

FILE
DO NOT SEND OUT
(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

CO
11/19/98
ALL: 15

**SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU
FINANCIAL REPORT
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 7-14-99

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

Lake Charles, Louisiana

C O N T E N T S

	Page
FINANCIAL SECTION	
Independent Auditor's Report	3-4
Combined Statements-Overview ("Liftable General Purpose Financial Statements):	
Combined Balance Sheet - All Fund Types and Account Groups	5
Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types - Special Revenue	6-7
Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types - Budget and Actual (Non-GAAP Budgetary Basis) - Special Revenue	8-9
Notes to Financial Statements	10-23
INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	24-26

McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070
318 433-1063 • Fax 318 436-6618 • E-mail: info@mqb-cpa.com

Carl W. Comeaux, CPA
Barbara Hutson Gonzales, CPA
Judson J. McCann Jr., CPA
Martin L. Chechotsky, CPA, CFE
Robert M. Gani, CPA
Tina L. Demarest, CPA, CVA



Mollie C. Broussard, CPA

Charles P. Quirk, CPA
Ortay J. Woods Jr., CPA
Robert E. Cargile, CPA
William A. Mancuso, CPA
Charles L. McElroy, CPA (1917-1997)
Patrick J. Reddin, CPA (1926-1995)
Frank D. Burch, CPA (1921-1991)
F:\AUS\DIRECT\AUDIT\SW LA CONV.mqb

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southwest Louisiana Convention and Visitors Bureau
Lake Charles, Louisiana

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

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues* requires disclosure of certain matters regarding the year 2000 issue. The Southwest Louisiana Convention and Visitors Bureau has included such disclosures in Note 15. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Southwest Louisiana Convention and Visitors Bureau's disclosures with respect to the year 2000 issue made in Note 15. Further, we do not provide assurance that the Southwest Louisiana Convention and Visitors Bureau's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Southwest Louisiana Convention and Visitors Bureau does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southwest Louisiana 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.

In accordance with Government Auditing Standards, we have also issued a report dated June 22, 1999 on our consideration of the Southwest Louisiana Convention and Visitors Bureau's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

McElroy, Quirk & Burch

Lake Charles, Louisiana
June 22, 1999

McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070
318 433-1063 • Fax 318 436-6618 • E-mail: info@mqb-cpa.com

Carl W. Comeaux, CPA
Barbara Hutson Gonzales, CPA
Judson J. McCann Jr., CPA
Martin L. Chelotsky, CPA, CFE
Robert M. Gani, CPA
Tina L. Demarest, CPA, CVA

Mollie C. Broussard, CPA



Charles B. Quirk, CPA
Oray J. Woods Jr., CPA
Robert E. Cargile, CPA
William A. Mancuso, CPA

Charles J. McElroy, CPA (1917-1997)

Patrick J. Reddin, CPA (1926-1995)

Frank D. Burch, CPA (1921-1991)

MEMBERSHIP IN THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Southwest Louisiana Convention and
Tourist Bureau
Lake Charles, Louisiana

We have audited the general purpose financial statements of the Southwest Louisiana Convention and Tourist Bureau as of and for the year ended December 31, 1998. In connection with this audit, we are required by our professional standards to communicate certain matters related to the conduct of the audit to those who have responsibility for oversight of the financial reporting process. Statement on Auditing Standards No. 61 requires the auditor to ensure that the oversight group receives additional information regarding the scope and results of the audit that may assist the group in overseeing the financial reporting and disclosure process for which management is responsible.

Matters to be Communicated:

The Auditor's responsibility under generally accepted auditing standards.

Generally accepted auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. An audit conducted in accordance with generally accepted auditing standards is designed to obtain reasonable, rather than absolute, assurance about the financial statements.

In planning and performing our audit of the financial statements, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Significant accounting policies.

The Board is a governmental fund type. The Board's records are maintained on a cash basis of accounting. However, the year end financial statements are converted to a modified accrual basis of accounting employing accounting principles established for governmental funds as set out by the Governmental Accounting Standards Board and pertinent authoritative pronouncements from other organizations. Revenues are recognized when they become measurable and available as net current assets. Generally, uncollected revenue that is expected to be collected within 60 days after year end is recorded in the year earned. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Management judgments and accounting estimates.

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Significant estimates considered in preparing the Bureau's financial statements include the possibility of loss contingencies after considering opinion of legal counsel.

Significant audit adjustments.

Adjustments arising from the audit aggregated approximately \$11,116. The net effect on fund equity of these adjustments was to decrease current year's income as a result of presenting the financial statements on the modified accrual basis of accounting rather than the cash basis and to record capital outlays and debt payments as expenditures in accordance with government accounting standards.

Disagreements with management.

There were no disagreements with management during the conduct of the audit, or at any other time.

Consultation with other accountants.

In some cases, management may decide to consult with other accountants about auditing and accounting matters. When the auditor is aware that such consultation has occurred, he should discuss with the oversight group his views about significant matters that were the subject of such consultation. We are not aware of any such consultation.

Major issues discussed with management prior to retention.

The auditor should discuss with the oversight group any major issues that were discussed with management in connection with the initial or recurring retention of the auditor including, among other matters, any discussions regarding the application of accounting principles and auditing standards. No major issues were discussed with management prior to the recurring retention of this firm to perform your annual audit.

Difficulties encountered in performing the audit.

We encountered no difficulties in dealing with management related to the performance of the audit. To the contrary, we take this opportunity to recognize the excellent assistance and cooperation rendered to us by management and staff during the performance of the audit and completion of our reports thereon.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the organization as considered appropriate by the Board.

McCray, Quirk & Burch

Lake Charles, Louisiana
June 22, 1999

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 December 31, 1998

ASSETS	Total Governmental Fund Type Special Revenue	Fiduciary Fund Type Agency	Account Group		Totals (Memorandum Only)	
			General Fixed Assets	General Long-Term Debt	1998	1997
Cash and cash equivalents	\$ 922,192	\$ -	\$ -	\$ -	\$ 922,192	\$ 857,726
Investments	40,838	55,897	-	-	96,735	244,658
Accrued interest	-	-	-	-	-	4,488
Accounts receivable	135,148	-	-	-	135,148	124,968
General fixed assets	-	-	1,782,666	-	1,782,666	386,560
Amount to be provided for retirement of general long-term debt	-	-	-	875,000	875,000	-
Total assets	\$ 1,098,178	\$ 55,897	\$ 1,782,666	\$ 875,000	\$ 3,811,741	\$ 1,618,400
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 58,457	\$ -	\$ -	\$ -	\$ 58,457	\$ 76,413
Accrued salaries	10,208	-	-	-	10,208	7,909
Accrued interest payable	21,131	-	-	-	21,131	-
Payroll taxes payable	1,915	-	-	-	1,915	1,692
Retirement withholding payable	-	-	-	-	-	445
Retainage payable	62,412	-	-	-	62,412	4,660
Other current liabilities	2,215	-	-	-	2,215	2,215
Deferred compensation benefits	40,838	55,897	-	-	96,735	76,407
Bonds payable	-	-	-	875,000	875,000	-
	<u>197,176</u>	<u>55,897</u>	<u>-</u>	<u>875,000</u>	<u>1,128,073</u>	<u>169,741</u>
Fund equity:						
Investment in general fixed assets	-	-	1,782,666	-	1,782,666	386,560
Fund balance:						
Unreserved:						
Designated for special projects	788,640	-	-	-	788,640	903,763
Undesignated	<u>112,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,362</u>	<u>158,336</u>
Total fund equity	<u>901,002</u>	<u>-</u>	<u>1,782,666</u>	<u>-</u>	<u>2,683,668</u>	<u>1,448,659</u>
Total liabilities and fund equity	\$ 1,098,178	\$ 55,897	\$ 1,782,666	\$ 875,000	\$ 3,811,741	\$ 1,618,400

See Notes to Financial Statements.

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE--
ALL GOVERNMENTAL FUND TYPES-SPECIAL REVENUE
Year Ended December 31, 1998 and 1997

	1998	1997
Revenues:		
3% occupancy tax	\$ 936,842	\$ 841,812
Interest, dividends	56,933	29,405
Intergovernmental	289,411	207,489
Grants	20,000	12,500
Miscellaneous	-	2,389
Total revenues	1,303,186	1,093,595
Expenditures:		
Advertising, sales and promotions:		
Ad specialties	28,154	17,689
Audio-visual/production	6,693	6,863
Media advertising	103,857	88,790
Newsletter/public affairs	24,260	26,643
Outdoor advertising	24,424	18,862
Printed literature	46,091	39,307
Total advertising, sales and production	233,479	198,154
Personnel services:		
Salaries-fulltime	188,324	189,025
Salaries-assistants	31,947	33,456
Contract labor	178	350
Payroll taxes	19,282	18,936
Employee benefits	35,495	35,792
Total personnel services	275,226	277,559
Operations:		
Accounting	8,183	9,325
Automobile	10,525	10,603
Building maintenance	7,710	5,734
Business promotion	75,040	44,152
Convention services	6,457	6,938
Conferences and seminars	33,868	21,882
Equipment contracts	14,622	16,648
Insurance-general	13,450	6,362
Legal Fees	16,153	37,968
Membership	8,374	6,937
Miscellaneous	3,463	1,853

(continued on next page)

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
ALL GOVERNMENTAL FUND TYPES-SPECIAL REVENUE
Year Ended December 31, 1998 and 1997
(Continued)

	1998	1997
Expenditures (cont.):		
Operations (cont.):		
Office	17,430	14,164
Postage	41,900	28,680
Telephone	18,801	17,828
Travel	64,460	55,147
Utilities	5,950	4,992
Total operations	346,386	289,213
Subrecipient grants:		
Arts and Tourism grants	28,856	26,875
Non-profit matching grants	19,075	14,488
Cameron Parish matching grants	1,062	12,949
Total subrecipient grants	48,993	54,312
Capital outlay:		
Furniture and equipment	164,036	10,587
Construction in progress	1,232,070	157,045
Total capital outlay	1,396,106	167,632
Debt service:		
Interest expense	39,093	-
Transfers to other governmental entities	-	34,155
Total expenditures	2,339,283	1,021,025
Excess (deficiency) of revenues over expenditures	(1,036,097)	72,570
Other financing sources:		
Proceeds from bonds	875,000	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(161,097)	72,570
Fund balance at beginning of year	1,062,099	989,529
Fund balance at end of year	\$ 901,002	\$ 1,062,099

See Notes to Financial Statements.

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-ALL
GOVERNMENTAL FUND TYPES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
SPECIAL REVENUE

Year Ended December 31, 1998

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenues:			
3% occupancy tax	\$ 926,662	\$ 931,137	\$ (4,475)
Interest, dividends	61,421	69,646	(8,225)
Intergovernmental	289,411	280,000	9,411
Grant	<u>20,000</u>	<u>-</u>	<u>20,000</u>
	<u>1,297,494</u>	<u>1,280,783</u>	<u>16,711</u>
Expenditures:			
Advertising, sales and promotions:			
Ad specialties	23,500	23,500	-
Audio-visual/production	6,998	7,000	2
Media advertising	100,727	100,950	223
Newsletter/public affairs	23,822	23,000	(822)
Outdoor advertising	23,782	24,000	218
Printed literature	<u>46,091</u>	<u>45,253</u>	<u>(838)</u>
Total advertising, sales and production	<u>224,920</u>	<u>223,703</u>	<u>(1,217)</u>
Personnel services:			
Salaries-fulltime	186,026	190,000	3,974
Salaries-assistants	31,947	34,500	2,553
Contract labor	245	400	155
Payroll taxes	19,282	21,900	2,618
Employee benefits	<u>35,495</u>	<u>32,925</u>	<u>(2,570)</u>
Total personnel services	<u>272,995</u>	<u>279,725</u>	<u>6,730</u>
Operations:			
Accounting	8,183	8,000	(183)
Automobile	10,993	11,000	7
Building maintenance	7,534	8,000	466
Business promotion	75,286	74,833	(453)
Contingency	-	650	650
Convention services	6,457	6,400	(57)
Conferences and seminars	33,868	35,750	1,882
Equipment contracts	14,326	14,575	249
Insurance-general	13,364	13,365	1
Legal fees	17,448	18,950	1,502
Membership	7,124	7,000	(124)
Miscellaneous	3,396	11,200	7,804
Office	17,238	16,815	(423)

(continued on next page)

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-A.I.J.
GOVERNMENTAL FUND TYPES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
SPECIAL REVENUE

Year Ended December 31, 1998

(Continued)

	Actual	Budget	Variance Favorable (Unfavorable)
Expenditures (cont.):			
Operations (cont.):			
Postage	41,966	41,016	(950)
Telephone	18,219	18,216	(3)
Travel	64,052	62,000	(2,052)
Utilities	5,874	6,000	126
Total operations	345,328	353,770	8,442
Subrecipient grants:			
Arts and Tourism Partnership grants	28,856	28,560	(296)
Non-profit matching grants	19,075	19,500	425
Cameron Parish matching grants	1,062	1,065	3
Total subrecipient grants	48,993	49,125	132
Debt service:			
Interest expense	17,962	-	(17,962)
Capital outlay:			
Furniture and equipment	126,276	130,784	4,508
Construction in progress	1,239,583	1,350,702	111,119
Total capital outlay	1,365,859	1,481,486	115,627
Total expenditures	2,276,057	2,387,809	111,752
Excess (deficiency) of revenues over expenditures (budget basis)	(978,563)	(1,107,026)	128,463
Other financing sources (uses):			
Proceeds from bonds	875,000	875,000	-
Appropriation of prior year fund balance	-	232,026	(232,026)
	875,000	1,107,026	(232,026)
Excess (deficiency) of revenues and other sources over expenditures and other uses (budget basis)	(103,563)	\$ -	\$ (103,563)
Adjustments:			
To adjust revenues for accruals	5,692		
To adjust expenditures for accruals	(63,226)		
Excess (deficiency) of revenues over expenditures (GAAP basis)	(161,097)		
Fund balance at beginning of year	1,062,099		
Fund balance at end of year	\$ 901,002		
See Notes to Financial Statements.			

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business

The operations of the Southwest Louisiana Convention and Tourist Bureau are to promote conventions and tourism in the Calcasieu Parish area.

Note 2. Summary of Significant Accounting Policies

The financial statements of the Southwest Louisiana Convention and Visitors Bureau have been prepared according to generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Bureau's more significant accounting policies are described below.

A. Reporting Entity

The Southwest Louisiana Convention and Visitor's Bureau was created in 1972 by an Act of the Louisiana Legislature. That Act was amended and reenacted by Act 47 to create the Bureau as a political subdivision of the State of Louisiana effective for 1997 with the purpose of promoting conventions and tourism in the Calcasieu Parish area. It is governed by a seven person Board of Directors. The following governmental bodies and civic organizations appoint members to and are represented on the Board:

Calcasieu Parish Police Jury-one member
The City of Lake Charles-one member
The Chamber Southwest Louisiana-one member
West Calcasieu Association of Commerce-one member
Lake Charles Hotel/Motel Association-three members
Cameron Parish Police Jury-one advisory member

The Bureau derives its income primarily from a tax on the occupancy of hotel and motel rooms in Calcasieu Parish. The Bureau has the authority to impose an occupancy tax at the current rate of three percent without a popular vote. During 1998 and 1997, the occupancy tax rate imposed was three percent. Any increase over three percent must be submitted for public vote.

NOTES TO FINANCIAL STATEMENTS

The financial statements of the Bureau include all operations and activities of the Bureau under control and authority of the Board of Directors and it was determined that no other agency should be included in this reporting entity.

B. Fund Accounting

The Southwest Louisiana Convention and Visitors Bureau uses a fund and an account group to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The financial statements in this report are grouped into the following fund types and account group:

One governmental fund type, a special revenue fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

One fiduciary fund type, an agency fund used to account for the deferred compensation plan. Agency funds are custodial in nature and do not involve measurement of operations.

Two account groups, the general fixed assets account group and the long-term debt account group. All fixed assets used in governmental fund operations are accounted for in the general fixed assets account group. Long-term obligations for governmental fund operations are accounted for in the long-term debt account group.

C. Basis of Accounting

The Bureau uses the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when both "measurable and available". Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

NOTES TO FINANCIAL STATEMENTS

Major revenue sources susceptible to accrual include: occupancy tax, interest, dividends, and intergovernmental revenue.

The Bureau's records are maintained on a cash basis of accounting. However, the funds reported in the accompanying financial statements have been converted to a modified accrual basis of accounting utilizing the following practices:

Revenues:

Revenues collected in the current period that were measurable and available as net current assets of the prior period are adjusted out of current revenue. Uncollected revenues that are measurable and available as net current assets of the current period are recognized as revenue.

Expenditures:

Expenditures are adjusted to record in the current period only those expenditures for which the related fund liability was incurred in the current period.

Advertising:

The Bureau elects to expense advertising cost as incurred. The advertising cost for December 31, 1998 and 1997 amounted to \$233,479 and \$198,154, respectively.

Estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

D. Cash, Cash Equivalents and Investments

Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity of no longer than three months.

Louisiana State Statutes, as stipulated in R.S. 39:1271, authorize the Bureau to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Bureau has stated their investments at fair value at December 31, 1998 and 1997. Fair value was determined by obtaining "quoted" year end market prices. Cash and cash equivalents, which include cash, demand deposits, having an original maturity of three months or less from the date acquired are stated at amortized cost.

E. Budgets and Budgetary Accounting

The Director and two budget committees submit to the Board of Directors a proposed budget prior to the beginning of the fiscal year. The operating budget includes proposed expenditures and the means of financing them. The budget is prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).

After a complete review the budget is approved. Any revisions that alter total expenditures must be approved by the Board. Formal budgetary integration is employed as a management control device during the year. All budgetary appropriations lapse at the end of each fiscal year.

Encumbrance accounting is not used.

NOTES TO FINANCIAL STATEMENTS

F. Fixed Assets

Fixed assets used in special revenue fund type operations are recorded as expenditures at the time purchased and the related assets are capitalized (reported) in the general fixed assets account group. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

G. Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview 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 cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

H. Compensated Absences

The Bureau has the following policy related to vacation and sick leave:

The cost of current leave and sick pay are recognized as current year expenditures when leave is actually taken. Vacation and sick pay do not accrue from year to year.

I. Fund Equity

Designated fund balance:

Designated fund balances represent tentative plans for future use of financial resources. The Bureau has designated \$788,640 of its Special Revenue Fund equity for various special projects as explained in Note 7.

Note 3. Cash, Cash Equivalents and Investments

The Southwest Louisiana Convention and Visitors Bureau maintains demand and time deposits through local depository banks which are members of the Federal Reserve System.

NOTES TO FINANCIAL STATEMENTS

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district.

Investments are carried at fair value.

Cash and cash equivalents:

The Bureau's bank demand and time deposits at December 31, 1998 and 1997 classified to give an indication of the level of risk assumed by the Bureau are as follows:

<u>1998</u>	Cash and Demand <u>Deposits</u>	Investments (Time) <u>Deposits)</u>
Carrying amount	<u>\$ 137,096</u>	<u>\$ -</u>
Bank balances:		
A. Insured or collateralized with securities held by the entity or its agent in the entity's name	\$ 200,000	\$ -
B. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name	214,856	-
C. Uncollateralized, including any securities held for the entity but not in the entity's name	<u>-</u>	<u>-</u>
Total bank balances	<u>\$ 414,856</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

<u>1997</u>	<u>Cash and Demand Deposits</u>	<u>Investments (Time) Deposits)</u>
Carrying amount	<u>\$ 857,726</u>	<u>\$ 168,215</u>
Bank balances:		
A. Insured or collateralized with securities held by the entity or its agent in the entity's name	\$ 391,746	\$ -
B. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name	581,173	168,215
C. Uncollateralized, including any securities held for the entity but not in the entity's name	<u>119,774</u>	<u>-</u>
Total bank balances	<u>\$ 1,092,693</u>	<u>\$ 168,215</u>

Cash equivalents held at December 31, 1998, consist of \$785,096 in the Louisiana Asset Management Pool Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). LAMP investments at December 31, 1997 totaled \$-0-.

In accordance with GASB Codification Section I50.165 the investment in LAMP at December 31, 1998, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. 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. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by

NOTES TO FINANCIAL STATEMENTS

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 consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The carrying value of LAMP at December 31, 1998 approximates its fair value.

Investments:

Investments held at December 31, 1998, consist of the following investments held in the Rabbi Trust and the deferred compensation plan. The trust and the deferred compensation plan are more fully described in Note 11. The investments are categorized to give an indication of the level of risk assumed by the Bureau. Category 1 includes investments that are insured or registered, or for which the securities are held by the Bureau or its agent in the name of the Bureau. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the name of the Bureau. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution, or by its trust department or agent but not in the name of the Bureau.

	<u>Reported at Fair Value</u>		
	<u>Category</u>		
	<u>1</u>	<u>2</u>	<u>3</u>
December 31, 1998			
U.S. Treasury money market value	\$ 31,650	\$ -	\$ -
Life insurance policy	-	9,188	-
Mutual funds	-	55,897	-
Total	<u>\$ 31,650</u>	<u>\$ 65,085</u>	<u>\$ -</u>
December 31, 1997			
US Treasury money market fund	\$ 43,843	\$ -	\$ -
Mutual funds	-	32,564	-
Total	<u>\$ 43,843</u>	<u>\$ 32,564</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Lease Agreement

The Bureau occupies property it has leased from the City of Lake Charles. The lease is on a month to month basis. The Bureau has negotiated a joint service agreement with the City of Lake Charles regarding the new Convention and Visitors Bureau building site.

Note 5. Changes in General Fixed Assets

A summary of changes in fixed assets follows:

	Balance			Balance
<u>1998</u>	<u>1/1/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/98</u>
Leasehold improvements	\$ 42,729	\$ -	\$ -	\$ 42,729
Office furniture and equipment	41,408	135,902	-	177,310
Transportation equipment	97,262	-	-	97,262
Computer equipment	41,657	28,134	-	69,791
Costumes	6,459	-	-	6,459
Construction in progress	<u>157,045</u>	<u>1,232,070</u>	<u>-</u>	<u>1,389,115</u>
	<u>\$ 386,560</u>	<u>\$ 1,396,106</u>	<u>\$ -</u>	<u>\$ 1,782,666</u>
	Balance			Balance
<u>1997</u>	<u>1/1/97</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/97</u>
Leasehold improvements	\$ 42,729	\$ -	\$ -	\$ 42,729
Office furniture and equipment	41,408	-	-	41,408
Transportation equipment	97,262	-	-	97,262
Computer equipment	31,070	10,587	-	41,657
Costumes	6,459	-	-	6,459
Construction in progress	<u>-</u>	<u>157,045</u>	<u>-</u>	<u>157,045</u>
	<u>\$ 218,928</u>	<u>\$ 167,632</u>	<u>\$ -</u>	<u>\$ 386,560</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt

Long-term debt is comprised of the following:

	Balance <u>12/31/98</u>	Balance <u>12/31/97</u>
Excess Revenue Certificates of Indebtedness Series 1998 payable to Bank One, Louisiana in the original amount of \$875,000; dated January 1, 1998; bearing an interest rate of 4.83% fixed, payable July 1, 1998, and semi-annually thereafter on January 1 (principal and interest) and July 1 (interest) each year. The certificates are secured by and payable in principal and interest from the irrevocable pledge and dedication of the excess of annual revenues of the Issuer, those funds and monies of the Issuer budgeted, allocated, available, dedicated, set aside or otherwise to be utilized to fund or make debt service payments, and the revenues, income, receipts and funds of the Issuer derived from any monies appropriated from any fund created in Chapter 2-B of Subtitle II of Title 47 of the Louisiana Revised Statutes of 1950, as amended (collectively the "Revenues") of the Issuer	<u>\$ 875,000</u>	<u>\$ -</u>

Summary of changes in general long-term debt:

	Balance <u>12/31/97</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/98</u>
Excess Revenue Certificates of Indebtedness Series 1998	<u>\$ -</u>	<u>\$ 875,000</u>	<u>\$ -</u>	<u>\$ 875,000</u>

NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize all general obligation debt outstanding as of December 31, 1998 including interest of \$227,855, are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>General</u> <u>Obligation</u>
1999	\$ 110,572
2000	112,071
2001	108,448
2002	109,705
2003	110,720
2004 and thereafter	551,339

Note 7. Compensation for Board of Directors

The Board of Directors received no compensation for the year ended December 31, 1998 and 1997.

Note 8. Unreserved-Designated Funds

The Board of Directors has restricted fund balances to provide for the following projects:

	<u>1998</u>	<u>1997</u>
Bond Retirement Fund	\$ 142,201	\$ -
Costume Fund	9,965	9,731
Vehicle Fund	28,900	8,706
Building Fund	97,008	391,640
Building Furnishings Contingency Fund	58,647	150,000
Employee enhancement	7,500	7,500
Retirement administration contingency	-	2,000
Dining guide	-	2,175
Tourism study	-	16,300
Visitor Enterprise Fund	201,276	185,309
Major Expenditure Fund	182,921	130,402
Improvements/statue	10,001	-
Sports (loc)	25,003	-
CNT awards	<u>25,218</u>	<u>-</u>
	<u>\$ 788,640</u>	<u>\$ 903,763</u>

NOTES TO FINANCIAL STATEMENTS

Note 9. Intergovernmental Revenue

Intergovernmental revenue is composed of \$289,411 in 1998 from the State of Louisiana Calcasieu Visitor Enterprise Fund, and \$207,489 in 1997 from the State of Louisiana, of which \$200,567 is from the Calcasieu Visitor Enterprise Fund. The Louisiana Legislature created in the State Treasury a "Calcasieu Visitor Enterprise Fund". Monies in the fund are appropriated to the Southwest Louisiana Convention and Visitors Bureau to be used for tourism development purposes, including, but not limited to, support for historic preservation and arts and humanities.

Note 10. Expenditures to Other Governmental Entities

During 1997, the Bureau released funds in the amount of \$34,155 for the establishment of the Creole Nature Trail National Scenic Byway District.

Note 11. Deferred Compensation Plan

The Bureau offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Bureau employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

A model Rabbi trust agreement has been established for Shelly Johnson, Executive Director. This plan is a nonqualified deferred compensation plan.

All amounts of compensation deferred under the Section 457 plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Bureau (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Bureau's general creditors.

Participants' rights under the Section 457 plan are equal to those of general creditors of the Bureau in an amount equal to the fair market value of the deferred account for each participant.

NOTES TO FINANCIAL STATEMENTS

The Bureau's legal counsel believes that the Bureau has no liability for losses under the Section 457 plan, but does have the duty of due care that would be required of an ordinary prudent investor. The Bureau believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

At December 31, 1998, investments were managed by Hibernia Trust Department. As of the date of this report, Aetna Life Insurance and Annuity Company is managing the 457 plan. The choice of the investment options for the Section 457 plan is made by the employee.

Note 12. Budgetary - GAAP Reconciliation

The accompanying statement of revenues, expenditures and changes in fund balance-budget and actual presents comparisons of the legally adopted budget more fully described in Note 2 with actual data on a budgetary basis. This statement also includes a reconciliation of resultant basis, timing, perspective and entity differences in excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 1998.

Note 13. Contingencies

Effective October 1, 1998, the Bureau by ordinance promulgated a three percent (3%) occupancy tax on complimentary rooms provided by hotels and motels owned and operated by riverboat casinos in Calcasieu Parish, Louisiana. Players of Lake Charles, LLC, ("Players") the owner of riverboat casino hotels in Calcasieu Parish, Louisiana, has paid that tax under protest and has filed a lawsuit in the 14th Judicial District Court, Calcasieu Parish, Louisiana, contesting the validity of that tax. The amount of tax that Players has paid under protest for the year ending December 31, 1998 is \$31,276.80. The tax paid under protest is being held in escrow by the Calcasieu Parish School Board, the collector of the Bureau's occupancy tax, and has not been recognized as revenue of the Bureau.

The Bureau anticipates that Players will continue to pay the tax under protest until the matter is finally resolved. If the lawsuit is resolved favorably to the Bureau, the Bureau will be entitled to retain the tax paid under protest and any interest earned on those funds while in escrow. If Players is successful, the Bureau will be required to return to Players the taxes paid under protest and will be required to pay Players interest on the amount paid under protest and held in escrow at the legal interest rate in Louisiana.

NOTES TO FINANCIAL STATEMENTS

Note 14. Changes in Agency Fund

A summary of changes in assets and liabilities - All Agency Funds follows:

	Balance <u>1/1/98</u>	Additions	Deductions	Balance <u>12/31/98</u>
Deferred Compensation - 457 Plan:				
Assets:				
Investments	<u>\$ 43,150</u>	<u>\$ 12,747</u>	<u>\$ -</u>	<u>\$ 55,897</u>
Liabilities:				
Deferred compensation	<u>\$ 43,150</u>	<u>\$ 12,747</u>	<u>\$ -</u>	<u>\$ 55,897</u>

Note 15. Year 2000 Compliance (Unaudited)

The Bureau is in the process of addressing all significant year 2000 issues, including its business systems, processes and essential equipment. The overall costs to prepare the Bureau for the year 2000 are not considered material to the Bureau's financial position or results of operations.

McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070
318 433-1063 • Fax 318 436-6618 • E-mail: info@mqb-cpa.com

Carl W. Comeaux, CPA
Barbara Hutson Gonzales, CPA
Judson J. McCann Jr., CPA
Martin L. Chebotsky, CPA, CFE
Robert M. Gani, CPA
Tina L. Demarest, CPA, CVA



Mollie C. Broussard, CPA

Charles E. Quirk, CPA
Otway J. Woods Jr., CPA
Robert E. Gargile, CPA
William A. Mancuso, CPA

Charles I. McElroy, CPA (1917-1997)
Patrick J. Reddin, CPA (1926-1995)
Frank D. Burch, CPA (1921-1991)

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

Board of Directors
Southwest Louisiana Convention and Visitors Bureau
Lake Charles, Louisiana

We have audited the financial statements of the Southwest Louisiana Convention and Visitors Bureau as of and for the year ended December 31, 1998, and have issued our report thereon dated June 22, 1999. We conducted our audit in accordance with generally accepted auditing 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 Southwest Louisiana Convention and Visitors Bureau financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Louisiana Convention and Visitors Bureau's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 judgment, could adversely affect the Bureau's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below:

1. Because of the entity's size and the limited number of accounting personnel, it is not feasible to segregate duties to achieve effective internal accounting control. This matter was also reported as a reportable condition in our prior year's report.

Management's response:

Management of the Bureau has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties. Management has attempted to mitigate this weakness by its supervision and review procedures.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 the reportable condition described above is a material weakness.

Prior year audit findings reportable conditions

Inadequate segregation of duties. This matter has been discussed above.

The entity's review process did not identify the fact that its bank depositories had not adequately secured the Bureau's public deposits in accordance with state laws during 1997. During 1998, the Bureau worked to correct this problem. Financial institutions were contacted regarding the collateralization necessary to comply with laws and were monitored by the Bureau, as well as transferring some funds into the LAMP asset pool. We did not note any noncompliance in this area for the year ended December 31, 1998.

This report is intended for the information of the 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.

Mc Gray, Quirk & Surch

Lake Charles, Louisiana

June 22, 1999