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BATON ROUGE AREA CONVENTION AND

VISITORS BUREAU

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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: JUN 30 1999



BATON ROUGE AREA CONVENTION AND
VISITORS BUREAU

COMBINED FINANCIAL STATEMENTS

December 31, 1998



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Baton Rouge Area Convention and Visitors Bureau
Baton Rouge, Louisiana

We have audited the accompanying general purpose financial statements of Baton Rouge Area Convention and Visitors Bureau as of December 31, 1998 and 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the Bureau's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Baton Rouge Area Convention and Visitors Bureau as of December 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental data included on page 9 is presented for purposes of additional analysis and are not a required part of the financial statements of Baton Rouge Area Convention and Visitors Bureau. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated February 17, 1999, on our consideration of the Bureau's internal control structure and over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

Postlethwaite & Netterville

Baton Rouge, LA
February 17, 1999



BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

COMBINED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

ASSETS

	<u>General Fund</u>	<u>General Fixed Asset Account Group</u>	<u>(Memorandum Only) Total</u>	<u>1997</u>
Cash and cash equivalents	\$ 133,621	\$ -	\$ 133,621	\$ 338,639
Cash - restricted	452,873	-	452,873	-
Taxes receivable	246,043	-	246,043	217,108
Accounts receivable	20,046	-	20,046	134,553
Prepaid expense	55,572	-	55,572	33,731
Property, plant and equipment	-	155,098	155,098	149,203
Total assets	<u>\$ 908,155</u>	<u>\$ 155,098</u>	<u>\$ 1,063,253</u>	<u>\$ 873,234</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 65,125	\$ -	\$ 65,125	\$ 56,421
Accrued compensation	3,575	-	3,575	21,761
Total liabilities	<u>68,700</u>	<u>-</u>	<u>68,700</u>	<u>78,182</u>
FUND BALANCE - Unreserved	386,582	155,098	541,680	595,052
FUND BALANCE - Reserved	452,873	-	452,873	200,000
Total fund balance	<u>839,455</u>	<u>155,098</u>	<u>994,553</u>	<u>795,052</u>
Total liabilities and fund balance	<u>\$ 908,155</u>	<u>\$ 155,098</u>	<u>\$ 1,063,253</u>	<u>\$ 873,234</u>

The accompanying notes are an integral part of this statement.



BATON ROUGE AREA CONVENTION AND VISITORS BUREAU
COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<u>REVENUES</u>		
Tax revenue	\$ 2,051,590	\$ 1,986,710
Interest income	24,903	14,251
Advertising and promotion	9,333	15,510
Events hosting	114,468	115,210
Miscellaneous income	20,352	33,371
	<hr/>	<hr/>
Total revenues	2,220,646	2,165,052
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Salaries and commissions	654,772	582,622
Payroll taxes and benefits	144,309	114,490
Advertising and promotion	470,986	327,392
Trade shows and FAM/Site visits	92,995	72,313
Events hosting	7,563	21,012
Special promotions	120,041	144,448
General and administrative	455,479	468,667
<i>Contribution to Baton Rouge Area Sports Foundation</i>	75,000	125,000
Capital outlay	5,895	108,193
	<hr/>	<hr/>
Total expenditures	2,027,040	1,964,137
	<hr/>	<hr/>
Revenues in excess of expenditures	193,606	200,915
	<hr/>	<hr/>
Fund balance, beginning of period	645,849	444,934
	<hr/>	<hr/>
Fund balance, end of period	<u>\$ 839,455</u>	<u>\$ 645,849</u>

The accompanying notes are an integral part of this statement.



BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

YEAR ENDED DECEMBER 31, 1998

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Tax revenue	\$ 2,051,590	\$ 2,090,000	\$ (38,410)
Interest income	24,903	21,800	3,103
Service revenue	9,333	16,000	(6,667)
Events hosting	114,468	127,000	(12,532)
Miscellaneous	20,352	67,140	(46,788)
Total Revenues	<u>2,220,646</u>	<u>2,321,940</u>	<u>(101,294)</u>
<u>EXPENDITURES</u>			
Salaries and commissions	654,772	676,907	22,135
Payroll taxes and benefits	144,309	148,368	4,059
Advertising and promotion	470,986	493,632	22,646
Trade shows and FAM / Site visits	92,995	105,760	12,765
Events hosting	7,563	14,000	6,437
Special promotions	120,041	74,825	(45,216)
General and administrative	455,479	564,666	109,187
Contribution to B. R. Area Sports Foundation	75,000	75,000	-
Capital outlay	5,895	20,400	14,505
Total Expenditures	<u>2,027,040</u>	<u>2,173,558</u>	<u>146,518</u>
Excess of Revenue Over (Under) Expenditures	193,606	148,382	45,224
Fund Balance, beginning of period	<u>645,849</u>	<u>645,849</u>	<u>-</u>
Fund Balance, end of period	<u>\$ 839,455</u>	<u>\$ 794,231</u>	<u>\$ 45,224</u>

The accompanying notes are an integral part of this statement.



BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Baton Rouge Area Convention and Visitors Bureau (the "Bureau") is a governmental entity established to promote travel and tourism in the Baton Rouge area. Additionally, the Bureau is responsible for attracting conventions to Baton Rouge. The basic operations of the Bureau are financed by a hotel-motel tax. In the accompanying financial statements, these operations are reflected in the General Fund.

Reporting Entity

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within a reporting entity. Under provisions of this Statement, the Bureau is considered a primary government, since it is a special purpose government that has a separately appointed governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Bureau may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Bureau also has no *component units*, defined by GASB Statement 14 as other legally separate organizations for which the elected Bureau members are financially accountable. There are no other primary governments with which the Bureau has a significant relationship. The Bureau is not a component unit of any other entity.

Cash and Cash Equivalents

Cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts is established based on prior experience and management's assessment of collectibility. Management believes all accounts are collectible at December 31, 1998.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The general fund uses a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

General Fixed Assets Account Group

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group rather than in governmental funds.

Budgets and Budgetary Accounting

The Bureau adopts an annual budget. The annual budget is prepared on the modified accrual basis of accounting for those funds used in the Bureau's operations. Any revisions that alter the total expenses must be approved by the board of directors.

Compensated Absences

All full-time employees earn from 10 to 15 days of vacation leave each year, depending on length of service with the Bureau. Vacation leave cannot be accumulated. Upon separation, all earned unused vacation leave will be paid.

All full-time employees earn 10 days of sick leave each year. Sick leave may be accumulated not to exceed 20 work days. If an employee resigns or is terminated the employee will not be paid for any unused sick leave.

The cost of compensated absence privileges is recognized as a current year expenditure in the General Fund when leave is actually taken.

2. LEASE COMMITMENT

The Bureau leases its office building under an operating lease, which expires on August 31, 2000. At the end of the lease term, the Bureau has the right of first refusal to renew the lease. Rent expense for the year ending December 31, 1998 was \$53,400. Future minimum lease payments for 1999 and 2000 are \$57,000 and \$38,000, respectively.

3. BOARD MEMBER COMPENSATION

The Board Members of the Bureau did not receive any compensation during 1998.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

4. RELATED PARTY TRANSACTIONS

The Bureau contributed \$75,000 to an organization related through common oversight authority during 1998. These contributions were at the direction of the Bureau.

The Bureau provided office space to an organization related through common oversight authority during 1998. This office space was provided free of charge to the related organization.

The Bureau committed to contribute \$125,000 to Bonne Fete, Inc. As of December 31, 1998, \$50,000 had been paid to Bonne Fete. The remaining \$75,000 was paid in 1999.

5. CASH AND INVESTMENTS

At year-end, the carrying amount of the Bureau's deposits was \$133,378 and the bank balance was \$195,003. Of the bank balance, \$100,000 was secured by federal depository insurance, \$95,003 was secured by collateral held by the pledging bank's agent in the Bureau's name (GASB Category 2).

The Bureau also invested \$452,873 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. LAMP is administered by LAMP, Inc., which is a nonprofit corporation organized under the laws of the State of Louisiana which was formed by an initiative of the State Treasurer in 1993. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consist of no securities with a maturity in excess of 397 days. LAMP deposits may be redeemed at par at any time without penalty or loss of interest. Due to short-term nature of the LAMP portfolio and the immediate access at par feature, investments in LAMP are considered cash equivalents by the Bureau. (GASB Category 3)

6. FIXED ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Equipment	\$ 129,852	\$ 5,895	(\$ -)	\$ 135,747
Automobiles	<u>19,351</u>	<u>-</u>	<u>-</u>	<u>19,351</u>
	<u>\$ 149,203</u>	<u>\$ 5,895</u>	<u>(\$ -)</u>	<u>\$ 155,098</u>

7. RESERVED FUND BALANCE AND RESTRICTED FUNDS

The board has reserved \$452,873 of fund balance for special projects, operating reserves, and building repair reserves.

The board has designated \$452,873 of investments to fund these reserves, if necessary. The restricted funds are separated into the following categories with the corresponding 1998 activity:



9. RETIREMENT PLAN

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

7. RESERVED FUND BALANCE AND RESTRICTED FUNDS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
LAMP – Special Project Fund	\$ 100,000	\$ 127,159	(\$ -)	\$ 227,159
LAMP – Operations	100,000	107,225	(-)	207,225
LAMP – Building Repair Fund	-	18,489	(-)	18,489
	<u>\$ 200,000</u>	<u>\$ 252,873</u>	<u>(\$ -)</u>	<u>\$ 452,873</u>

8. YEAR 2000

The Bureau has evaluated the potential affects of the Year 2000 (Y2K) issue related to computer hardware and software and determined that both the hardware and software could be affected. The only mission critical software that the Bureau has is an accounting software package and a network software.

The Bureau has contacted the accounting software vendor and has been told that the software is Y2K compliant. The network software vendor has been contacted and is in the process of updating the software to be Y2K compliant. All of the Bureau's hardware has been evaluated and either has been made Y2K compliant or will be updated to be Y2K compliant in the near future.

9. RETIREMENT PLAN

The Bureau contributes 7% of each eligible employee's salary to an employee retirement plan. In order to be eligible under the plan, the employee must have earned at least \$400 in the previous year and be at least 18 years old. At December 31, 1998, the Bureau contributed \$40,995 to the plan.





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

To the Board of Directors
Baton Rouge Area Convention and Visitors Bureau
Baton Rouge, Louisiana

We have audited the general purpose financial statements of Baton Rouge Area Convention and Visitors Bureau (the Bureau) as of and for the year ended December 31, 1998, and have issued our report thereon dated February 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bureau's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bureau's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Baton Rouge Area Convention and Visitors Bureau Board of Directors, management, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 17, 1999



Baton Rouge

Baton Rouge Area Convention & Visitors Bureau

Baton Rouge Convention and Visitors Bureau
Summary Schedule of Prior Audit Findings
Year Ended December 31, 1998

FINDING: Cash Disbursements

Condition: One check was found bearing only one authorized signature.

Recommendation: The auditor recommended that the person mailing the disbursements check to be sure there are two signatures, in addition to the persons *authorized to sign, adhering to the policy.*

Current Status: Several steps have been implemented to prevent this from reoccurring. Checks are examined prior to mailing by two different people for accuracy. The controller is responsible for routing checks through the signing process and reviews each check prior to giving all checks to the administrative assistant for final review and mailing. No similar findings were noted in the 1998 audit.

Condition: One check request was found without department head authorization.

Recommendation: The auditor recommended that all disbursements have department head authorization prior to being processed by accounting.

Current Status: It is the policy now of the Bureau that no checks be written regardless of how routine without a department head signature. The CEO will not sign without verifying approval on the accompanying check request or invoice. No similar findings were noted in the 1998 audit.

Condition: A vendor was paid without an invoice.

Recommendation: The auditor recommended that disbursements should not be made from a check request only when the disbursement should obviously have an invoice attached.

Current Status: It is the policy now of the Bureau that all check requests when possible be accompanied by an invoice. Every effort should be made in these situations to see that the invoice or receipt is returned to the accounting department for attachment to the correlating check request. No similar findings were noted in the 1998 audit.

Bonne Fête 300 Baton Rouge
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Condition: Proper and adequate receipts were not attached for some travel disbursements.

Recommendation: The auditor recommended that due to the significant amount of travel and entertainment that the personnel must do in order to accomplish the business purpose, the use of credit cards by personnel is necessary. Employees should adhere to the policy of turning in receipts to support charges made on credit cards without exception.

Current Status: We have clarified the current policy and it states that all receipts will be attached to bills before payment.

FINIDNG: Accounting Manual

Condition: The accounting manual indicating standard procedures for operations has not been formally adopted.

Recommendation: The auditors recommended that the accounting manual be finalized and adopted and that all employees be given a copy.

Current Status: The accounting manual was adopted in August of 1998

FINDING: Organization Structure

Condition: The size of the accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to *provide optimum segregation of duties*.

Recommendation: The auditors recommended that the Board of Directors and Finance Committee remain involved in the financial affairs to provide oversight and independent review functions.

Current Status: The recommendation was accepted.