of bonds		
Principal paid on bonds		
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Operating grants received		
Other - Vendors Compensation and Interest	10,189,109	
Transfers In		
Transfers Out		
Net cash provided(used) by non-capital financing activities		14,528,109
Cash flows from capital and related financing		
State appropriations		
Proceeds from sale of bonds		
Principal paid on bonds		
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Acquisition/construction of capital assets		
Proceeds from sale of capital assets		
Capital contributions		
Other		
Net cash provided(used) by capital and related financing activities		-
Cash flows from investing activities		
Purchases of investment securities	(5,176,589)	
Loan Originations Net of Repayments, Recoveries and Charge Offs	(766,606)	
(Increase) in Long Term Interest Bearing Deposits	(3,051,316)	
Net cash provided(used) by investing activities		(8,994,511)
Net increase(decrease) in cash and cash equivalents		(13,111,382)
Cash and cash equivalents at beginning of year		59,100,283
Cash and cash equivalents at end of year		$ 45,988,901

The accompanying notes are an integral part of this statement.

Statement D

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

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

Operating income(loss)		$ (25,189,201)
Adjustments to reconcile operating income(loss) to net cash		
Change in Unrealized (Gain) Loss on Investments	2,252,333	
Provision for losses and loan guarantees	632,864	
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable, net	60,560	
(Increase)decrease in due from other funds		
(Increase)decrease in prepayments		
(Increase)decrease in inventories		
(Increase)decrease in other assets		
Increase(decrease) in accounts payable and accruals	3,598,464	
Increase(decrease) in accrued payroll and related benefits		
Increase(decrease) in compensated absences payable		
Increase(decrease) in due to other funds		
Increase(decrease) in deferred revenues		
Increase(decrease) in other liabilities		
Net cash provided(used) by operating activities		$ (18,644,980)

Schedule of noncash investing, capital, and financing activities:

Borrowing under capital lease	
Contributions of fixed assets	
Purchases of equipment on account	
Asset trade-ins	
Other (specify)	
Total noncash investing, capital, and financing activities:	-

(Concluded)

The accompanying notes are an integral part of this statement.

Statement D

INTRODUCTION

The Louisiana Economic Development Corporation was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 51:2311. The following is a brief description of the operations of Louisiana Economic Development Corporation (which includes the parish/parishes in which the (BTA) is located):

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of Louisiana Economic Development Corporation present information only as to the transactions of the programs of the Louisiana Economic Development Corporation as authorized by Louisiana statutes and administrative regulations. 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 measurements made, regardless of the measurement focus applied.

The accounts of the Louisiana Economic Development Corporation are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

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.

Expense Recognition

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

B. BUDGETARY ACCOUNTING

The appropriations made for the operations of the various programs of the Louisiana Economic Development Corporation are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements include the original appropriation plus subsequent amendments as follows:

		APPROPRIATIONS
Original approved budget	$	26,353,968
Amendments:		25,033,869
		12,465,707
Final approved budget	$	63,853,544

C. **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS** (If all agency cash and investments are deposited in the State Treasury, disregard Note C.)

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law, the Louisiana Economic Development Corporation may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Louisiana Economic Development Corporation may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, and share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, 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. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer.

Following the issuance of GASB Statement 3, deposits were classified into three categories of custodial credit risk depending on whether they were insured or collateralized, and who held the collateral and how it was held.

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. **(separate disclosure no longer required)**
Category 2 – Deposits that are not insured but are collateralized with securities that are held by the financial institution's trust department or agent and are in the entity's name. **(separate disclosure no longer required)**
Category 3 – Deposits that are not covered by insurance and also are not collateralized. Not collateralized includes when the securities (collateral) are held by the financial institution's trust department or agent and they are not in the entity's name. **(separate disclosure still required)**

GASB Statement 40 only requires category 3 deposits to be disclosed in the custodial credit risk section of Note C. If an entity has deposits exposed to custodial credit risk category 3, it should disclose the amount of those balances, the fact that they are uninsured, and whether the balances are either uncollateralized, collateralized with securities held by the pledging financial institution,

or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at June 30, 2003, consisted of the following:

	Cash	Certificates of Deposit	Other Money Market	Total
Deposits in bank accounts per balance sheet	$ 96,807	$ 23,463,109	$ 140,116	$ 23,700,032
Bank balances (**category 3 only, if any**) **Identify amounts reported as category 3 by the descriptions below:**				
a. Uninsured and uncollateralized		701,240	40,116	741,356
b. Uninsured and collateralized with securities held by the pledging institution				-
c. Uninsured and collateralized with securities held held by the pledging institution's trust department or agent, but not in the entities name				-
Total Category 3 bank balances	$ -	$ 701,240	$ 40,116	$ 741,356
Total bank balances **(All categories including category 3 reported above)**	$ 96,807	$ 23,463,109	$ 140,116	$ 23,700,032

NOTE: The "Total Bank Balances" will not necessarily equal the "Deposits in Bank Account per Balance Sheet".

The following is a breakdown by banking institution, program, account number, and amount of the balances shown above:

Banking institution	Program	Amount
American Gateway Bank	Small Business	797,875
Bancorp South Bank	Small Business	100,366
Bank One, Louisiana	Small Business	181,787
Delta Bank	Small Business	143,213
First Bank	Small Business	5,848,257
First Bank & Trust	Small Business	152,495
Hancock Bank of LA	Small Business	801,903
Hibernia National Bank	Small Business	2,219,097
Home Savings Bank	Small Business	126,000
Iberville Bank	Small Business	815,000
Jeff Davis Bank & Trust	Small Business	6,441,635
Tri-Parish Bank	Small Business	304,547
Union Planters Bank	Small Business	140,116
Washington State Bank	Small Business	5,627,741
		$ 23,700,032

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the Balance Sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included on the Balance Sheet.

Cash in State Treasury	$	45,751,978
Petty cash	$	0

2. INVESTMENTS

The Louisiana Economic Development Corporation does maintain investment accounts as authorized by Louisiana Revised Statute 51:2312.

Investments can be classified according to the level of risk to the entity. Using the following categories, list each type of investment disclosing the carrying amount, market value, and applicable category of risk. **Beginning with fiscal year ending June 30, 2004, only risk category 3 has to be broken out separately. However, the total reported amount and fair value columns still must be reported for total investments (including category 3).**

Category 1 - Insured or registered in the entity's name, or securities held by the entity or its agent in the entity's name. **(separate disclosure no longer required)**

Category 2 - Uninsured and unregistered with securities held by the counterparty's trust department or agent in the entity's name. **(separate disclosure no longer required)**

Category 3 - Unsecured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the entity's name. **(separate disclosure still required)**

NOTE: GASB Statement 40 requires investments to be listed by type, and whether any of those are category 3 investments. If so, those category 3 investments are reported in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name.

Type of Investment	Amount Reported in Risk Category 3, if Any: Held by Counterparty	Held by Counterparty's Trust Dept. or Agent Not in Entity's Name	Total Reported Amount - All Categories (Including Category 3)	Total Fair Value - All Categories (Including Category 3)
Repurchase agreements	$	$	$	$
U.S. Government securities				
Common & preferred stock			20,865,838	20,865,838
Commercial paper			2,617,440	2,617,440
Corporate bonds				
Other: (identify)				
Debt Investments			903,650	903,650
Total investments	$ -	$ -	$ 24,386,928	$ 24,386,928

The institution does/does not (circle one) invest in **derivatives** as part of its investment policy. Accordingly, the exposure to risks from these investments is as follows:
credit risk_____
market risk_____
legal risk_____

3. Other Disclosures Required for Investments

a. Investments in pools managed by other governments or mutual funds N/A

b. Securities underlying reverse repurchase agreements N/A

c. Unrealized investment losses ($2,252,333)

d. Commitments as of June 30, 2004, to resell securities under yield maintenance repurchase agreements:
   1. Carrying amount and market value at June 30 of securities to be resold N/A
   2. Description of the terms of the agreement N/A

e. Losses during the year due to default by counterparties to deposit or investment transactions N/A

f. Amounts recovered from prior-period losses which are not shown separately on the balance sheet N/A

Legal or Contractual Provisions for Reverse Repurchase Agreements

g. Source of legal or contractual authorization for use of reverse repurchase agreements N/A

h. Significant violations of legal or contractual provisions for reverse repurchase agreements that occurred during the year N/A

Reverse Repurchase Agreements at Year-End

i. Credit risk related to the reverse repurchase agreements outstanding at balance sheet date, that is, the aggregate amount of reverse repurchase agreement obligations including accrued interest compared to aggregate market value of the securities underlying those agreements including interest N/A

j. Commitments on June 30, 2004, to repurchase securities under yield maintenance agreements N/A

k. Market value on June 30, 2004, of the securities to be repurchased N/A

l. Description of the terms of the agreements to repurchase N/A

m. Losses recognized during the year due to default by counterparties to reverse repurchase agreements N/A

n. Amounts recovered from prior-period losses which are not separately shown on the operating statement N/A

Fair Value Disclosures

o. Methods and significant assumptions used to estimate fair value of investments, if fair value is not based on quoted market prices

The corporation records its investments at estimated fair value or at book value if fair value is not readily determinable as determined by the corporation's management. Fair value generally is considered to be the amount which the corporation might reasonably expect to receive for its investments if negotiations for sale were entered into on the valuation date. Valuation as of any particular date, however, is not necessarily indicative of the amount which the corporation ultimately may realize as a result of a future sale or other disposition of the investments.

In preparing the financial statements, the corporation's management is required to make significant judgments that affect the reported amounts of investments as of the date of the balance sheet and the change in unrealized appreciation (depreciation) for the period.

The process of valuing investments requires significant judgments that are particularly susceptible to change. The corporation's management believes that investment values are appropriate. While the corporation's management uses available information to recognize declines in investment values, future adjustments may be necessary based on changes in economic conditions or changes in the results of the operations of investee companies.

The valuation policies of the corporation's management in determining the fair value of the corporation's investments include the following:

- Marketable securities listed on a national securities exchange are valued at their closing sales price on the valuation date;
- Marketable securities traded over-the-counter are valued at their closing bid price on the valuation date, as reported in the National Association of Securities Dealers' Automated Quotation System (NASDAQ) or if not reported in NASDAQ, as reported by the National Quotation Bureau (or any successor to such organization) ;
- Restricted securities (securities not freely marketable, but part of a class of securities listed on a national securities exchange or traded over-the-counter) are valued at a discount from the security's value determined under the above subsections, reflecting their limited marketability; and

All other securities are valued initially at cost with subsequent adjustments to values which reflect meaningful third-party transactions in the private market or at fair market value reflecting, in any event, their marketability, the business and prospects of the issuer of such securities and other relevant factors.

p. Basis for determining which investments, if any, are reported at amortized cost N/A

q. For investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool N/A

r. Whether the fair value of your investment in the external investment pool is the same as the value of the pool shares N/A

s. Any involuntary participation in an external investment pool N/A

t. Whether you are unable to obtain information from a pool sponsor to determine the fair value of your investment in the pool, methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate N/A

u. Any income from investments associated with one fund that is assigned to another fund N/A

Credit Risk, Concentration of Credit Risk, Interest Rate Risk, and Foreign Currency Risk Disclosures

v. Briefly describe the deposit and/or investment policies related to the custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk disclosed in this note. If no policy exists concerning the risks disclosed, please state that fact.

Investments are uninsured due to the nature of LEDC's operations. It is LEDC's policy to comply with state law regarding pledged collateral on cash and cash equivalents.

w. **List, by amount and issuer (not including U.S. government securities, mutual funds, and investment pools), investments in any one issuer that represents 5% or more of total investments**

Business Resource Specialty BIDCO	$2,000,000
Source Capital LLC	2,500,000
U.S. Agencies	3,225,000
Endgame Entertainment Fund LLC	4,903,795

x. **List the fair value and terms of any debt investments that re highly sensitive to changes in interest rates due to the terms of the investment (eg. coupon multipliers, reset dates, etc.)**

N/A

y. **Disclose the credit risk of debt investments by credit quality ratings as described by rating agencies as of the fiscal year end. All debt investments regardless of type can be aggregated by credit quality rating (if any are unrated, disclose that amount).**

All debt investments are unrated except for commercial papers as follows:

Lockhart Funding CP	$ 527,814	(Rated F1)
High Peak Discounted CP	2,089,626	(Rated F1)
	$2,617,440	

z. **Disclose the interest rate risk of debt investments by listing the investment type and the method that is used to identify and manage the interest rate risk of those investments (by one of the following 5 methods: a) segmented time distribution, b) specific identification, c) weighted average maturity, d) duration, or e) simulation model.)**

Due to nature of the operations of LEDC in that debt investments are made to start-up type companies and bear high interest rate, the risk of these companies refinancing elsewhere is low since these companies could not obtain traditional financing.

All commercial paper matures within 30 days of year end and therefore any interest rate risk is low.

aa. **Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies). List by currency denomination and investment type, if applicable.**

N/A

D. CAPITAL ASSETS-INCLUDING CAPITAL LEASE ASSETS – N/A

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity are charged as 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.

	Year ended June 30, 2004						
	Balance 6/30/2003	Prior Period Adjustment	Adjusted Balance 6/30/2003	Additions	Transfers*	Retirements	Balance 6/30/2004
Capital assets not being depreciated							
Land			--				--
Non-depreciable land improvements			--				--
Capitalized collections			--				--
Construction in progress			--				--
Total capital assets not being depreciated	--	--	--	--	--	--	--
Other capital assets							
Furniture, fixtures, and equipment			--				--
Less accumulated depreciation			--				--
Total furniture, fixtures, and equipment	--	--	--	--	--	--	--
Buildings and improvements			--				--
Less accumulated depreciation			--				--
Total buildings and improvements	--	--	--	--	--	--	--
Depreciable land improvements			--				--
Less accumulated depreciation			--				--
Total depreciable land improvements	--	--	--	--	--	--	--
Infrastructure			--				--
Less accumulated depreciation			--				--
Total infrastructure	--	--	--	--	--	--	--
Total other capital assets	--	--	--	--	--	--	--
Capital Asset Summary:							
Capital assets not being depreciated	--	--	--	--	--	--	--
Other capital assets, at cost	--	--	--	--	--	--	--
Total cost of capital assets	--	--	--	--	--	--	--
Less accumulated depreciation	--	--	--	--	--	--	--
Capital assets, net	--	--	--	--	--	--	--

* Should be used only for those completed projects coming out of construction-in-progress to fixed assets; not associated with transfers reported elsewhere in this packet.

E. INVENTORIES – N/A

The unit's inventories are valued at ________________________ (method of valuation). These are perpetual inventories and are expensed when used. **NOTE: Do not include postage. This must be shown as a prepayment.**

F. RESTRICTED ASSETS – N/A

Restricted assets in the ______________(BTA) at ________________(fiscal year end), reflected at $__________ in the non-current assets section on Statement A, consist of $__________ in cash with fiscal agent, $__________ in receivables, and $__________ investment in ______________________________ (identify the type investments held.) State the purpose of the restriction:____
____.

G. LEAVE

1. COMPENSATED ABSENCES

The Louisiana Economic Development Corporation has the following policy on annual and sick leave:

An example disclosure follows:

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. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the fund when leave is actually taken; it is recognized in the enterprise funds when the leave is earned. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in long-term obligations.

2. COMPENSATORY LEAVE

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employees' hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 2004 (fiscal close) computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be $48,447. The leave payable is recorded in the accompanying financial statements.

H. RETIREMENT SYSTEM

Substantially all of the employees of LEDC 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 LEDC 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. 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 (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and LEDC 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, 2004, was 15.8% of annual covered payroll from the 14.1% and 13% required in fiscal years ended June 30, 2003 and 2002, respectively. The LEDC's contributions to the System for the years ending June 30, 2004, 2003, and 2002, were $54,325, $62,376, and $51,616, respectively, equal to the required contributions for each year.

I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS – N/A

GASB 12 requires 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 accounting and funding policies followed for those benefits.
3. The cost of those benefits recognized for the period, unless the costs are not readily determinable.**
4. The effect of significant matters 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 total cost of providing those benefits to active employees and retirees, as well as the number of active employees and the number of retirees covered by the plan must be disclosed.

Substantially all (BTA) 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 and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the (BTA). For 2004, the cost of providing those benefits for the _____ retirees totaled $_________.

The _____________________(BTA) provides certain continuing health care and life insurance benefits for its retired employees. Substantially all (BTA) employees become eligible for those benefits if they reach normal retirement age while working for the (BTA). Those benefits for retirees and similar benefits for active employees are provided 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 ((BTA)'s portion of premiums) as an expenditure when paid during the year, which was $__________ for the year ended ______________, 20___. The cost of providing those benefits for ________ retirees is not separable from the cost of providing benefits for the _________ active employees. (or, The (BTA)'s cost of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended ______________, 20___ the costs of _______ retiree benefits totaled $_______________).

J. LEASES – N/A

1. OPERATING LEASES

The total payments for operating leases during fiscal year________amounted to $________.
A schedule of payments for operating leases follows:

Nature of lease	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010-2014	FY2015-2019
	$	$	$	$	$	$	$
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -

2. CAPITAL LEASES- N/A

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

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

SCHEDULE A – TOTAL AGENCY CAPITAL LEASES EXCEPT LEAF

Nature of lease	Gross Amount of Leased Asset (Historical Costs)	Remaining interest to end of lease	Remaining principal to end of lease
a. Office space	$	$	$
b. Equipment			
c. Land			
Total	$ -	$ -	$ -

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of (last day of your fiscal year) and a breakdown of yearly principal and interest:

Year ending June 30:	Total
2005	$
2006	
2007	
2008	
2009	
2010-2014	
2015-2019	
2020-2024	
Total minimum lease payments	-
Less amounts representing executory costs	
Net minimum lease payments	-
Less amounts representing interest	
Present value of net minimum lease payments	$ -

SCHEDULE B – NEW AGENCY CAPITAL LEASES EXCEPT LEAF

Nature of lease	Gross Amount of Leased Asset (Historical Costs)	Remaining interest to end of lease	Remaining principal to end of lease
a. Office space	$	$	$
b. Equipment			
c. Land			
Total	$ -	$ -	$ -

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of (last day of your fiscal year) and a breakdown of yearly principal and interest:

Year ending June 30:	Total
2005	$
2006	
2007	
2008	
2009	
2010-2014	
2015-2019	
2020-2024	
Total minimum lease payments	-
Less amounts representing executory costs	
Net minimum lease payments	-
Less amounts representing interest	
Present value of net minimum lease payments	$ -

SCHEDULE C – LEAF CAPITAL LEASES

Nature of lease	Gross Amount of Leased Asset (Historical Costs)	Remaining interest to end of lease	Remaining principal to end of lease
a. Office space	$	$	$
b. Equipment			
c. Land			
Total	$ -	$ -	$ -

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of (last day of your fiscal year) and a breakdown of yearly principal and interest:

Year ending June 30:	Total
2005	$
2006	
2007	
2008	
2009	
2010-2014	
2015-2019	
2020-2024	
Total minimum lease payments	-
Less amounts representing executory costs	
Net minimum lease payments	-
Less amounts representing interest	
Present value of net minimum lease payments	$ -

3. LESSOR DIRECT FINANCING LEASES – N/A

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

- Collectibility of the minimum lease payments is reasonably predictable.
- No important uncertainties surround the amount of the unreimbursable costs yet to be incurred by the lessor under the lease.

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

a. Office space	______	$ ______	$ ______	$ ______
b. Equipment	______	______	______	______
c. Land	______	______	______	______
Less amounts representing executory costs		______		
Minimum lease payment receivable		-		
Less allowance for doubtful accounts		______		
Net minimum lease payments receivable		-		
Less: Estimated Residual Value of Leased Property		______		
Less unearned income		______		
Net investment in direct financing lease		$ -		

Minimum lease payments do not include contingent rentals which may be received as stipulated in the lease contracts. Contingent rental payments occur if for example the use of the equipment, land, or building etc., exceeds a certain level of activity each year. Contingent rentals received for fiscal year 2004 were $_________ for office space, $________ for equipment, and $________ for land.

The following is a schedule by year of minimum leases receivable for the remaining fiscal years of the lease as of ___________ (the last day of your fiscal year):

Year ending _____________:	
2005	$ ______
2006	______
2007	______
2008	______
2009	______
2010-2014	______
2015-2019	______
2020-2024	______
Total	$ -

4. LESSOR – OPERATING LEASE – N/A

When a lease agreement does not satisfy at least one of the four criteria (common to both lessee and lessor accounting), and both of the criteria for a lessor (collectibility and no uncertain reimbursable costs), the lease is classified as an operating lease. In an operating lease, there is no simulated sale and the lessor simply records rent revenues as they become measurable and available.

Provide the cost and carrying amount, if different, of property on lease or held for lease organized by major class of property and the amount of accumulated depreciation as of __________ 20___:

	Cost	Accumulated depreciation	Carrying amount
a. Office space	$	$	$
b. Equipment			
c. Land			
Total	$ -	$ -	$ -

The following is a schedule by years of minimum future rentals on non-cancelable operating lease(s) as of __________ (the last day of your fiscal year):

Year Ended June 30,	Office Space	Equipment	Land	Other	Total
2005	$	$	$	$	$ -
2006					-
2007					-
2008					-
2009					-
2010-2014					-
2015-2019					-
2020-2024					-
Total	$ -	$ -	$ -	$ -	$ -

Current year lease revenues received in fiscal year _________ totaled $______________.

Contingent rentals received from operating leases received for your fiscal year was $________________ for office space, $_____________for equipment, and $______________for land.

K. LONG-TERM LIABILITIES – N/A

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 20__:

	Balance June 30, 2003	Year ended June 30, 2004 Additions	Reductions	Balance June 30, 2004	Amounts due within one year
Bonds and notes payable:					
Notes payable	$	$	$	$ --	$
Reimbursement contracts payable				--	
Bonds payable				--	
Total notes and bonds	--	--	--	--	--
Other liabilities:					
Contracts payable				--	
Compensated absences payable				--	
Capital lease obligations				--	
Liabilities payable from restricted assets				--	
Claims and litigation				--	
Other long-term liabilities				--	
Total other liabilities	--	--	--	--	--
Total long-term liabilities	--	--	--	--	--

A detailed summary, by issues, of all debt outstanding at June 30, 20__, including outstanding interest of $______________ is shown on schedule 4. Schedule 5 is an amortization schedule of the outstanding debt. (Send OSRAP a copy of the amortization schedule for any new debt issued.)

L. LITIGATION – N/A

1. The ___________(BTA) is a defendant in litigation seeking damages as follows:

Date of Action	Description of Litigation and Probable outcome (remote, reasonably possible or probable)	Primary Attorney	Damages Claimed	Insurance Coverage
			$	$
Totals			$	$

The ___________(BTA)'s legal advisor estimates that potential claims not covered by insurance would affect the financial statement as follows (would not materially affect the financial statements or is unable to estimate the effect on the financial statement):

2. Claims and litigation costs of $ ___________ were incurred in the current year and are reflected in the accompanying financial statement.

M. RELATED PARTY TRANSACTIONS

Effective July 1, 2001, LEDC was reorganized and was transferred under the Department of Economic Development. Certain expenses such as personnel services, rent, and other various administrative type expenses are now being shared between the two entities. For fiscal year ended June 30, 2004, LEDC's share of these expenses were $406,965 and are included in these financial statements.

N. ACCOUNTING CHANGES – N/A

Accounting changes made during the year involved a change in accounting ______________ (principle, estimate, error or entity). The effect of the change is being shown in ______________.

O. IN-KIND CONTRIBUTIONS – N/A

(List all in-kind contributions that are not included in the accompanying financial statements.)

In-Kind Contributions	Cost/Estimated Cost/Fair Market Value/As Determined by the Grantor
	$
Total	$ -

P. DEFEASED ISSUES –N/A

In ______________, 20______, the ________________________________(BTA), issued $__________________ of taxable bonds. The purpose of the issue was to provide monies to advance refund portions of ______________ bonds. In order to refund the bonds, portions of the proceeds of the new issue $______________, plus an additional $____________of sinking fund monies together with certain other funds and/or securities, were deposited and held in an escrow fund created pursuant to an escrow deposit agreement dated ______________,_____ between the (BTA) and the escrow trustee. The amount in the escrow, together with interest earnings, will be used to pay the principal, redemption premium, and interest when due. The refunding resulted in reducing the total debt service payments by almost $ ______________ and gave the (BTA) an economic gain (difference between the present values of the debt service payments on the old and new debt of $______________.

Q. COOPERATIVE ENDEAVORS –N/A

LRS 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The state of Louisiana has entered into cooperative endeavor agreements with certain entities aimed at developing the economy of the state.

Some cooperative endeavor contracts are not coded with a document type of "COP" on the Contract Financial Management Subsystem (CFMS), but are considered cooperative endeavors. Include these below with your cooperative endeavor contracts coded with a document type of "COP". Examples of contracts that are considered cooperative endeavors, but are not coded with a document type of "COP" include contracts that fall under delegated authority, Facility Planning and Control "CEA" contracts, certain federal government contracts, contracts that legislative auditors may have designated as such within your agency, work incumbent programs, etc. In prior years, this information was requested as supplemental documentation after the AFRs were submitted, usually in October or November.

The liability outstanding as of June 30, 2004, by funding source, is as follows:

Funding Source	Balance June 30, 2004
State General Fund	$ ______
Self-generated revenue	______
Statutorily dedicated revenue	______
General obligation bonds	______
Federal funds	______
Interagency transfers	______
Other funds/combination	______

NOTE: Amounts in excess of contract limits **cannot** be used to reduce the outstanding contract balance at June 30, 2004 For example, if a contract specifies a percentage of usage for each month (25%) and usage exceeds that percentage (75%), you cannot claim actual usage that exceeds contract requirements (50%).

NOTE: In order to compute your ending balances by funding source, you should begin with your balances at June 30, 2003. These amounts will be increased by amounts for new contracts and amendments and decreased for payments as well as for liquidations.

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) – N/A

The following government-mandated nonexchange transactions (grants) were received during fiscal year 2003-2004:

CFDA Number	Program Name	State Match Percentage	Total Amount of Grant
			$
Total government-mandated nonexchange transactions (grants)			$ -

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS – N/A

At June 30, 20__, the ____________ (BTA) was not in compliance with the provisions of ____________ Bond Reserve Covenant that requires ____________. The ____________ (BTA) did ____________ to correct this deficiency.

T. SHORT-TERM DEBT – N/A

The____________(BTA)issues short-term notes for the following purposes:____________.

Short-term debt activity for the year ended June 30, 20__, was as follows:

List the type of S-T debt (e.g., tax anticipation notes):	Beginning Balance	Issued	Redeemed	Ending Balance
		$	$	$ -

The ____________(BTA) uses a revolving line of credit for the following purposes:____________. Short-term debt activity for the year ended June 30, 20__, was as follows:

	Beginning Balance	Draws	Redeemed	Ending Balance
Line of credit	$	$	$	$ -

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2004, were as follows:

Activity	Customer Receivables	Accrued Vendor's Compensation	Accrued Interest Receivable	Other Receivables	Total Receivables
LEDC	$ 4,412,744	$ 1,842,204	$ 270,182	$ 68,768	$ 6,593,898
					0
Gross receivables	$ 4,412,744	$ 1,842,204	$ 270,182	$ 68,768	$ 6,593,898
Less allowance for uncollectible accounts	2,509,913	0	0	0	2,509,913
Receivables, net	$ 1,902,831	$ 1,842,204	$ 270,182	$ 68,768	$ 4,083,985
Amounts not scheduled for collection during the subsequent year	$ 1,572,948	$ 0	$ 0	$ 0	$ 1,572,948

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2004, were as follows:

Activity	Vendors	Salaries and Benefits	Accrued Interest	EDAP and Workforce Grants Payables	Total Payables
LEDC	$ 1,441	$ 61,916	$	$ 5,174,345	$ 5,237,702
					-
Total payables	$ 1,441	$ 61,916	$ -	$ 5,174,345	$ 5,237,702

W. SUBSEQUENT EVENTS

The Louisiana Legislature passed Act Number 585 of the 2004 Regular Session which authorized the Louisiana State Treasurer to transfer $2,000,000 of LEDC funds to the State of Louisiana General Fund to be used by the State in the fiscal year 2004-2005. In addition, Act Number 585 ordered LEDC to execute *a loan from monies in the Louisiana Economic Development Fund in fiscal year 2004-2005 to the* Louisiana Stadium and Exposition District in an amount sufficient for the district to pay contractual obligations of the district relative to professional sports franchises, not to exceed $7,500,000, for a repayment period not to exceed eight years. After the payment in full of all contractual, necessary, statutory, and usual charges, including any indebtedness heretofore or hereafter issued by the district, the loan shall be repaid from the revenues received by the district in any fiscal year which exceed the amount of revenues received by the district in fiscal year 2004-2005 together with a growth factor equal to the increase in the consumer price index. In accordance with the provisions of this Act $9,500,000 were withdrawn in July 2004 from LEDC funds.

X. SEGMENT INFORMATION – N/A

Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. For the purposes of this disclosure, a segment is an identifiable activity (or group of activities), reported as or within an enterprise fund or an other stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. 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 an external party, such as accounting and reporting requirements set forth in bond indentures. Disclosure requirements for each segment should be met by identifying the types of goods and services provided and by presenting condensed financial statements in the notes, including the elements in A through C below (GASB 34, paragraph 122, as modified by GASB 37, paragraph 17.)

Type of goods or services provided by the segment____.

A. Condensed Balance Sheet:
   (1) Total assets – distinguishing between current assets, capital assets, and other assets. Amounts receivable from other funds or BTA's should be reported separately.
   (2) Total liabilities – distinguishing between current and long-term amounts. Amounts payable to other funds or BTA's should be reported separately.
   (3) Total net assets – distinguishing among restricted; unrestricted; and amounts invested in capital assets, net of related debt.

Condensed Balance Sheet:

	Segment #1	Segment #2
Current assets	$	$
Due from other funds		
Capital assets		
Other assets		
Current liabilities		
Due to other funds		
Long-term liabilities		
Restricted net assets		
Unrestricted net assets		
Invested in capital assets, net of related debt		

B. *Condensed statement of revenues, expenses, and changes in net assets:*
   (1) Operating revenues (by major source).
   (2) Operating expenses. Depreciation (including any amortization) should be identified separately.
   (3) Operating income (loss).
   (4) Nonoperating revenues (expenses) – with separate reporting of major revenues and expenses.
   (5) Capital contributions and additions to permanent and term endowments.
   (6) Special and extraordinary items.
   (7) Transfers
   (8) Change in net assets.
   (9) Beginning net assets.
   (10) Ending net assets.

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

	Segment #1	Segment #2
Operating revenues	$	$
Operating expenses		
Depreciation and amortization		
Operating income (loss)	-	-
Nonoperating revenues (expenses)		
Capital contributions/additions to permanent and term endowments		
Special and extraordinary items		
Transfers in		
Transfers out		
Change in net assets	-	-
Beginning net assets		
Ending net assets	-	-

C. Condensed statement of cash flows:
(1) Net cash provided (used) by:
(a) Operating activities
(b) Noncapital financing activities
(c) Capital and related financing activities
(d) Investing activities

(2) Beginning cash and cash equivalent balances
(3) Ending cash and cash equivalent balances

Condensed Statement of Cash Flows:

	Segment #1	Segment #2
Net cash provided (used) by operating activities	$	$
Net cash provided (used) by noncapital financing activities		
Net cash provided (used) by capital and related financing activities		
Net cash provided (used) by investing activities		
Beginning cash and cash equivalent balances		
Ending cash and cash equivalent balances	-	-

Y. DUE TO/DUE FROM AND TRANSFERS- N/A

1. List by fund type the amounts **due from other funds** detailed by individual fund at your fiscal year end:

Type of Fund	Name of Fund	Amount
		$
Total due from other funds		$

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

Type of Fund	Name of Fund	Amount
		$
Total due to other funds		$

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

Type of Fund	Name of Fund	Amount
		$
Total transfers from other funds		$

4. List by fund type **all transfers to other funds for the fiscal year:**

Type of Fund	Name of Fund	Amount
		$
Total transfers to other funds		$

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS – N/A

Liabilities payable from restricted assets in the ______________(BTA) at__________(fiscal year end), reflected at $______________in the current liabilities section on Statement A, consist of $__________ in accounts payable, $____________ in notes payable, and $_____________ in ____________________.

Liabilities payable from restricted assets in the ______________(BTA) at__________(fiscal year end), reflected at $______________in the non-current liabilities section on Statement A, consist of $___________in accounts payable, $____________ in notes payable, and $_____________ in ____________________.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS – N/A

The following adjustments were made to restate beginning net assets for June 30, 20__.

Fund balance July 1, 2003, previously reported	Adjustments + or (-)	Beginning net assets, July 1, 2003, As restated
	$	$ --
		--
		--
		--
		--
		--

Each adjustment must be explained in detail on a separate sheet.

(NOTE: Net Assets at July 1, 20__, previously reported, must correspond to Net Assets at June 30, 20__, per the information received from OSRAP.)

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the Year Ended June 30, 2004
(Fiscal Close)

Name	Amount
Tommy Vassel (Term Expired April 2004)	$ 1,993
Linda Sell (Appointed April 2004)	435
Leon Kahn (Term Expired April 2004)	898
Octave Francis, III (Appointed Arpril 2004)	0
A.J. Roy, III	165
Philip Montelepre	286
Gregory Ferrara	635
Sibal Holt	0
Terry Jones (Resigned February 2004)	0
Alden Andre	0
Don Hutchinson	0
Jennifer Jones (Term Expired April 2004)	174
Hal Hinchliffe (Appointed April 2004)	233
Peggy Savant (Appointed April 2004)	386
	$ 5,205

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF STATE FUNDING
For the Year Ended June 30, 2004
(Fiscal Close)

	Description of Funding		Amount
1.	State Appropriations - EDAP	$	4,339,000
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
	Total	$	4,339,000

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE
June 30, 2004
(Fiscal Close)

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
N/A		$	$	$	$		$
Total		$	$	$	$		$

*Send copies of new amortization schedules

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF NOTES PAYABLE
JUNE 30, 2004
(Fiscal close)

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
N/A		$	$	$	$		$
Total		$	$	$	$		$

*Send copies of new amortization schedules

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF BONDS PAYABLE
JUNE 30, 2004
(Fiscal close)

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
N/A		$	$	$	$		$
Total		$	$	$	$		$

*Send copies of new amortization schedules

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
For The Year Ended June 30, 2004
(Fiscal Close)

Fiscal Year Ending:	Principal	Interest
2005	$ N/A	$ N/A
2006		
2007		
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
Total	$ --	$ --

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 2004

Fiscal Year Ending:	Payment	Interest	Principal	Balance
2005	$ N/A	$	$	$ --
2006				--
2007				--
2008				--
2009				--
2010-2014				--
2015-2019				--
2020-2024				--
2025-2029				--
Total	$ --	$ --	--	--

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF NOTES PAYABLE AMORTIZATION
For The Year Ended June 30, 2004

Fiscal Year Ending:	Principal	Interest
2005	$ N/A	$
2006		
2007		
2008		
2009		
2010-2014		
2015-2019		
2020-2024		
2025-2029		
Total	$ --	$ --

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2004

Fiscal Year Ending:	Principal	Interest
2005	$ N/A	$
2006		
2007		
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
Total	$ --	$ --

STATE OF LOUISIANA
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the state and reason For the changes in the budget, please complete the schedule below. If the change is greater than 10%, explain the reason for the change.

	2004	2003	Difference	Percentage Change
1) Revenues	$ 12,478,135	$ 20,516,505	$ (8,038,370)	$ (39%)
Expenses	23,901,151	7,876,831	16,024,320	203%
2) Capital assets			-	
Long-term debt			-	
Net Assets	92,666,024	104,089,040	(11,423,016)	(11%)

Explanation for change
Revenue decrease is due to a decrease in Vendor Compensation of approximately $2.3 million and a decrease in State appropriations of approximately $4.3 million. Increase in expenses relates to a net increase of resource service awards and capital outlay awards of approximately $16.5 over the prior year

3)	2004 Original Budget	2004 Final Budget	Difference	Percentage Change
Revenues	$ 26,353,968	$ 63,853,544	$ 37,499,576	59%
Expenditures	26,353,968	63,853,544	37,499,576	59%

Explanation for change:
Budget was increased twice during the year. Once to adjust for prior year commitments. The second amendment was for additional demand for EDAP Workforce, Venture Capital projects and loans.
NOTE: Budget revenues includes $4,339,000 of Capital Outlay

	2004 Final Budget	2004 Actual	Difference	Percentage Change
Revenues	63,853,544	12,478,135	51,375,409	412%
Expenditures	63,853,544	23,901,151	39,952,393	167%

Explanation of change:
Variances are a result of prior year commitments and carry forward obligations that were not disbursed at year end.