

Instructions

Purpose/Requirements:

In an effort to ensure compliance with the amendments made to LA R.S. 47:6007.D during the 2005 Regular Session of the Louisiana Legislature, the Louisiana Department of Economic Development is requiring the independent certification of production expenses incurred by motion picture production companies during the creation of state-certified productions. As such, an audit of the cost report of production expenditures and infrastructure expenditures, if any, must be performed by an independent certified public accountant selected and paid for by the motion picture production company prior to the granting of any certification by the Governor's Office of Film and Television Development. The motion picture production company would not be precluded from engaging its regular independent certified public accountant, if applicable, to perform these engagements.

It is the motion picture production company's responsibility to ensure that all of the required information is provided. Audited schedules that, minimally, do not conform to the guidelines outlined herein will not be accepted. The results of the audit engagement of the specified element may affect the validity of tax credits granted under this program.

Regulation:

Please reference LA R.S. 47:6007.D for more information regarding the regulation and the detailed definitions of state-certified production expenditures.

General:

- The following procedures set forth minimum standards for acceptability of the audit to be performed. The auditor is to make its certification on the basis of having performed, at a minimum, these procedures.
- The auditor must be a Certified Public Accountant licensed in the state of Louisiana and must be an independent third party, not related to the producer.
- The auditor's opinion must be addressed to the party which has engaged the auditor (e.g., Directors of the production company, producer of the production).
- The auditor's name, address, and telephone number must be evident on the report.
- The auditor's opinion must be dated as at the completion of the audit fieldwork.
- The audit must be performed in accordance with auditing standards generally accepted in the United States of America and the auditor must have sufficient knowledge of accounting principles and practices generally recognized in the film and television industry.

Identification of the Production:

- The title of the production and, when applicable, the episode numbers, must be disclosed.
- The period during which the costs were incurred must be disclosed.

Cost Report of Production Expenditures:

- The cost report must be in US dollars.
- Only expenditures which were incurred for the production can be recorded as production costs. These costs must be charged to the proper budgetary item.
- Refunds and credit notes received for discounts, rebates, invoicing errors, and purchase returns must be credited to the production costs; similarly, proceeds from the sale of props and other production assets must be deducted from the costs presented in the cost report. In cases where props and other productions assets are kept in inventory for future productions, they must also be deducted, at fair market value, from the costs presented in the cost report.
- Completion bond expenditures must reflect any "no-claims rebate" received (the amount reported must be net after rebate).
- Amortization of series costs must be allocated to specific cost categories.

Notes to the Cost Report of Production:

Sources of funds

- All sources of funds that were used to finance the production must be disclosed, including any non-monetary transactions that were included in the cost of the production.
- Non-monetary transactions must be disclosed at fair market value. The nature of the services provided and the consideration given in exchange for the services must be disclosed.
- If there were no non-cash transactions, the cost report must include a note to that effect.

Non-Louisiana Costs

- The notes to the Cost Report of Production Expenditures must provide a breakdown of all non-Louisiana costs and must include the budget item and the amount of the transaction.
- If there are no non-Louisiana costs, the cost report must include a note to that effect.

Accounts Payable, Accrued Charges, and Deferrals

- The amount of accounts payable, accrued charges and deferrals must be presented separately as of the ending date of the cost report.
- If there are no accounts payable, accrued charges or deferrals, the cost report must include a note to that effect.

Related Party Transactions

- The notes must provide a breakdown of all related party transactions (as defined by the accounting standards), and include the following:
 - a. The name of the related party
 - b. The nature of the relationship between the related party and the motion picture production company
 - c. The nature of the transaction, and
 - d. The amount of the transaction.
- If there are no related party transactions, the cost report must include a note to that effect.

Reporting:

The audit of the Cost Report of Production Expenditures and Infrastructure Expenditures, if any, must be conducted in accordance with auditing standards generally accepted in the United States of America. Once the audit engagement is completed, please submit one copy of the auditor's opinion to the motion picture production company and one copy to the Governor's Office of Film and Television Development. The auditor's opinion should be accompanied by the Cost Report of Production Expenditures and Infrastructure Expenditures, if any, and the Notes to the Cost Report (a sample auditor's report with an unqualified opinion is included as Exhibit I and accompanying notes as Exhibit II).

Report Deadline:

The final auditor's opinion must be received by the Governor's Office of Film and Television Development prior to any certification of expenditures.

EXHIBIT I

Independent Auditor's Report (Independent Certified Public Accountant's Letterhead)

**Motion Picture Production Company Name
Address, City, State, and Zip**

We have audited the accompanying cost report of production expenditures¹ of **Motion Picture Production Company Name** for the period from **inception** through **completion** of the **State Certified Production (Unique ID#)**. The cost report of production expenditures¹ is the responsibility of the **Motion Picture Company Name's** management. Our responsibility is to express an opinion on this cost report of production expenditures¹ based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the cost report of production expenditures¹ is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the cost report of production expenditures¹. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall cost report of production expenditures¹ presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the cost report¹ referred to above presents fairly, in all material aspects, the results of operation in Louisiana of the **Motion Picture Production Company Name** for the period from **inception** through **completion** of the **State Certified Production (Unique ID#)**, in conformity with accounting principles generally accepted in the United States of America.

Firm's signature
City, State

Report Date

¹ Reference to the schedule of infrastructure expenditures will also need to be included in this section of the report if infrastructure expenditures are not included in the cost report of production expenditures.

EXHIBIT II

Cost Report of Production Expenditures¹:

Attach the audited Cost Report of Production Expenditures detailing the motion picture production company name, State Certified Production (Unique ID#), and the period reviewed.

Notes to the Cost Report of Production Expenditures:

1. General

This cost report of production expenditures represents the production costs attributable to the production entitled "XYZ" produced by the Motion Picture Production Company Name during the period _____ to _____.

2. Sources of funds

As of _____ (insert the ending date of the cost report) the production entitled "XYZ" was financed from the following sources :

The following non-monetary transactions were included in the cost of the production:

Please disclose the nature of the services provided and the consideration given in exchange for the services for each non-monetary transaction.

3. Non-Louisiana Costs

The production costs presented in this cost report include the following non-Louisiana costs:

Budget item: \$ _____

Budget item: \$ _____

4. Accounts Payable, Accrued Charges, and Deferrals

As of _____ (insert the ending date of the cost report), the production costs presented in this cost report include the following:

Accounts payable: \$ _____
Accrued charges: \$ _____
Deferrals: \$ _____
Total: \$ _____

5. **Related Party Transactions**

The production costs presented in this cost report include the following related party transactions (as defined by the accounting standards):

Disclose the following for each transaction:

- The name of the related party
- The nature of the relationship between the related party and the motion picture production company
- The nature of the transaction, and
- The amount of the transaction.