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LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA

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FINANCIAL STATEMENTS

DECEMBER 31, 1999 AND 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 05 2000

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION, AND TOURISM
STATE OF LOUISIANA

General Purpose Financial Statements
As of and for the Two Years Ended December 31, 1999
With Supplemental Information Schedules

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LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION, AND TOURISM
STATE OF LOUISIANA

General Purpose Financial Statements
As of and for the Year Ended December 31, 1999
With Supplemental Information Schedules

Enterprise Fund

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GENERAL PURPOSE FINANCIAL STATEMENTS

JOHN D. BUTLER & COMPANY
A PROFESSIONAL ACCOUNTING CORPORATION
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BAKER, LOUISIANA 70704-0030

(504) 775-4982

INDEPENDENT AUDITOR'S REPORT

June 9, 2000

To The Board Members
Louisiana Naval War Memorial Commission
Department of Culture, Recreation and Tourism
State of Louisiana
305 South River Road
Baton Rouge, Louisiana 70802

We have audited the accompanying general purpose financial statements of the Louisiana Naval War Memorial Commission, a component unit of the State of Louisiana, as of and for the years ended December 31, 1999 and 1998. These general purpose financial statements are the responsibility of management of the Louisiana Naval War Memorial Commission. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above contain the financial data of the Commission's component unit, The Louisiana Naval War Memorial Foundation.

The physical inventory of the gift shop items was not taken properly at year end. We were not able to ascertain if the ending inventories were stated at the lower of cost or market. In addition, the entity does not use a cost method allowable under generally accepted accounting principles, for example, first-in/first-out, average cost, etc. The effect on the accompanying financial statements has not been determined.

Louisiana Naval War Memorial Commission
June 9, 2000
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In our opinion, except for the effects on the financial statements of the item described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Naval War Memorial Commission, as of December 31, 1999 and 1998, and the results of its operations and cash flows of its proprietary fund types for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2000, on our consideration of Louisiana Naval War Memorial Commission's internal control structure and a report dated June 9, 2000, on its compliance with laws and regulations.

John D. Butler & Co.

John D. Butler & Company
A Professional Accounting Corporation

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION, AND TOURISM
STATE OF LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES
DECEMBER 31, 1999

	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>Totals (memorandum only)</u>	
			<u>1999</u>	<u>1998</u>
<u>ASSETS AND OTHER DEBITS</u>				
Cash & cash equivalents	\$ 33,266.23	\$ 58,053.67	\$ 91,319.90	\$ 174,341.38
Inventory	.00	28,063.27	28,063.27	27,110.77
Prepaid expenses	3,000.00	.00	3,000.00	.00
Accounts receivable	.00	5,437.00	5,437.00	4,995.50
Investments	157,100.73	.00	157,100.73	59,820.00
Restricted assets:				
Cash & cash equivalents	52,854.45	10,223.17	63,077.62	47,870.67
Property and equipment, net	.00	3,474,623.83	3,474,623.83	3,574,243.35
	<u>246,221.41</u>	<u>3,576,400.94</u>	<u>3,822,622.35</u>	<u>3,888,381.67</u>
TOTAL ASSETS AND OTHER DEBITS				
	<u>246,221.41</u>	<u>3,576,400.94</u>	<u>3,822,622.35</u>	<u>3,888,381.67</u>
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>				
<u>Liabilities</u>				
Accounts payable	300.00	6,945.86	7,245.86	5,307.13
Lease payable	.00	2,795.05	2,795.05	3,654.97
Accrued payroll taxes payable	.00	1,132.62	1,132.62	1,168.73
Compensated absences payable	.00	15,859.07	15,859.07	16,526.49
Unearned revenues	.00	1,123.80	1,123.80	.00
	<u>300.00</u>	<u>27,856.40</u>	<u>28,156.40</u>	<u>26,657.32</u>
Total Liabilities				
	<u>300.00</u>	<u>27,856.40</u>	<u>28,156.40</u>	<u>26,657.32</u>
<u>Equity and Other Credits</u>				
Contributed capital	.00	3,442,402.10	3,442,402.10	3,546,836.82
Retained earnings	.00	106,142.44	106,142.44	97,810.30
Fund Balances:				
Reserved for				
Endowment	52,354.25	.00	52,354.25	43,127.95
Special Projects	500.20	.00	500.20	750.20
Unreserved - undesignated	193,066.96	.00	193,066.96	173,199.08
	<u>245,921.41</u>	<u>3,548,544.54</u>	<u>3,794,465.95</u>	<u>3,861,724.35</u>
Total Equity and Other Credits				
	<u>245,921.41</u>	<u>3,548,544.54</u>	<u>3,794,465.95</u>	<u>3,861,724.35</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS				
	<u>246,221.41</u>	<u>3,576,400.94</u>	<u>3,822,622.35</u>	<u>3,888,381.67</u>

The accompanying notes are an integral part of this statement.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TYPES
YEARS ENDED DECEMBER 31, 1999 and 1998

	<u>Special Revenue Fund</u>	
	<u>1999</u>	<u>1998</u>
REVENUES		
Memberships	\$ 39,050.71	\$ 43,844.00
Interest earned	5,681.46	7,929.76
Endowment revenue	9,226.30	11,007.35
Program contributions	2,000.00	750.00
Fund raising revenues	<u>54,249.16</u>	<u>55,768.80</u>
Total Revenues	110,207.63	119,299.91
EXPENDITURES		
Professional services	1,800.00	3,425.00
Printing and postage	9,173.92	6,380.15
Office and supplies	.00	239.98
Bank charges	239.83	459.10
Fund raising expenses	56,542.64	57,363.84
Program expenses	<u>4,607.06</u>	<u>4,389.66</u>
Total Expenditures	<u>72,363.45</u>	<u>72,257.73</u>
Excess of Revenues Over Expenditures	37,844.18	47,042.18
OTHER FINANCING SOURCES (USES)		
Transfers out	<u>(9,000.00)</u>	<u>(19,602.00)</u>
Excess Revenues and Other Financing Sources over Expenditures and Other Financing Uses	28,844.18	27,440.18
FUND BALANCE, BEGINNING OF YEAR	<u>217,077.23</u>	<u>189,637.05</u>
FUND BALANCE, END OF YEAR	<u>245,921.41</u>	<u>217,077.23</u>

The accompanying notes are an integral part of this statement.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - PROPRIETARY FUND TYPES
YEARS ENDED DECEMBER 31, 1999 and 1998

	<u>Enterprise Fund</u>	
	<u>1999</u>	<u>1998</u>
OPERATING REVENUES		
Admissions	\$ 188,505.50	\$ 190,610.40
Sales	111,427.58	82,401.45
Programs	89,717.50	81,301.90
Special events	27,099.66	33,300.75
Other operating expenses	.00	757.34
	<hr/>	<hr/>
Total Operating Revenues	416,750.24	388,371.84
OPERATING EXPENSES		
Salaries and related benefits	306,084.15	278,705.24
Purchases	59,440.41	40,662.12
Administrative	82,429.16	78,527.07
Maintenance & supplies	125,270.14	156,021.80
Programs	11,890.71	15,509.14
Special events	8,577.71	3,010.38
Depreciation	107,094.52	106,829.20
	<hr/>	<hr/>
Total Operating Expenses	700,786.80	679,264.95
Operating Loss	(284,036.56)	(290,893.11)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	250.81	1,165.36
Interest expense	(326.88)	(245.07)
Grant proceeds	153,445.95	197,259.66
Leases and fees	25,564.10	20,500.00
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	178,933.98	218,679.95
Loss Before Operating Transfers	(105,102.58)	(72,213.16)
OPERATING TRANSFERS		
Transfers In	9,000.00	19,602.00
	<hr/>	<hr/>
Loss Before Amortization of Contributed Capital	(96,102.58)	(52,611.16)
Amortization of Contributed Capital	104,434.72	104,434.72
	<hr/>	<hr/>
NET INCOME	8,332.14	51,823.56
RETAINED EARNINGS, BEGINNING OF YEAR	97,810.30	45,986.74
	<hr/>	<hr/>
RETAINED EARNINGS, END OF YEAR	106,142.44	97,810.30
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The accompanying notes are an integral part of this statement

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPES
YEARS ENDED DECEMBER 31, 1999 and 1998

	<u>Enterprise Fund</u>	
	<u>1999</u>	<u>1998</u>
CASH FLOWS RECEIVED FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 417,888.74	\$ 407,786.34
Cash paid to employees for services	(306,787.68)	(277,392.86)
Cash paid to suppliers for goods and services	<u>(287,781.82)</u>	<u>(311,575.38)</u>
Net Cash Used For Operating Activities	(176,680.76)	(181,181.90)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grants received	153,445.95	197,259.66
Leases and docking fees received	25,107.90	19,920.00
Transfers	<u>9,000.00</u>	<u>19,602.00</u>
Net Cash Provided By Non-Capital Financing Activities	187,553.85	236,781.66
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	.00	.00
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(7,551.07)</u>	<u>(974.74)</u>
Net Cash Used For Investing Activities	<u>(7,551.07)</u>	<u>(974.74)</u>
Net Increase in Cash and Cash Equivalents	3,322.02	54,625.02
Cash and Cash Equivalents at Beginning of Year	<u>64,954.82</u>	<u>10,329.80</u>
Cash and Cash Equivalents at End of Year	<u><u>68,276.84</u></u>	<u><u>64,954.82</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating loss	(284,036.56)	(290,893.11)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	107,094.52	106,829.20
Decrease in accounts receivable	1,138.50	20,414.50
(Increase) in inventory	(952.50)	(7,168.47)
Increase (Decrease) in accounts payable	778.81	(10,676.40)
(Decrease) in payroll taxes payable	(36.11)	(182.38)
(Decrease) increase in compensated absences	(667.42)	1,494.76
(Decrease) in unearned revenues	<u>.00</u>	<u>(1,000.00)</u>
Total adjustments	<u>107,355.80</u>	<u>109,711.21</u>
Net Cash Used For Operating Activities	<u>(176,680.76)</u>	<u>(181,181.90)</u>

The accompanying notes are an integral part of this statement.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS
BUDGET (GAAP BASIS) AND ACTUAL - PROPRIETARY FUND TYPES
YEAR ENDED DECEMBER 31, 1999

	ENTERPRISE FUND		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
OPERATING REVENUES			
Ship admissions	\$ 200,000.00	\$ 182,223.25	\$ (17,776.75)
Museum admissions	5,500.00	6,282.25	782.25
Sales	106,000.00	111,427.58	5,427.58
Overnight camping/reunions	82,000.00	89,717.50	7,717.50
Special events	28,000.00	27,099.66	(900.34)
	421,500.00	416,750.24	(4,749.76)
OPERATING EXPENSES			
Salaries & related expenses	309,450.00	306,084.15	3,365.85
Purchases	60,000.00	59,440.41	559.59
Administrative	93,400.00	82,429.16	10,970.84
Maintenance & supplies	116,950.00	125,270.14	(8,320.14)
Programs	12,000.00	11,890.71	109.29
Special events	7,500.00	8,577.71	(1,077.71)
Depreciation	.00	107,094.52	(107,094.52)
	599,300.00	700,786.80	(101,486.80)
Total Operating Expenses			
	(177,800.00)	(284,036.56)	(106,236.56)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	.00	250.81	250.81
Interest expense	.00	(326.88)	(326.88)
Grant proceeds	133,260.00	153,445.95	20,185.95
Leases and fees	23,100.00	25,564.10	2,464.10
	156,360.00	178,933.98	22,573.98
Total Non-Operating Revenues (Expenses)			
	(21,440.00)	(105,102.58)	(83,662.58)
OPERATING TRANSFERS			
Transfers in	9,000.00	9,000.00	.00
	(12,440.00)	(96,102.58)	(83,662.58)
Loss Before Amortization of Contributed Capital			
	.00	104,434.72	104,434.72
Amortization of Contributed Capital			
NET INCOME	(12,440.00)	8,332.14	20,772.14
RETAINED EARNINGS, BEGINNING OF YEAR	97,810.00	97,810.30	.30
RETAINED EARNINGS, END OF YEAR	85,370.00	106,142.44	20,772.44

The accompanying notes are an integral part of this statement.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS
BUDGET (GAAP BASIS) AND ACTUAL - PROPRIETARY FUND TYPES
YEAR ENDED DECEMBER 31, 1998

	ENTERPRISE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES			
Ship admissions	\$ 189,000.00	\$ 185,454.40	\$ (3,545.60)
Museum admissions	5,500.00	5,156.00	(344.00)
Sales	81,000.00	82,401.45	1,401.45
Overnight camping/reunions	71,000.00	81,301.90	10,301.90
Special events	30,677.00	33,300.75	2,623.75
Other operating revenues	.00	757.34	757.34
	377,177.00	388,371.84	11,194.84
OPERATING EXPENSES			
Salaries & related expenses	275,358.00	278,705.24	(3,347.24)
Purchases	41,000.00	40,662.12	337.88
Administrative	78,716.00	78,527.07	188.93
Maintenance & supplies	161,300.00	155,509.25	5,790.75
Programs	18,000.00	16,021.69	1,978.31
Special events	.00	3,010.38	(3,010.38)
Depreciation	.00	106,829.20	(106,829.20)
	574,374.00	679,264.95	(104,890.95)
Total Operating Expenses			
Operating Loss	(197,197.00)	(290,893.11)	(93,696.11)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	.00	1,165.36	1,165.36
Interest expense	.00	(245.07)	(245.07)
Grant proceeds	188,760.00	197,259.66	8,499.66
Leases and fees	24,000.00	20,500.00	(3,500.00)
	212,760.00	218,679.95	5,919.95
Total Non-Operating Revenues (Expenses)			
Loss Before Operating Transfers	15,563.00	(72,213.16)	(87,776.16)
OPERATING TRANSFERS			
Transfers in	19,602.00	19,602.00	.00
	35,165.00	(52,611.16)	(87,776.16)
Loss Before Amortization of Contributed Capital			
Amortization of Contributed Capital	.00	104,434.72	104,434.72
	35,165.00	51,823.56	16,658.56
NET INCOME			
RETAINED EARNINGS, BEGINNING OF YEAR	45,987.00	45,986.74	(.26)
RETAINED EARNINGS, END OF YEAR	81,152.00	97,810.30	16,658.30

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

INTRODUCTION

The Louisiana Naval War Memorial Commission is a component unit of the State of Louisiana, created within the Louisiana Department of Culture, Recreation and Tourism, as provided by Louisiana Revised Statute 25:1000-1003. The Commission is composed of 17 members, one of whom is the Secretary of the Department of Culture, Recreation and Tourism or his designee, the Director of Veterans Affairs and 15 members appointed by the Governor.

The Commission was given authority to acquire, transport, berth, renovate, equip, operate, maintain and exhibit the destroyer U.S.S. Kidd. The Commission has control over the destroyer U.S.S. Kidd and other property acquired for use as a permanent public naval and marine corps memorial and any improvements and exhibits located thereon and any additions constructed, created, leased, acquired or erected in connection herewith.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In April 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 government. The accompanying financial statements have been prepared in accordance with such principles.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Commission is considered a component unit of the State of Louisiana because the State exercises oversight responsibility in that the Governor appoints the majority of the Commission members and public service is rendered within the State's boundaries. The accompanying financial statements present the transactions of the Louisiana Naval War Memorial Commission and its blended component unit, the Louisiana Naval War Memorial Foundation, as required by generally accepted accounting principles. GASB Statement No. 14 established criteria for determining which component units should be considered part of the Commission for financial reporting purposes. The basic criterion is financial accountability determined as follows:

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the governmental unit 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 unit;
2. Organizations for which the unit does not appoint a voting majority but are fiscally dependent on the unit;
3. Organizations 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.

Component units that are legally separate from the entity but are so intertwined with the unit that they are, in substance, the same as the unit are blended component units. For a component unit to be blended, the organization's board and the reporting unit must be substantively the same, or the organization must provide services entirely or almost entirely to the entity. The Louisiana Naval War Memorial Foundation is reported as part of and blended with the Louisiana Naval War Memorial Commission.

The Foundation, operating within a calendar year, was established to (1) generally assist the Commission in its efforts to acquire, transport, berth, renovate, equip, operate, maintain and exhibit the destroyer U.S.S. Kidd as an educational asset for present and future generations, (2) specifically serve as the repository and disbursing agent for private funds solicited by or for the Commission and (3) achieve literary and educational purposes. Because of the above purpose of the Foundation, it is considered a component unit of the Commission. The accompanying financial statements present these two entities as blended units as well as separate entities.

Fund Accounting

The Louisiana Naval War Memorial Commission uses a proprietary fund (Enterprise Fund) to report on its financial position and results of operations. The fund is operated in a manner similar to a private business where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

Enterprise funds account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Louisiana Naval War Memorial Foundation's financial statements are blended into the Commission's activities as a Special Revenue Fund although it retains its separate legal identity. The Foundation is a non-profit corporation and uses the financial guidelines in the Statement of Financial Accounting Standards No. 117, "*Financial Statements of Not-For-Profit Organizations*".

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

The Foundation has adopted Statement of Financial Accounting Standards No. 117, and is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Foundation has discontinued its use of fund accounting and, accordingly, has reclassified its financial statements to present the three classes of net assets. It is presented in the accompanying financial statements, however, using governmental accounting as a blended component unit. It is presented in supplemental information under SFAS No. 117.

Budgets and Budgetary Accounting

The Commission adopted a budget for its Enterprise Fund on a functional basis. The budget was approved by the Commission at a public meeting held in December 1997 and 1998. The budget is prepared on the cash basis of accounting. Amendments to the budget must be approved by the Commission in public meetings. There were several amendments to the approved budget. On a monthly basis, the Commission reviews the budget and the actual results of operations. The Commission does not use encumbrance accounting.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

Cash and Cash Equivalents

Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Cash includes amounts in demand deposits and cash on hand. Under State law, the Louisiana Naval War Memorial Commission may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Investments

Investments recorded in the accompanying financial statements include time deposits with maturities in excess of 90 days.

Inventory

The Commission records inventory using the purchase method, that is, items are initially recorded as expenditures. Items on hand at year end are counted, and the inventory recorded on the books is adjusted to the actual count. The inventory is valued at the last unit price purchased. This is not a generally accepted accounting method.

Restricted Assets

Certain proceeds of the Foundation (Special Revenue Fund) are classified as restricted assets on the balance sheet because their use is limited. Of these funds \$52,108 are held at the Baton Rouge Area Foundation and \$246.25 are held in a demand deposit account. They constitute permanently restricted assets. A letter of agreement executed between the parties stipulates that no funds can be withdrawn until the corpus reaches \$250,000. After such time, 50% of the interest earned may be withdrawn each calendar year for maintenance purposes only.

The remaining funds (\$500.20) are temporarily restricted by the donor. They have been placed in a separate, interest-bearing account.

Fixed Assets

Fixed assets used in the operations of the Commission are included on the balance sheet, net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by the Commission is charged as an expense against operations.

All fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated. Infrastructure assets are not capitalized. Interest paid during construction of fixed assets is capitalized.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

Depreciation for financial reporting purposes is computed by the straight-line method over the estimated useful lives of the assets as follows:

U.S.S. Kidd (destroyer)	45 years
Museum	45 years
Office equipment	5 years
Furniture and fixtures	5 years

Contributed capital used to purchase fixed assets is being amortized based on the depreciation associated with these assets; this increases retained earnings by the amount amortized.

Compensated Absences

The Commission allows vacation leave for full-time employees based on length of service. Vacation earned during the year may be carried over to the succeeding years. Upon resignation, death, removal or other final termination of employment, employees are paid for any unused vacation leave up to a maximum of 300 hours.

Sick leave is earned at the same rate as vacation leave and may be carried forward to succeeding years. Employees are not paid for unused sick leave upon termination of their employment with the Commission.

Vacation leave privileges associated with employees of the Commission are recorded as a liability in the accompanying financial statements.

Equity

Equity includes the following:

1. Contributed Capital- is recorded in proprietary funds that have received contributions from other governmental units when such resources are restricted for the acquisition of capital assets. It is amortized based on the depreciation recognized on that portion of the assets acquired from these resources. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.
2. Reserves - represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

Total Columns on Combined Statements

Total columns on the combined statement are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at December 31, 1999:

	<u>Enterprise Fund</u>	<u>Special Revenue Fund</u>
Demand deposits	\$ 56,253.67	\$ 6,075.05
Interest-bearing demand deposit	10,223.17	80,045.63
Petty cash	<u>1,800.00</u>	<u>.00</u>
Total	<u>68,276.84</u>	<u>86,120.68</u>

Cash is stated at cost, which approximates market. Under State law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

At December 31, 1999, the Commission had \$77,081.03 in deposits (collected bank balances), which are fully insured by federal deposit insurance. At December 31, 1999, the Foundation (Special Revenue Fund) had \$34,503.54 (collected bank balances) which are secured from risk by \$200,000 of federal deposit insurance.

Restricted cash of the Foundation (Special Revenue Fund) in the amount of \$52,108.00 is held at the Baton Rouge Area Foundation. These funds have been placed in a diversified investment pool which realized a return in 1999, of approximately 21%. They are considered cash equivalents.

NOTE 3 - INVESTMENTS

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the entity or its agent in the entity's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name; or
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the municipality's name.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

All investments of the Foundation fall within category 1. The balances at December 31, 1999, are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Carrying Amount</u>
Certificate of Deposit	\$ 57,100.73	\$ 60,000.00	\$ 57,100.73
Certificate of Deposit	<u>100,000.00</u>	<u>100,000.00</u>	<u>100,000.00</u>
Total	<u>157,100.73</u>	<u>160,000.00</u>	<u>157,000.73</u>

The Foundation purchased a 15-year brokered callable certificate of deposit from LaSalle Bank which is being held by Edward Jones in the amount of \$60,000 in August 1996. This investment pays interest monthly at a rate of 7.10% and matures on August 30, 2011. LaSalle Bank is prohibited from allowing early withdrawal except in the event of death or adjudication of incompetence of the beneficiary. For this reason, this certificate is recorded as an investment as opposed to cash and cash equivalents.

Its value fluctuates with the market. In accordance with Statement on Financial Accounting Standards, No. 124, this investment is recorded at fair value of \$57,100.73 at December 31, 1999. The unrealized loss in the current year of \$2,719.27 decreases interest earnings.

Value at December 31, 1997	\$ 59,775.00
Unrealized gain	<u>45.00</u>
Value at December 31, 1998	59,820.00
Unrealized loss	<u>(2,719.27)</u>
Value at December 31, 1999	<u>57,100.73</u>

With approval of the Board in November of 1999, the Foundation purchased a five-year certificate of deposit bearing interest at 6% from Union Planters.

NOTE 4 - RECEIVABLES

The following is a summary of receivables at December 31, 1999:

<u>Class of Receivable</u>	<u>Enterprise Fund</u>
Accounts:	
Docking fees	\$ 3,990.00
Admissions	<u>1,447.00</u>
Total	<u>5,437.00</u>

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 5 - FIXED ASSETS

A summary of changes in fixed assets during 1999, follows:

	Balance <u>01/01/99</u>	<u>Add</u>	<u>Deduct</u>	Balance <u>12/31/99</u>
Land	\$ 268,500.00	\$.00	\$.00	\$ 268,500.00
U.S.S. Kidd (destroyer)	1,905,724.79	.00	.00	1,905,724.79
Museum	2,805,695.30	.00	.00	2,805,695.30
Furniture & equipment	<u>67,285.87</u>	<u>7,475.00</u>	<u>.00</u>	<u>74,760.87</u>
Total	<u>5,047,205.96</u>	<u>7,475.00</u>	<u>.00</u>	5,054,680.96
Less: accumulated depreciation				<u>1,580,057.13</u>
Net				<u>3,474,623.83</u>

NOTE 6 - PENSION PLAN

All employees of the Commission are members of the Federal Social Security System in which they contribute 7.65% of their gross salaries and the Commission matches their contribution. Contributions to this plan were \$17,807.83 in 1998, and \$ 18,688.92 in 1999.

Full-time employees are also eligible to participate in the Louisiana Deferred Compensation Program adopted under the provisions of Internal Revenue Code Section 457. Through this plan, employees voluntarily contribute a percentage of their salary while the Commission matches it up to the first 5%. The benefit cost the Commission \$5,844.56 in 1998 and \$6,438.39 in 1999. Disclosures relating to this state-wide plan are available in the financial statements of the State of Louisiana.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

The Commission does not offer any postemployment benefits.

NOTE 8 - ACCOUNTS, SALARIES AND OTHER PAYABLES

The following is a summary of payables by fund type at December 31, 1999:

<u>Class of Payable</u>	Special Revenue <u>Fund</u>	Enterprise <u>Fund</u>
Accounts	\$ 300.00	\$ 6,945.86
Withholdings and payroll taxes	<u>.00</u>	<u>1,132.62</u>
Total	<u>300.00</u>	<u>8,078.48</u>

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 9 - COMPENSATED ABSENCES

At December 31, 1999, employees of the Commission had accumulated and vested \$15,859.07 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.150.

NOTE 10 - LEASES

There were no operating lease obligations at December 31, 1999.

In 1998, the Commission leased a copier through a lease/purchase option. Payments are made monthly in the amount of \$126.13 of which \$27.23 is for maintenance. At the end of 60 months, the Commission will have paid \$4,800 in principal and \$1,134 in interest.

A lease is capitalized if any one of the criteria listed below is a characteristic of the transaction.

1. The lease transfers ownership by the end of the term.
2. The lease includes a bargain purchase option.
3. The lease term is 75% or more of the estimated life of the property.
4. The present value of the minimum lease payments is at least 90% of the fair value of the property.

This lease was capitalized at \$4,800, and a liability was recorded.

NOTE 11 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes during 1999, in long-term liabilities follows:

	<u>Enterprise Fund</u>
Compensated absences, beginning	16,526.49
Earned	7,962.02
Used or paid	<u>(8,629.44)</u>
Compensated absences, ending	<u>15,859.07</u>

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 12 - INTERFUND TRANSACTIONS

Transfers to and from funds during 1999 were as follows:

	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
Governmental Funds	\$.00	\$ 9,000.00
Proprietary Funds	9,000.00	.00
Total	<u>9,000.00</u>	<u>9,000.00</u>

NOTE 13 - DEFERRED REVENUE

Deferred revenue of \$1,123.80 at December 31, 1999, is a result of the January 2000, lease payment from Argosy received in December of 1999.

NOTE 14 - EXPENSES - ACTUAL AND BUDGET

The following individual funds have actual expenses over budgeted expenses for the year ended December 31, 1999:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Enterprise Fund	\$599,300.00	\$ 700,786.80	\$ 101,486.80

While the Commission adopts an operating budget each year, it is not legally required to do so. Of this unfavorable amount, \$107,094.52 is due to depreciation which is a non-cash item. The variance would have been favorable with the exclusion of depreciation.

NOTE 15 - RESERVED FUND BALANCES

A reservation has been made for restricted cash of \$ 52,854.45 at December 31, 1999, for the following.

Endowment	\$ 52,354.25
Barnhouse	<u>500.20</u>
Total	<u>52,854.25</u>

The endowment is described in Note 1 under "Restricted Assets". The Barnhouse funds are restricted by the donor to be used for underprivileged children at the U.S.S. Kidd.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 16 - CHANGES IN CONTRIBUTED CAPITAL

Amounts contributed to the Commission for the acquisition or construction of fixed assets associated with the U.S.S. Kidd project are recognized as contributed capital as follows:

1. Grants from the State of Louisiana (\$1,575,066);
2. Donation of property by the City of Baton Rouge, Parish of East Baton Rouge (\$268,500);
3. Donation of the U.S.S. Kidd by the United States Department of the Navy (\$320,857);
4. Donation of a building from the Louisiana Department of Transportation and Development (\$2,787,999);
5. Donation of equipment and accessories for the U.S.S. Kidd from various sources (\$26,140);

Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources. This amortization is closed to the capital account and reflected as an adjustment to net income. The change in contributed capital is as follows:

Contributed Capital	\$ 4,978,562.00
Less: Amortization of prior years	<u>(1,431,725.18)</u>
Sub-total	3,546,836.82
Less: Amortization at December 31, 1999	<u>(104,434.72)</u>
Total	<u><u>3,442,402.10</u></u>

NOTE 17 - RELATED PARTY TRANSACTIONS

There were no related party transactions that came to our attention during our audit.

NOTE 18 - LITIGATION AND CLAIMS

There was a lawsuit pending against the Louisiana Naval War Memorial Commission, which also named the City of Baton Rouge, State of Louisiana and the U.S. Corps of Engineers, from a lady who broke her foot on the levee during the 1991 July 4th celebration. The Division of Administration, Office of Risk Management, represented the Commission as well as the State. The suit was settled for \$ 10,000.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 19 - STATEMENT OF CASH FLOWS FOR ENTERPRISE FUNDS

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

The cash and cash equivalents as stated on the Statement of Cash Flows is as follows:

	<u>1999</u>	<u>1998</u>
Unrestricted	\$ 58,053.67	\$ 61,204.60
Restricted	<u>10,223.17</u>	<u>3,750.22</u>
Total	<u>68,276.84</u>	<u>64,954.82</u>

NOTE 20 - COMPENSATION PAID TO COMMISSION MEMBERS

Commission members serve without compensation and without reimbursement of expenses incurred in attendance of meetings.

NOTE 21 - YEAR 2000 CONSIDERATIONS

The origin of the Year 2000 problem is a result of additional expenses and limited availability of memory that computer programmers were faced with when computers first originated. Programmers opted to abbreviate calendar years to digits which could become a problem on January 1, 2000, when systems containing this two-digit code may interpret January 1, 2000 as January 1, 1900.

The Commission and Foundation may be adversely affected by the "Y2K" problem, as it is being called, if its computer systems and other date-sensitive equipment does not process data from and after January 1, 2000. Because the likelihood that such a situation may occur is reasonably possible but an associated amount of loss is undeterminable, a contingent liability is not recorded in the accompanying financial statements.

Appropriate steps were taken to address the Year 2000 issue by way of purchasing new computer equipment that was Y2K compliant. However, there are no assurances that these steps will be sufficient to avoid adverse effects. There have been no adverse effects as of the date of this audit report.

NOTE 22 - SUBSEQUENT EVENTS

There were no subsequent events that would have a significant impact on the accompanying financial statements.

SUPPLEMENTAL INFORMATION

JOHN D. BUTLER & COMPANY
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

June 9, 2000

The Board of Trustees
Louisiana Naval War Memorial Commission
Department of Culture, Recreation and Tourism
State of Louisiana
305 South River Road
Baton Rouge, Louisiana 70802

We have audited the general purpose financial statements of the Louisiana Naval War Memorial Commission as of and for the two years ended December 31, 1999, and have issued our report thereon dated June 9, 2000.

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

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

In planning and performing our audit of the general purpose financial statements of the Louisiana Naval War Memorial Commission, for the two years ended December 31, 1999, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design or relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Louisiana Naval War Memorial Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs under "Section II Financial Statement Findings."

A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Louisiana Naval War Memorial, in a separate letter dated June 9, 2000.

This report is intended for the information of the Board of Directors, management and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

John D. Butler & Co.

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A Professional Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE OR BASIC
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

June 9, 2000

To The Board Members
Louisiana Naval War Memorial Commission
Department of Culture, Recreation and Tourism
State of Louisiana
305 South River Road
Baton Rouge, Louisiana 70802

We have audited the general purpose financial statements of the Louisiana Naval War Memorial Commission, as of and for the two years ended December 31, 1999, and have issued our report thereon dated June 9, 2000.

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

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

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

This report is intended for the information of the Board of Directors management and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

John D. Butler & Co.

John D. Butler & Company
A Professional Accounting Corporation

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
DECEMBER 31, 1999

SPECIAL REVENUE FUND

When a component unit is blended, it becomes a Special Revenue Fund of the primary unit. Such is the presentation of the Louisiana Naval War Memorial Foundation in the accompanying financial statements prepared under generally accepted governmental accounting principles. The following statements of the Foundation have been prepared using principles set forth in FASB Statement No. 117 applicable to not-for-profit organizations. The amounts recorded have been subjected to the same auditing procedures as those recorded in the accompanying financial statements.

LOUISIANA NAVAL WAR MEMORIAL FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash & cash equivalents	\$ 33,301.80	\$ 113,136.78
Restricted cash & cash equivalents:		
Special projects	710.88	992.50
Endowment fund	52,108.00	43,127.95
Investments	157,100.73	59,820.00
Prepaid expenses	<u>3,000.00</u>	<u>.00</u>
TOTAL ASSETS	<u>246,221.41</u>	<u>217,077.23</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	300.00	.00
NET ASSETS		
Unrestricted	193,066.96	173,199.08
Temporarily restricted	500.20	750.20
Permanently restricted	<u>52,354.25</u>	<u>43,127.95</u>
Total Net Assets	<u>245,921.41</u>	<u>217,077.23</u>
TOTAL LIABILITIES AND NET ASSETS	<u>246,221.41</u>	<u>217,077.23</u>

LOUISIANA NAVAL WAR MEMORIAL FOUNDATION
 STATEMENTS OF ACTIVITIES
 YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>UNRESTRICTED NET ASSETS</u>		
Support		
Memberships	\$ 39,050.71	\$ 43,844.00
Interest income	5,681.46	7,929.76
	<hr/>	<hr/>
Total Unrestricted Support	44,732.17	51,773.76
Net Assets Released from Restrictions		
Restrictions satisfied by payments	56,499.16	60,158.46
	<hr/>	<hr/>
Total Unrestricted Support and Reclassifications	101,231.33	111,932.22
Expenses		
Program services		
Activities	12,603.98	23,991.66
Communications	9,673.92	6,620.13
Supporting services		
Management and general	2,039.83	3,884.10
Fund raising	57,045.72	57,363.84
	<hr/>	<hr/>
Total Expenses	81,363.45	91,859.73
INCREASE IN UNRESTRICTED NET ASSETS	19,867.88	20,072.49
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Support for the Hall of Honor Case	.00	750.00
Support from the Barnhouse Fund	500.00	.00
Support from the 4th of July Celebration	54,249.16	55,768.80
Support from Red Stick Waves	1,500.00	.00
Net assets released from restrictions:		
Restrictions satisfied by payments	(56,499.16)	(60,158.46)
	<hr/>	<hr/>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(250.00)	(3,639.66)

Continued

LOUISIANA NAVAL WAR MEMORIAL FOUNDATION
 STATEMENTS OF ACTIVITIES (Continued)
 YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>PERMANENTLY RESTRICTED NET ASSETS</u>		
Endowment fund support	\$ 1,071.25	\$ 8,272.08
Interest income, net of charges	<u>8,155.05</u>	<u>2,735.27</u>
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>9,226.30</u>	<u>11,007.35</u>
INCREASE IN NET ASSETS	28,844.18	27,440.18
NET ASSETS AT BEGINNING OF YEAR	<u>217,077.23</u>	<u>189,637.05</u>
NET ASSETS AT END OF YEAR	<u>245,921.41</u>	<u>217,077.23</u>

LOUISIANA NAVAL WAR MEMORIAL FOUNDATION
 STATEMENTS OF FUNCTIONAL EXPENSES
 DECEMBER 31, 1999 AND 1998

	<u>Activities</u>	<u>Communication</u>	<u>Mgt. & General</u>	<u>Fund Raising</u>
<u>DECEMBER 31, 1998</u>				
Tin Can Sailors	\$ 4,389.66	\$.00	\$.00	\$.00
4th of July celebration	.00	.00	.00	55,768.80
Printing & postage	.00	6,380.15	.00	1,595.04
Audit and accounting	.00	.00	3,425.00	.00
Bank charges	.00	.00	459.10	.00
Museum/Ship	<u>19,602.00</u>	<u>239.98</u>	<u>.00</u>	<u>.00</u>
Total Expenses	<u>23,991.66</u>	<u>6,620.13</u>	<u>3,884.10</u>	<u>57,363.84</u>
<u>DECEMBER 31, 1999</u>				
Waves	1,000.00	500.00	.00	.00
Hall of Honor Case	750.00	.00	.00	.00
4th of July celebration	.00	.00	.00	54,249.16
Printing & postage	.00	9,173.92	.00	2,293.48
Audit and accounting	.00	.00	1,800.00	.00
Bank charges	.00	.00	239.83	.00
Museum/Ship	<u>10,853.98</u>	<u>.00</u>	<u>.00</u>	<u>503.08</u>
Total Expenses	<u>12,603.98</u>	<u>9,673.92</u>	<u>2,039.83</u>	<u>57,045.72</u>

LOUISIANA NAVAL WAR MEMORIAL FOUNDATION
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and donors	\$ 50,277.01	\$ 55,601.35
Cash paid for goods, services & projects	(24,017.73)	(57,495.89)
Interest received	5,681.46	7,929.76
Cash paid for fund raising efforts	<u>(5,796.56)</u>	<u>(1,595.04)</u>
Net Cash Provided By Operating Activities	26,144.18	4,440.18
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of long-term certificate of deposit	(100,000.00)	.00
Change in value of certificates of deposit	<u>2,719.27</u>	<u>(45.00)</u>
Net Cash Used For Investing Activities	(97,280.73)	(45.00)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in cash and cash equivalents	<u>.00</u>	<u>.00</u>
Net increase (decrease) in cash and cash equivalents	(71,136.55)	4,395.18
Cash and cash equivalents at beginning of year	<u>157,257.23</u>	<u>152,862.05</u>
Cash and cash equivalents at end of year	<u><u>86,120.68</u></u>	<u><u>157,257.23</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	28,844.18	27,440.18
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) in prepaid items	(3,000.00)	.00
Increase (Decrease) in payables	<u>300.00</u>	<u>(23,000.00)</u>
Net Cash Provided By Operating Activities	<u><u>26,144.18</u></u>	<u><u>4,440.18</u></u>

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 1999

	ENTERPRISE FUND		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>Unfavorable</u>
Admissions - ship	\$200,000.00	\$182,223.25	\$(17,776.75)
Admissions - museum	5,500.00	6,282.25	782.25
Gift shop sales, net	46,000.00	48,901.84	2,901.84
Overnight camping, net	70,000.00	75,492.24	5,492.24
Fourth of July	28,000.00	26,837.16	(1,162.84)
Leases	12,600.00	13,485.60	885.60
Foundation reimbursement	9,000.00	9,000.00	.00
Other income	10,500.00	18,647.14	8,147.14
Grants	<u>133,260.00</u>	<u>153,445.95</u>	<u>20,185.95</u>
 Total Income (w/o prior years)	 514,860.00	 534,315.43	 19,455.43
 Full time wages	 173,900.00	 172,392.72	 1,507.28
Part-time wages	72,500.00	71,356.57	1,143.43
Contract labor	9,600.00	9,790.13	(190.13)
Payroll taxes	19,500.00	18,934.45	565.55
Insurance	22,750.00	22,664.29	85.71
Deferred compensation	6,600.00	6,438.69	161.31
Travel	<u>4,600.00</u>	<u>4,507.30</u>	<u>92.70</u>
 Total Salaries and Related Benefits	 309,450.00	 306,084.15	 3,365.85
 Administrative supplies	 28,500.00	 19,249.76	 9,250.24
Advertising	20,500.00	19,487.24	1,012.76
Insurance	35,000.00	33,578.00	1,422.00
Telephones	2,200.00	2,914.16	(714.16)
Professional fees	<u>7,200.00</u>	<u>7,200.00</u>	<u>.00</u>
 Total Administrative	 93,400.00	 82,429.16	 10,970.84
 Utilities	 65,000.00	 65,188.92	 (188.92)
Security	650.00	552.10	97.90
Museum	26,000.00	25,966.42	33.58

Continued

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (Continued)
YEAR ENDED DECEMBER 31, 1999

	ENTERPRISE FUND		
	Budget	Actual	Variance Favorable Unfavorable
Gift shop	\$ 800.00	\$ 559.43	\$ 240.57
U.S.S. Kidd	20,000.00	33,003.27	(13,003.27)
Other	4,500.00	.00	4,500.00
	116,950.00	125,270.14	(8,320.14)
Total Maintenance & Supplies			
Program/special events	7,500.00	9,540.04	(2,040.04)
Depreciation, net of amortization	.00	2,659.80	(2,659.80)
	527,300.00	525,983.29	1,316.71
Total Expenses			
NET INCOME (LOSS)	(12,440.00)	8,332.14	20,772.14
Prior Year Carryover			
Budgeted	58,482.00	.00	(58,482.00)
	46,042.00	8,332.14	(37,709.86)

This schedule is based on the budget prepared by the Board of Directors which uses the cash basis of accounting and nets certain revenues sources with their corresponding expenses.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 1998

	ENTERPRISE FUND		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>Unfavorable</u>
Admissions - ship	\$ 189,000.00	\$ 185,454.40	\$ (3,545.60)
Admissions - museum	5,500.00	5,156.00	(344.00)
Gift shop sales, net	40,000.00	41,739.33	1,739.33
Overnight camping, net	55,000.00	64,701.21	9,701.21
Fourth of July	30,677.00	30,676.75	(.25)
Leases	12,000.00	12,000.00	.00
Foundation reimbursement	32,602.00	9,602.00	(23,000.00)
Other income	12,000.00	15,049.70	3,049.70
Grants	<u>198,760.00</u>	<u>207,259.66</u>	<u>8,499.66</u>
Total Income (w/o Prior Years)	575,539.00	571,639.05	(3,899.95)
Full-time wages	156,020.00	163,780.43	(7,760.43)
Part-time wages	71,800.00	70,998.34	801.66
Payroll taxes	18,839.00	18,141.03	697.97
Insurance	17,123.00	16,195.92	927.08
Deferred Comp	7,701.00	5,844.56	1,856.44
Travel	<u>3,875.00</u>	<u>3,744.96</u>	<u>130.04</u>
Total Salaries & Related Benefits	275,358.00	278,705.24	(3,347.24)
Administrative supplies	17,500.00	15,555.43	1,944.57
Advertising	12,500.00	14,283.49	(1,783.49)
Insurance	34,641.00	34,559.62	81.38
Telephone	2,000.00	2,053.53	(53.53)
Professional fees	<u>12,075.00</u>	<u>12,075.00</u>	<u>.00</u>
Total Administrative	78,716.00	78,527.07	188.93
Utilities	60,000.00	60,430.38	(430.38)
Security	600.00	170.52	429.48
Museum	15,000.00	15,143.07	(143.07)
Gift shop	700.00	640.48	59.52
U.S.S. Kidd	80,000.00	79,124.80	875.20
Other	<u>5,000.00</u>	<u>.00</u>	<u>5,000.00</u>
Total Maintenance & Supplies	161,300.00	155,509.25	5,790.75

Continued

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (Continued)
YEAR ENDED DECEMBER 31, 1998

	ENTERPRISE FUND		
	Budget	Actual	Variance Favorable Unfavorable
Programs/special events	\$ 2,000.00	\$ 4,679.45	\$(2,679.45)
Depreciation, net of amortization	.00	2,394.48	(2,394.48)
Total Expenses	517,374.00	519,815.49	(2,441.49)
NET INCOME	58,165.00	51,823.56	(6,341.44)
Prior year Carryover Budgeted	7,300.00	.00	(7,300.00)
	65,465.00	51,823.56	(13,641.44)

This schedule is based on the budget prepared by the Board of Directors which uses the cash basis of accounting and nets certain revenues sources with their corresponding expenses.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 1999

We have audited the financial statements of the Louisiana Naval War Memorial Commission as of and for the two years ended December 31, 1999, and have issued our report thereon dated June 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 1999, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control	Material Weakness	<input checked="" type="checkbox"/>	Yes
	Reportable Condition	<input checked="" type="checkbox"/>	Yes
Compliance	Compliance Material to F/S	<input checked="" type="checkbox"/>	No

B. Federal Awards

N/A

C. Identification of Major Programs

N/A

Section II Financial Statement Findings

99-1 INVENTORY (first reported at December 31, 1995, and again at December 31, 1997)

Physical inventory counts were not properly taken at the close of the year. In addition, ending inventory was not valued using a method consistent with generally accepted accounting principles.

This deficiency does not allow for a readily determinable value for ending inventory or cost of goods sold. In addition, the reduction of inventory through sales cannot be verified jeopardizing the safeguarding of both inventory and cash from sales.

It is recommended that a system be put into place to track inventory on a perpetual basis through the cash register which would assign all items an identifying stock number as well as provide for a physical count to be completed at the end of the year. These checks should be reviewed by management. The independent CPA should receive month end reports for reporting purposes.

Continued

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED DECEMBER 31, 1999

99-2 CASH RECEIPTS/SALES

Appropriate controls were not followed in regards to the cash collected in the gift shop including a lack of oversight for refunds/voids and daily cash reports.

As a result of the above, the gift shop clerk was able to take more than \$11,000 in cash by creating fictitious refunds, destroying cash register tapes and removing cash from deposits and reporting it as cash shortages. An investigative audit was conducted by the Office of the Legislative Auditor, and a report was issued dated August 18, 1999. The report revealed that in addition to the funds identified through the clerk's confession, there are additional receipts unaccounted for totaling \$32,041.

We agree with the recommendations through this report as follows: (1) timely and intact deposits; (2) proper documentation and approval of refunds; (3) management review of shortages/overages; (4) segregation of cash handling duties; and (5) daily reconciliation of sales reports to register tapes.

Section III Federal Award Findings and Questioned Costs

N/A

JOHN D. BUTLER & COMPANY
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BAKER, LOUISIANA 70704-0030

(504) 775-4982

MANAGEMENT LETTER

June 9, 2000

To The Board Members
Louisiana Naval War Memorial Commission
Department of Culture, Recreation and Tourism
State of Louisiana
305 South River Road
Baton Rouge, Louisiana 70802

We have audited the financial statements of the Louisiana Naval War Memorial Commission as of and for the two years ended December 31, 1999, and have issued our report thereon dated June 9, 2000.

During the course of our examination, we became aware of the following matters which represent suggestions for improved internal controls.

MANAGEMENT POINTS

M99.1 CASH RECEIPTS JOURNAL

Condition A cash receipts journal is not maintained for receipts collected with exception of those received through the gift shop. Currently, copies of the deposit slips are kept by month with a notation of the purpose, but there is not any detail. Copies of checks are kept in appropriate files, for example, a payment for overnight camping is kept in the file for the group booking the overnight stay. However, it is impossible to trace the deposit to the source as there is no description of the names or amounts that make up the deposit.

Effect The assertion that revenues are properly classified in the financial statements and related disclosures is difficult to ascertain. There is no available reconciliation vehicle for receipts.

Recommendation Mail should be opened by someone other than the person responsible for making deposits. He/She should maintain a cash receipts journal to include the date of receipt, name/source, amount and purpose. This journal should be reconciled to the deposits made each month.

Louisiana War Memorial Commission
June 9, 2000
page 2

M99.2 INTEGRATION OF ACTIVITIES' COSTS

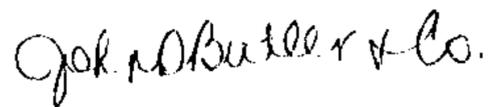
Condition The activity in the Commission designated account is not a part of the monthly financial report. In addition, certain costs of overnight camping and ship repairs are coded to contract labor.

Effect The financial reports are misleading and incomplete.

Recommendation While the activity in the Commission designated account may still be reported separately on a monthly basis, it should be integrated with the Commission's financial report. Security for overnight camping should be coded to overnight camping expense as this is a material amount. Also, ship maintenance and repairs should include the cost of painters and other such contractors that provide services specifically for the maintenance of the ship. As a result, the actual expense of running the memorial will be apparent.

If you would like to discuss the above management points, please call. We would be happy to explain them further and/or to assist you in implementing the recommendations.

Sincerely,



John D. Butler & Co., APAC

LOUISIANA NAVAL WAR MEMORIAL
DEPARTMENT OF CULTURE, RECREATION, AND TOURISM
STATE OF LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 1999

Section I Internal Control and Compliance Material to the Financial Statements

No material findings were reported.

Section II Internal Control and Compliance Material to Federal Awards

N/A

Section III Management Letter

Monthly Statements	To prepare monthly statements using the accrual basis of accounting	Resolved
Daily Deposits	To make deposits daily and intact	Resolved
Reconciliation of Ticket Sales	To reconcile pre-numbered admission tickets to collections daily	Resolved
Voided Sales/Refunds	To create a void/refund form to be signed by the clerk and the customer (in case of refunds) and authorized by someone outside of the gift shop	Resolved
Foundation Reimbursement	To maintain time sheets and logs for personnel time and other expenses incurred by Commission on behalf of the Foundation	The Board voted to use a flat rate based on past years' experience as opposed to this method
Federal Tax ID Number	To ascertain which entity actually applied for and was granted non-profit status and to obtain a federal tax ID number for the Commission	Resolved

LOUISIANA NAVAL WAR MEMORIAL
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA

MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 1999

Section I Internal Control and Compliance Material to the Financial Statements

99-1 INVENTORY

A new computer and software were purchased in 1999, that includes a stock number for every item of inventory. In addition to other control enhancement features, it maintains a perpetual inventory system. It allows for periodic checks through a report of each item, its cost and the number that should be on hand at any given time. The submission of month end reports are not currently forwarded to the independent CPA, but this procedure will be put into place immediately.

99-2 CASH RECEIPT/SALES

The recommendations cited were put into place immediately.

Section II Internal Control and Compliance Material to Federal Awards

N/A

Section III Management Letter

M99.1 Cash Receipts Journal	<p>Contact: Maury Drummond, Executive Director Plan: To create a cash receipts journal and submit to independent CPA monthly Completion Date: August 1, 2000</p>
M99.2 Integration of Activities' Cost	<p>Contact: Maury Drummond Plan: To integrate activity in the designated account for reporting purposes and properly classify expenses Completion Date: August 1, 2000</p>