

8167

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

RECEIVED
LEGISLATIVE AUDITOR

93 JUN 19 PM 4:21

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND 1996

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 6/24/98

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, 1997
With Supplemental Information Schedules

CONTENTS

	<u>Statement</u>	<u>Page</u>
Independent Auditor's Report		1
General Purpose Financial Statements:		
Combined Balance Sheet - All Fund Types	A	3
Statements of Revenues, Expenditures and Changes in Retained Earnings - Governmental Fund Types	B	4
Statements of Revenues, Expenditures and Changes in Fund Balance - Proprietary Fund Types	C	5
Statements of Cash Flows - Proprietary Fund Types	D	6
Statement of Revenues, Expenses and Changes in Retained Earnings, Budget (GAAP Basis) and Actual - Proprietary Fund Types	E	7
Notes to the Financial Statements		8
Auditor's Report on Internal Control		18
Auditor's Report on Compliance		21
Supplement Information Schedules:		
Schedule of Findings and Questioned Costs		24
Management Letter		26
Summary Schedule of Prior Year Findings		30
Corrective Action Plan		31
Special Revenue Fund		24
Statements of Financial Position		25
Statements of Activities		26

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

General Purpose Financial Statements
As of and for the Year Ended December 31, 1997
With Supplemental Information Schedules

CONTENTS

	<u>Statement</u>	<u>Page</u>
Statements of Functional Expenses		28
Statements of Cash Flows		29
Enterprise Fund		
Schedule of Revenues & Expenses - Budget and Actual (1997)		30
Schedule of Revenues & Expenses - Budget and Actual (1996)		32

JOHN D. BUTLER & COMPANY
A PROFESSIONAL ACCOUNTING CORPORATION
P. O. BOX 30
BAKER, LOUISIANA 70704-0030

(504) 775-4982

RECEIVED
LEGISLATIVE AUDITOR
98 JUN 19 PM 4:21

INDEPENDENT AUDITOR'S REPORT

March 20, 1998

To The Board Members
Louisiana Naval War Memorial Commission
Department of Culture, Recreation and Tourism
State of Louisiana
Baton Rouge, Louisiana

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, 1997 and 1996. These financial statements are the responsibility of management of the Louisiana Naval War Memorial Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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.

Receipt Acknowledged
Legislative Auditor

By P. Manson

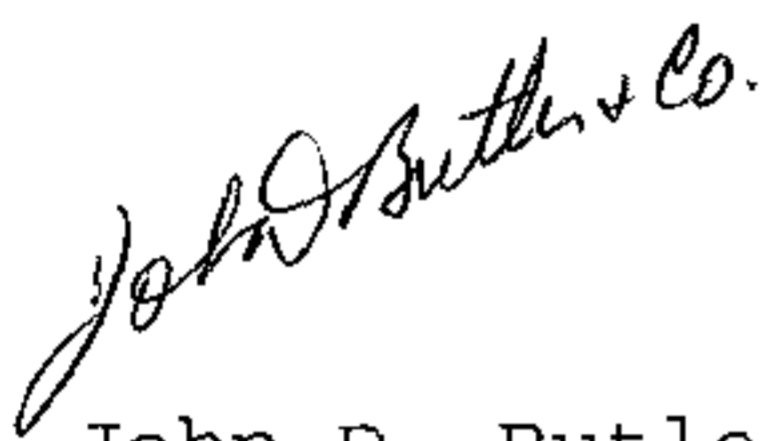
The Board Members
Louisiana Naval War Memorial Commission
March 20, 1998
page 2

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 were not taken properly at December 31, 1996 or 1997. 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 GAAP, for example, first-in / first-out, average cost, etc. The effect on the accompanying financial statements has not been determined.

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, 1997 and 1996, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Governmental Auditing Standards, we have also issued a report dated March 20, 1998 on our consideration of Louisiana Naval War Memorial Commission's internal control structure and a report dated March 20, 1998, on its compliance with laws and regulations.



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, 1997

STATEMENT A

	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>	Totals (memo only)	
			<u>1997</u>	<u>1996</u>
<u>ASSETS AND OTHER DEBITS</u>				
Cash & cash equivalents	\$ 66,351.79	\$ 10,329.80	\$76,681.59	\$ 57,845.80
Inventory	.00	19,942.30	19,942.30	16,880.83
Accounts receivable	.00	24,830.00	24,830.00	15,795.00
Investments	59,775.00	.00	59,775.00	59,040.00
Restricted assets:				
Cash & Cash equivalents	86,510.26	.00	86,510.26	24,082.11
Property and equipment, net	.00	3,675,522.55	3,675,522.55	3,782,061.99
TOTAL ASSETS AND OTHER DEBITS	212,637.05	3,730,624.65	3,943,261.70	3,955,705.73
	=====			
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>				
<u>Liabilities</u>				
Accounts payable	23,000.00	15,983.53	38,983.53	25,439.69
Accrued payroll taxes payable	.00	1,351.11	1,351.11	1,318.55
Compensated absences payable	.00	15,031.73	15,031.73	15,109.17
Unearned revenues	.00	1,000.00	1,000.00	.00
Total Liabilities	23,000.00	33,366.37	56,366.37	41,867.41
<u>Equity and Other Credits</u>				
Contributed capital	.00	3,651,271.54	3,651,271.54	3,755,706.27
Retained earnings	.00	45,986.74	45,986.74	57,162.14
Fund Balances:				
Reserved for				
Endowment	32,120.60	.00	32,120.60	17,893.41
Special Projects	54,389.66	.00	54,389.66	6,208.71
Unreserved - undesignated	103,126.79	.00	103,126.79	76,867.79
Total Equity and Other Credits	189,637.05	3,697,258.28	3,886,895.33	3,913,838.32
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	212,637.05	3,730,624.65	3,943,261.70	3,955,705.73
	=====			

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
YEAR ENDED DECEMBER 31, 1997 and 1996

STATEMENT B

	<u>Special Revenue Fund</u>	
	<u>1997</u>	<u>1996</u>
<u>REVENUES</u>		
Memberships	\$ 41,366.00	\$ 36,550.50
Investment income	7,845.54	3,575.51
Contribution revenue	<u>107,807.95</u>	<u>85,996.78</u>
Total Revenues	157,019.49	126,122.79
<u>EXPENDITURES</u>		
Professional services	14,853.00	15,316.00
Printing and postage	9,658.84	8,150.63
Program expenses	20,148.21	20,709.70
Bank charges	117.20	272.30
Fund raising expenses	<u>23,575.10</u>	<u>54,325.65</u>
Total Expenditures	<u>68,352.35</u>	<u>98,774.28</u>
EXCESS OF REVENUES OVER EXPENDITURES	88,667.14	27,348.51
FUND BALANCE, BEGINNING OF YEAR	100,969.91	86,447.40
Adjustment to Prior Period	<u>.00</u>	<u>(12,826.00)</u>
FUND BALANCE, END OF YEAR	189,637.05	100,969.91
	=====	=====

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
YEAR ENDED DECEMBER 31, 1997 and 1996

STATEMENT C

	<u>Enterprise Fund</u>	
	<u>1997</u>	<u>1996</u>
<u>OPERATING REVENUES</u>		
Admissions	\$ 172,410.50	\$ 210,688.12
Sales	80,342.62	97,445.33
Special Events	115,503.83	104,081.05
Other	<u>15,295.00</u>	<u>20,362.38</u>
Total Operating Revenues	383,651.95	432,576.88
<u>OPERATING EXPENSES</u>		
Salaries and related benefits	301,722.01	301,721.49
Administrative	137,351.17	139,736.29
Purchases	44,461.08	62,515.97
Maintenance & supplies	26,250.85	38,821.31
Projects	20,797.53	23,117.71
Depreciation	<u>35,539.44</u>	<u>108,419.49</u>
Total Operating Expenses	<u>643,122.08</u>	<u>674,332.26</u>
OPERATING LOSS	(259,470.13)	(241,755.38)
<u>NON-OPERATING REVENUES</u>		
Grant proceeds	131,860.00	125,718.00
Leases	<u>12,000.00</u>	<u>12,000.00</u>
Total Non-Operating Revenues	<u>143,860.00</u>	<u>137,718.00</u>
LOSS BEFORE AMORTIZATION ON CONTRIBUTED CAPITAL	(115,610.13)	(104,037.38)
Amortization of Contributed Capital	<u>104,434.73</u>	<u>104,434.73</u>
NET INCOME (LOSS)	(11,175.40)	397.35
RETAINED EARNINGS, BEGINNING OF YEAR	57,162.14	43,938.79
Adjustment to Prior Period	<u>.00</u>	<u>12,826.00</u>
RETAINED EARNINGS, END OF YEAR	45,986.74	57,162.14
	=====	=====

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
YEAR ENDED DECEMBER 31, 1997 and 1996

STATEMENT D

	<u>Enterprise Fund</u>	
	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash collected from customers	\$ 375,616.95	\$ 418,083.88
Cash paid to employees & suppliers	(536,090.15)	(543,171.56)
Net cash used for operating activities	(160,473.20)	(125,087.68)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grants	131,860.00	125,718.00
Leases	12,000.00	12,000.00
Net cash provided by non-capital financing activities	143,860.00	137,718.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	.00	.00
Net (decrease) increase in cash and cash equivalents	(16,613.20)	12,630.32
Cash and cash equivalents at beginning of year	26,943.00	14,312.68
Cash and cash equivalents at end of year	10,329.80	26,943.00
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating loss	(259,470.13)	(241,755.38)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	106,539.44	108,419.49
(Increase) in accounts receivable	(9,035.00)	(666.86)
(Increase) decrease in inventory	(3,061.47)	5,964.81
Increase in accounts payable	3,598.84	3,954.56
Increase (decrease) in payroll taxes payable	32.56	(388.78)
(Decrease) increase in compensated absences	(77.44)	384.48
Increase (decrease) in other liabilities	1,000.00	(1,000.00)
Total adjustments	98,996.93	116,667.70
Net cash used for operating activities	(160,473.20)	(125,087.68)

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, 1997

STATEMENT E

	ENTERPRISE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>OPERATING REVENUES</u>			
Ship admissions	\$ 172,000.00	\$ 167,789.50	\$ (4,210.50)
Museum admissions	5,000.00	4,621.00	(379.00)
Sales	43,000.00	80,342.62	37,342.62
Overnight camping	61,500.00	79,201.37	17,701.37
Reunions/Special events	6,500.00	6,505.00	5.00
Fourth of July	24,209.00	29,797.46	5,588.46
Other	9,728.00	15,395.00	5,667.00
	321,937.00	383,651.95	61,714.95
<u>OPERATING EXPENSES</u>			
Salaries & related expenses	299,572.00	301,722.01	(2,150.01)
Administrative	137,105.00	137,351.17	(246.17)
Purchases	.00	44,461.08	(44,461.08)
Maintenance & supplies	35,700.00	26,250.85	9,449.15
Projects	2,348.00	26,797.53	(24,449.53)
Depreciation	.00	106,539.44	(106,539.44)
	474,725.00	643,122.08	(168,397.08)
OPERATING LOSS	(152,788.00)	(259,470.13)	(106,682.13)
<u>NON-OPERATING REVENUES</u>			
Grants	126,240.00	131,860.00	5,620.00
Leases	12,000.00	12,000.00	.00
	138,240.00	143,860.00	5,620.00
LOSS BEFORE AMORTIZATION OF CONTRIBUTED CAPITAL	(14,548.00)	(115,610.13)	(101,062.13)
Amortization of Contributed Capital	.00	104,434.73	104,434.73
NET LOSS	(14,548.00)	(11,175.40)	3,372.60
RETAINED EARNINGS, BEGINNING OF YEAR	57,162.00	57,162.14	.14
RETAINED EARNINGS, END OF YEAR	42,614.00	45,986.74	3,372.74

The accompanying notes are an integral part of this statement.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

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 Statutes 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

A. Basis of Presentation

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.

B. 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 THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

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 municipality 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 municipality. 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.

C. 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 THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

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.

D. 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. The Foundation is presented in the accompanying financial statements, however, using governmental accounting as a blended component unit.

E. Budgets

The Commission adopted a budget for the Enterprise Fund on a functional basis. The budget was approved by the Commission in a public meeting on December 19, 1996. 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.

F. 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.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

G. 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.

H. Restricted Assets

Certain proceeds of the Foundation (Special Revenue Fund) are classified as restricted assets on the balance sheet because their use is limited by a letter of agreement. The funds have been placed in the Baton Rouge Area Foundation. No funds can be withdrawn until the corpus reaches \$250,000. After such time, 50% of the interest income may be withdrawn each calendar year for maintenance purposes only. Restricted assets also include funds whose use is designated by the donor. These funds have been placed in a separate, interest-bearing account.

I. 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. 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.

J. Compensated Absences

Most full-time employees earn sick leave and vacation leave based on the number of years of service according to rates established by Civil Service. Currently, the amount of vacation and sick leave that may be accumulated by each employee is unlimited. Upon termination,

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

an employee is compensated for up to 300 hours of unused annual leave at the employee's current hourly rate of pay. Employees may earn compensation time, with the exception of the Executive Director, at time and a half. They are encouraged to use their compensatory time within thirty (30) days.

K. Equity

Contributed Capital

Contributed capital is recorded in proprietary funds that have received contributions from other governmental units when resources are restricted for the acquisition of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such resources. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.

Reserves

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

L. Total Columns on Combined Statements

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

Note 2. Expenses - Actual and Budget

The following individual funds have actual expenses over budgeted expenses for the year ended December 31, 1997:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Enterprise Fund	\$474,725.00	\$643,122.08	\$(168,397.08)

While the Commission adopts an operating budget each year, it is not legally required to do so. Of this unfavorable amount, \$106,539.44 is due to depreciation which is a non-cash item. The actual amount includes \$44,461.08 in gift shop purchases. The Commission does not budget purchases. Instead, it budgets the net profit expected as income. The favorable variance for sales is \$37,342.62. Together, these two items account for 85% of the unfavorable variance.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

Note 3. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (book balances) at December 31, 1997:

	<u>Enterprise Fund</u>	<u>Special Revenue Fund</u>
Demand deposits	\$ 8,829.80	\$.00
Interest-bearing demand deposit	.00	152,862.05
Petty cash	<u>1,500.00</u>	<u>.00</u>
 Total	 10,329.80	 152,862.05
	=====	=====

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, 1997, the Commission had \$22,248.94 in deposits (collected bank balances), which are fully insured by federal deposit insurance. At December 31, 1997, the Foundation (Special Revenue Fund) had \$120,741.45 (collected bank balances) which are secured from risk of \$100,000 of federal deposit insurance. The remaining balance of \$20,741.45 is not secured.

Restricted cash of the Foundation (Special Revenue Fund) in the amount of \$32,120.60 is held at the Baton Rouge Area Foundation. These funds have been placed in a diversified investment pool which realized a return in 1997 of approximately 12.3%. They are considered cash equivalents.

Note 4. Investments

The Foundation (Special Revenue Fund) 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 CD is recorded as an investment as opposed to cash and cash equivalents.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

Its value fluctuates with the market. In accordance with Statement on Financial Accounting Standards, No. 124, this investment is recorded at fair value of \$59,775 at December 31, 1997. The unrealized gain in the current year of \$735 is reported as interest income.

Purchase of CD in August, 1996		\$ 60,000.00
Unrealized loss		<u>(960.00)</u>
Value at December 31, 1996		59,040.00
Unrealized gain		<u>735.00</u>
Value at December 31, 1997		59,775.00 =====

Note 5. Receivables

The following is a summary of receivables by fund type at December 31, 1997:

<u>Class of Receivable</u>	<u>Enterprise Fund</u>
Accounts:	
Docking fees	\$ 1,830.00
Foundation reimbursement	<u>23,000.00</u>
Total	24,830.00 =====

Note 6. Fixed Assets

A summary of changes in fixed assets follows:

	<u>Balance 01/01/97</u>	<u>Add</u>	<u>Deduct</u>	<u>Balance 12/31/97</u>
Land	\$ 268,500.00			\$ 268,500.00
U.S.S. Kidd (destroyer) Museum	1,905,724.79			1,905,724.79
Furniture & equipment	2,805,695.30			2,805,695.30
	<u>61,735.87</u>			<u>61,735.87</u>
Total	5,041,655.96	.00	.00	5,041,655.96 =====
Less: accum. depreciation				<u>1,366,133.41</u>
Fixed Assets, net				3,675,522.55 =====

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

Note 7. Pension Plan

All employees of the Commission are members of the Federal Social Security System. In addition to the employee contribution withheld at 7.65 percent of gross salary, the Commission contributes an additional 7.65 percent of the gross salary to the Federal Social Security System. The aggregate contributions for the year were \$19,491.39.

Note 8. Other Postemployment Benefits

The Commission does not offer any additional post employment benefits.

Note 9. Accounts, Salaries and Other Payables

The following is a summary of payables by fund types at December 31, 1997:

<u>Class of Payable</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>
Accounts	\$.00	\$ 15,983.53
Withholdings	.00	1,351.11
Foundation reimbursement	<u>23,000.00</u>	<u>.00</u>
Total	23,000.00	17,334.64
	=====	

Note 10. Compensated Absences

At December 31, 1997, employees of the Commission had accumulated and vested \$15,031.73 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.150.

Note 11. Lease and Rental Obligations

The Commission had no capital or operating lease obligations at December 31, 1997.

Note 12. Changes in Long-Term Liabilities

A summary of changes in long-term liabilities follows:

	<u>Enterprise Fund</u>
Compensated absences, beginning	\$ 15,109.17
Earned/Used, net	<u>(77.44)</u>
Compensated absences, ending	15,031.73
	=====

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

Note 13. Reserved Fund Balances

A reservation has been made for restricted cash of \$32,120.60 and \$54,389.66 at December 31, 1997. The reservation for endowment is described in Note 1, Section H. The reservation for special projects is summarized as follows:

Tin Can Sailors	\$ 4,389.86
P-40 Project	<u>50,000.00</u>
 Total	 54,389.86 =====

Note 14. 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:

Total contributed capital	\$4,978,562.00
Less: Amortization of prior years	<u>1,222,855.73</u>
 Subtotal	 3,755,706.27
Less: Amortization for current year	<u>104,434.73</u>
 Total	 3,651,271.54 =====

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

Note 15. Litigation and Claims

There is a lawsuit pending against the Louisiana Naval War Memorial Commission, which also names 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, is representing the Commission as well as the State. A tentative date for trial is August, 1998.

Note 16. Deferred Compensation Plan

Certain employees of the Commission participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

Note 17. Compensation Paid to Commission Members

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

Note 18. Subsequent Events

As a result of the 1995 audit, it was recommended that a Cooperative Endeavor Agreement be executed between the Commission and the Foundation. This agreement would outline the reimbursement by the Foundation to the Commission of postage and personnel time spent for Foundation activities by Commission resources. Such an agreement was executed in 1996, and \$12,826 was transferred to the Commission. A transfer of \$3,108 was made in 1997. It was unclear as to whether the 1996 transfer was reimbursement for 1995 or 1996.

At a meeting held in March of 1998, the Board of Directors determined that the 1996 reimbursement covered resources received from the Commission in 1995. It also approved a payment of \$13,055 for 1996 and \$13,053 for 1997. As a result, the accompanying financial statements reflect the appropriate receivable and payable at December 31, 1997 of \$23,000. They also include a prior period adjustment of \$12,826 for receipt/payment of the 1995 agreement.

JOHN D. BUTLER & COMPANY
A PROFESSIONAL ACCOUNTING CORPORATION
P. O. BOX 30
BAKER, LOUISIANA 70704-0030

(504) 775-4982

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

March 20, 1998

To The Board Members
Louisiana Naval War Memorial Commission
Department of Culture, Recreation and Tourism
State of Louisiana
Baton Rouge, Louisiana

We have audited the general purpose financial statements of the Louisiana Naval War Memorial Commission, as of and for the years ended December 31, 1997 and 1996, and have issued our report thereon dated March 20, 1998.

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 judgments 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,

To The Board Members
Louisiana Naval War Memorial Commission
March 20, 1998
page 2

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 years ended December 31, 1997 and 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operations, 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.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

Control procedures were not complied with for the physical count and pricing of inventory items. As noted in the previous audit, all inventory items were not assigned a stock number and, therefore, the computer program could not account for the items purchased or sold in that particular category.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or 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.

To The Board Members
Louisiana Naval War Memorial Commission
March 20, 1998
page 3

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Louisiana Naval War Memorial Commission, in a separate letter dated March 20, 1998.

This report is intended for the information of the audit committee, 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

JOHN D. BUTLER & COMPANY
A PROFESSIONAL ACCOUNTING CORPORATION
P. O. BOX 30
BAKER, LOUISIANA 70704-0030

(504) 775-4982

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

March 20, 1998

To The Board Members
Louisiana Naval War Memorial Commission
Department of Culture, Recreation and Tourism
State of Louisiana
Baton Rouge, Louisiana

We have audited the general purpose financial statements of the Louisiana Naval War Memorial Commission, as of and for the years ended December 31, 1997 and 1996, and have issued our report thereon dated March 20, 1998.

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 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 financial statements are free of material misstatement, we performed tests 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.

To The Board Members
Louisiana Naval War Memorial Commission
March 20, 1998
page 2

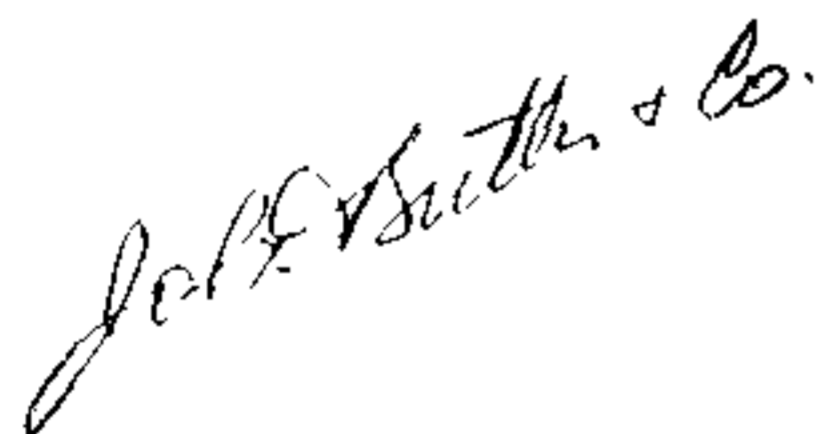
The results of our tests disclosed the following instances of noncompliance that are required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the Louisiana Naval War Memorial Commission's 1997 financial statements.

Louisiana RS 39:324 requires a complete physical inventory of the property once each physical year. The Commission did complete a physical inventory, however, it was not done timely and an adjusted inventory amount was not recorded in the books and records of the Commission during the years 1996 and 1997.

We considered these instances of noncompliance in forming our opinion on whether the Louisiana Naval War Memorial Commission's general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated March 20, 1998.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Louisiana Naval War Memorial Commission in a separate letter dated March 20, 1998.

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



John D. Butler & Company
A Professional Accounting Corporation

SUPPLEMENTAL INFORMATION SCHEDULES

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 1997

We have audited the financial statements of the Louisiana Naval War Memorial Commission, a component unit of the State of Louisiana, as of and for the year ended December 31, 1997, and have issued our report thereon dated March 20, 1998. 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, 1997, 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 Weaknesses	<input checked="" type="checkbox"/>	No
	Reportable Conditions	<input checked="" type="checkbox"/>	Yes

Compliance:	Material to Statements	<input checked="" type="checkbox"/>	No
-------------	------------------------	-------------------------------------	----

B. Management Letter

Issued and discussed with Audit Committee on June 10, 1998.

Section II Financial Statement Findings

97-1 Physical Inventory (first report as a result of the December 31, 1995 audit)

Condition: A physical inventory count was not properly taken at the close of 1996 or 1997. In addition, ending inventory was not valued using a method consistent with generally accepted accounting principles and some items were not assigned a stock number.

Criteria: A physical count of inventory is required by LA RS 39:324 to be conducted at least once a year. This, along with a valuation method consistent with generally accepted accounting principles ensures accurate financial statements. Because several items were using the same stock number (open key), the item actually sold was not available.

Effect: The value of ending inventory and cost of goods sold was not readily determinable.

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, 1997

Cause: Control procedures were not followed nor enforced.

Questioned Costs: Not available.

Recommendation: All items should be assigned a stock number. A physical inventory should be planned well enough in advance so that it can be taken in a timely manner at or as close to the end of the year as possible. Adjustments to inventory should be made monthly to more accurately value stock on hand and of cost of goods sold.

JOHN D. BUTLER & COMPANY
A PROFESSIONAL ACCOUNTING CORPORATION
P. O. BOX 30
BAKER, LOUISIANA 70704-0030

(504) 775-4982

MANAGEMENT LETTER

March 20, 1998

Louisiana Naval War Memorial Commission
Department of Culture, Recreation, and Tourism
State of Louisiana
Baton Rouge, Louisiana 70802

During the course of our audit of your books and records for the years ending December 31, 1997 and 1996, we noted the following items that we would like to bring to your attention. We offer them as a means of improving your internal control structure and management effectiveness.

MONTHLY STATEMENTS

Condition Monthly statements are prepared using the cash basis of accounting.

Reason Improvement Needed The financial position of the Commission nor its operating results are accurate as accrual adjustments for receivables, payables and inventory are not made. This may cause misunderstandings regarding the true position of the Commission.

Cause & Effect of Condition The accrual data is not communicated to the outside CPA performing monthly write-up which understates operating requirements.

Recommendation The modified accrual basis of accounting is the recommended basis for governmental units. Accounts receivable and payable should be adjusted to the actual amounts on a monthly basis. Inventory could be estimated using the gross profit method and the appropriate adjustments made.

Cost & Benefits of Recommendation There should not be any additional costs related to this recommendation. The benefit is a more accurate picture of the operating requirements and financial position of the Commission.

DAILY DEPOSITS

Condition Deposits are not being made daily and intact.

Reason Improvement Needed Strong internal control requires that all monies be deposited daily and intact.

Cause & Effect of Condition Control procedures are not being followed thereby weakening the internal control structure.

Recommendation All monies should be deposited daily and intact.

Cost & Benefits of Recommendation There is no cost associated with this recommendation which will strengthen internal control and properly safeguarding assets.

RECONCILIATION OF TICKET SALES

Condition The number of tickets sold are not reconciled to the gift shop close-out report.

Reason Improvement Needed A reconciliation is required to ensure that funds are received for all tickets sold. This will ensure the proper accounting for revenues earned.

Cause & Effect of Condition Control procedures are not in place. This, in effect, weakens the internal control structure designed to detect possible theft or under- or overstatement of revenues. For example, on 1/1/96, 40 adult tickets were sold according to the pre-numbered tickets, but collections were for 39. On the same day, 15 children tickets were sold according to the ticket numbers, but collections were for 23.

Recommendation Pre-numbered tickets sold should be reconciled to the collections on a daily basis.

Cost and Benefits of Recommendation There is no additional cost anticipated. A procedure to require daily reconciliations will enhance internal control over cash.

VOIDED SALES/REFUNDS

Condition Voiced sales and cash refunds are not being authorized by someone other than the sales clerk. An unusual amount of voids/refunds are recorded on the gift shop register tapes. (During the month of August, 1996, there was \$898.41 in voids and \$1,539.45 in refunds.) They are being recorded after closing.

Reason Improvement Needed Effective internal control indicates that voids and refunds should be reviewed and authorized by someone other than the sales clerk who initiated the sale.

Cause & Effect of Condition Control procedures are not in place which could possibly effect the amounts recorded on the financial statements. Also, it is understood that the majority of these

are caused by young school children who pick out more than they can afford. The number of children present at the time makes it difficult to prepare a void at the time of sale.

Recommendation A void and/or refund ticket should be created for each occurrence signed by the clerk and in the case of a refund, the customer. It should then be authorized by someone in accounting giving physical evidence of such authorization by signing and dating. The ticket should include the reason for the void/refund.

Cost & Benefits of Recommendation The approval of voids/refunds should not include any additional costs. The benefit of this recommendation includes enhanced internal control.

FOUNDATION REIMBURSEMENT

Condition Time sheets are not maintained by Commission personnel for work performed for the Foundation. Reimbursements are being currently being made based on estimates.

Reason Improvement Needed Article 7, Section 14 of the constitution prohibits things of value to the State or any political subdivision to be loaned, pledged or donated to or for any person, association or corporation, public or private. This includes personnel time.

Cause & Effect of Condition The estimate was deemed appropriate for 1995. However, an estimate is only as good as the assumptions made which change over time. In effect, the amounts due to the Commission could possibly be inaccurate.

Recommendation Time sheets should be maintained by Commission personnel for work performed for the Foundation. Logs for postage, etc. should also be maintained. As a result, the Commission could be reimbursed its actual cost by the Foundation as opposed to an estimate.

Cost & Benefits of Recommendation No additional cost is anticipated. The benefit is that the reimbursement would be more accurately made, and the Commission would be complying with the Constitution.

FEDERAL TAX IDENTIFICATION NUMBER

Condition The determination letter from the Internal Revenue Service recognizing the organization exempt from federal income tax under Section 504(c)(3) of the Internal Revenue Code dated August, 1980, is in the name of the Louisiana Naval War Memorial Foundation using 72-0894382. The 941s issued for the Commission use this same tax identification number with pre-printed labels from the IRS which are printed with the Commission's name.

Reason Improvement Needed It is clear that the organization represented by 72-0894382 is a 504(c)(3) organization. However, it is still unclear whether this number belongs to the Foundation

or the Commission. Our recommendation in the 1995 audit was to determine that the Foundation was tax exempt by reviewing the original Form 1023 filed in 8/80 and that the Commission obtain its own tax identification number.

Cause & Effect of Condition Private donations are currently being made to the Foundation. Such contributions to a 501(c)(3) organization are deductible as provided for in Section 170 of the Code. Without this designation, donors will be unable to include their contributions as qualified charitable deductions.

Recommendation The original Form 1023 should be examined to determine which entity actually applied and was granted tax exempt status. If it was the Commission, application should be made immediately for exempt status for the Foundation. If it was the Foundation, the Commission should obtain its own federal tax identification number and discontinue filing its reports using 72-0894382.

Cost & Benefits of Recommendation The only cost will be a minimal fee associated with filing Form 1023 if the finding is that the application made in 8/80 was for the Commission. The benefit of this recommendation is to ensure the continued contributions from private donors.

It was a pleasure working with you. If we can be of any other assistance in the above matters, please let us know.



John D. Butler & Company
A Professional Accounting Corporation

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

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 1997

Section I Internal Control and Compliance Material to the
Financial Statements

No findings were reported.

Section II Internal Control and Compliance Material to Federal
Awards

N/A

Section III Management Letter

1. Commission Personnel Spending Time on Foundation Business
(12/31/95)

Recommendation: To draft a cooperative endeavor agreement
between the Commission and the Foundation

Corrective Action: Taken

2. Federal Identification Number (12/31/95)

Recommendation: To determine whether the federal
identification number used for payroll purposes belongs to
the Commission or the Foundation

Corrective Action: Unresolved and referenced to current
year management letter finding

3. Overtime/Compensatory Time (12/31/95)

Recommendation: To adopt a policy setting forth procedures
related to overtime of non-exempt, full-time employees

Corrective Action: Taken

4. Inventory Stock Numbers (12/31/95)

Recommendation: To assign all items a stock number and
disable the open key

Corrective Action: Unresolved and referenced to current
year findings

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

CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 1997

**Section I Internal Control and Compliance Material to the
Financial Statements**

97-1 Physical Inventory

Recommendation: To assign all items a stock number, take a physical count timely each year and adopt an acceptable cost method

Corrective Action: New procedures have already been put into place to count inventory on a monthly basis, conducted by Rosemary Williams. Also, the open key was disabled, and all items in the gift shop now have a stock number. To better secure inventory and control the flow of stock from delivery to floor, the stock room locks were changed.

**Section II Internal Control and Compliance Material to Federal
Awards**

N/A

Section III Management Letter

Monthly Statements

Recommendation: to use the modified accrual basis of accounting for monthly reporting

Corrective Action: The Executive Director, Maury Drummond, has discussed the procedures necessary to implement monthly accrual statements with the outside CPA (Ellis+Apple) performing monthly write-up. These procedures will be put into place immediately.

Daily Deposits

Recommendation: To deposit all monies daily and intact

Corrective Action: Maury Drummond has discussed this recommendation with Rosemary Williams. Attempts will be made to make deposits daily, when feasible. This will begin immediately.

Reconciliation of Ticket Sales

Recommendation: To reconcile pre-numbered tickets sold to collections on a daily basis

Corrective Action: Tim Nessmith is revising the Daily Cash Report to include an area for the number of school children in a group and the amount collected as these are not issued tickets. The importance of reconciling daily has been reiterated to Rosemary Williams.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM - (Continued)
STATE OF LOUISIANA

CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 1997

Voided Sales/Returns

Recommendation: To evidence approval of voided/refunded sales by someone other than the gift shop clerk and to evidence refunds by the customer's signature.

Corrective Action: A procedure has already been put into place to require the customer's signature on all refunds. The large number of voids is due primarily as a result of school children attempting to purchase more than they can afford. Because the number of children is usually great, the sale is reentered eliminating the appropriate items. The sale to be voided is done at the end of the day when the children have gone. Maury Drummond and Rosemary Williams will be meeting over the next couple of weeks to formulate a method to avoid this situation.

Foundation Reimbursement

Recommendation: To maintain time sheets for work performed by Commission employees for Foundation business for actual reimbursement vs. estimated reimbursement.

Corrective Action: Both the Commissioners and the Foundation trustees feel that the estimates used are accurate. The reimbursement for postage is taken from a daily log maintained by Commission employees. The reimbursement for personnel time is based on time sheets kept for a four-month period in 1996. Because they feel that this method might yield different results from year to year, time sheets will be kept for a four-month period in 1998 to compute the 1999 Foundation reimbursement. This will be repeated each year.

Federal Tax Identification Number

Recommendation: To obtain a federal tax identification number for the Commission.

Corrective Action: Maury Drummond and John Butler have discussed this with Alice Tallis of Ellis+Apple. Ms. Tallis plans to submit a Form SS-4 to apply for a tax identification number for the commission. To avoid confusion with payroll records already submitted for 1998, the new number will be effective 1/1/99.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

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, 1997 AND 1996

<u>ASSETS</u>	<u>1997</u>	<u>1996</u>
CURRENT ASSETS		
Cash & cash equivalents	\$ 66,351.79	\$ 30,902.80
Cash & cash equivalents restricted for special projects	54,389.66	6,208.70
Cash & cash equivalents restricted for endowment fund	32,120.60	17,873.41
Investments	<u>59,775.00</u>	<u>59,040.00</u>
TOTAL ASSETS	212,637.05	114,024.91
=====		
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Due to LNWM Commission	23,000.00	13,055.00
NET ASSETS		
Unrestricted	103,126.59	77,050.20
Temporarily restricted	54,389.86	6,026.30
Permanently restricted	<u>32,120.60</u>	<u>17,893.41</u>
TOTAL NET ASSETS	<u>189,637.05</u>	<u>100,969.91</u>
TOTAL LIABILITIES AND NET ASSETS	212,637.05	114,024.91
=====		

LOUISIANA NAVAL WAR MEMORIAL FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
<u>UNRESTRICTED NET ASSETS</u>		
Support		
Memberships	\$ 41,366.00	\$ 36,550.50
Interest income	7,614.53	3,383.70
Contribution revenue	<u>1,800.00</u>	<u>1,800.00</u>
Total Unrestricted Support	50,780.53	41,734.20
Net Assets Released from Restrictions		
Restrictions satisfied by payments	<u>43,648.21</u>	<u>74,012.52</u>
Total Unrestricted Support and Reclassifications	94,428.74	115,746.72
Expenses		
Program services		
Activities	20,148.21	20,709.70
Communications	9,073.84	8,150.63
Supporting services		
Management and general	15,555.20	15,588.30
Fund raising	<u>23,575.10</u>	<u>54,325.65</u>
Total Expenses	<u>68,352.35</u>	<u>98,774.28</u>
INCREASE IN UNRESTRICTED NET ASSETS	26,076.39	16,972.44
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Support for the <u>Tall Ship Ellissa</u>	.00	30,498.65
Support for the Barnhouse Fund	.00	2,150.00
Support for the 4th of July Celebration	23,500.00	19,500.00
Tin Can Sailors, Inc. funding for current year	17,252.00	17,000.00
Waves funding for current year	500.00	500.00
Other funding for current year	50,759.77	.00
Net assets released from restrictions: Restrictions satisfied by payments	<u>(43,648.21)</u>	<u>(74,012.52)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	48,363.56	(4,363.87)

Continued

LOUISIANA NAVAL WAR MEMORIAL FOUNDATION
 STATEMENTS OF ACTIVITIES (Continued)
 YEARS ENDED DECEMBER 31, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
<u>PERMANENTLY RESTRICTED NET ASSETS</u>		
Endowment fund support	\$ 13,996.18	\$ 14,548.13
Interest income, net of charges	<u>231.01</u>	<u>191.81</u>
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>14,227.19</u>	<u>14,739.94</u>
INCREASE IN NET ASSETS	88,667.14	27,348.51
NET ASSETS AT BEGINNING OF YEAR	100,969.91	86,447.40
Adjustment to Prior Period	<u>.00</u>	<u>(12,826.00)</u>
NET ASSETS AT END OF YEAR	189,637.05	100,969.91
	=====	

LOUISIANA NAVAL WAR MEMORIAL FOUNDATION
 STATEMENTS OF FUNCTIONAL EXPENSES
 DECEMBER 31, 1997 AND 1996

	<u>Activities</u>	<u>Communication</u>	<u>Mgt. & General</u>	<u>Fund Raising</u>
<u>DECEMBER 31, 1996</u>				
Waves	\$ 500.00	\$.00	\$.00	\$.00
Tall Ship Ellissa	.00	.00	.00	34,048.65
Barnhouse Fund	3,532.50	.00	.00	.00
Tin Can Sailors	16,677.20	.00	.00	.00
4th of July celebration	.00	.00	.00	19,500.00
5 year fund raising plan	.00	.00	.00	777.00
Kidd's Compass	.00	6,455.15	.00	.00
Printing & postage	.00	1,695.48	.00	.00
Audit and accounting	.00	.00	3,055.00	.00
Bank charges	.00	.00	272.30	.00
Salaries	.00	.00	12,261.00	.00
	<hr/>			
Total Expenses	20,709.70	8,150.63	15,588.30	54,325.65
	=====			

DECEMBER 31, 1997

Waves	500.00	.00	.00	.00
Barnhouse Fund	782.15	.00	.00	.00
Tin Can Sailors	18,106.29	.00	.00	.00
4th of July celebration	.00	.00	.00	23,500.00
5 year fund raising plan	.00	.00	.00	75.10
Kidd's Compass	.00	7,144.64	.00	.00
Printing & postage	.00	1,929.20	585.00	.00
Audit and accounting	.00	.00	1,800.00	.00
Bank charges	.00	.00	117.20	.00
Salaries	.00	.00	13,053.00	.00
U.S.S. Hornet	500.00	.00	.00	.00
Modelers	259.77	.00	.00	.00
	<hr/>			
Total Expenses	20,148.21	9,073.84	15,555.20	23,575.10
	=====			

LOUISIANA NAVAL WAR MEMORIAL FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and donors	\$147,604.96	\$120,939.09
Cash paid for goods, services & projects	(56,607.35)	(96,316.28)
Interest received	<u>6,879.53</u>	<u>4,343.70</u>
Net cash provided by operating activities	97,877.14	28,966.51
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of long-term certificate of deposit	<u>.00</u>	<u>(60,000.00)</u>
Net cash used for investing activities	.00	(60,000.00)
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>.00</u>	<u>.00</u>
Net increase (decrease) in cash and cash equivalents	97,877.14	(31,033.49)
Cash and cash equivalents at beginning of period	<u>54,984.91</u>	<u>86,018.40</u>
Cash and cash equivalents at end of period	152,862.05	54,984.91
	=====	
SCHEDULE TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	88,667.14	27,348.51
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease in receivables	.00	429.00
(Increase) decrease in investments	(735.00)	960.00
Increase in payables	<u>9,945.00</u>	<u>229.00</u>
Net cash provided by operating activities	97,877.14	28,966.51
	=====	

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, 1997

	<u>ENTERPRISE FUND</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>Unfavorable</u>
Admissions - ship	\$172,000.00	\$167,789.50	\$(4,210.50)
Admissions - museum	5,000.00	4,621.00	(379.00)
Gift shop sales, net	43,000.00	35,881.54	(7,118.46)
Overnight camping	61,500.00	79,201.37	17,701.37
Fourth of July	24,209.00	29,797.46	5,588.46
Leases	12,000.00	12,000.00	.00
Foundation reimbursement	3,108.00	13,053.00	9,945.00
Other income	13,120.00	8,847.00	(4,273.00)
Grants	<u>126,240.00</u>	<u>131,860.00</u>	<u>5,620.00</u>
Total Income (w/o prior years)	460,177.00	483,050.87	22,873.87
Full time wages	182,330.00	186,479.78	(4,149.78)
Part-time wages	67,780.00	68,075.34	(295.34)
Payroll taxes	21,674.00	21,077.44	596.56
Insurance	20,432.00	18,895.80	1,536.20
Deferred comp.	<u>7,356.00</u>	<u>7,193.65</u>	<u>162.35</u>
Total Salaries and Related Benefits	299,572.00	301,722.01	(2,150.01)
Administrative supplies	13,400.00	14,474.61	(1,074.61)
Advertising	7,100.00	7,048.55	51.45
Insurance	31,213.00	31,213.96	(.96)
Telephones	2,000.00	2,042.03	(42.03)
Utilities	70,000.00	69,628.19	371.81
Security	700.00	486.42	213.58
Travel	5,492.00	5,257.41	234.59
Professional fees	<u>7,200.00</u>	<u>7,200.00</u>	<u>.00</u>
Total Administration	137,105.00	137,351.17	(246.17)
Museum	15,000.00	16,491.70	(1,491.70)
Exhibits	1,000.00	848.72	151.28
Gift shop	700.00	449.49	250.51
U.S.S. Kidd	16,000.00	8,460.94	7,539.06
Other	<u>3,000.00</u>	<u>.00</u>	<u>3,000.00</u>
Total Maintenance & Supplies	35,700.00	26,250.85	9,449.15

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, 1997

	ENTERPRISE FUND		
	Budget	Actual	Variance Favorable Unfavorable
Projects	\$ 1,348.00	\$ 26,797.53	\$(25,449.53)
Improvements	1,000.00	.00	1,000.00
Total Projects	2,348.00	26,797.53	(24,449.53)
Depreciation, net of amortization	.00	2,104.71	(2,104.71)
Total Expenses	474,725.00	494,226.27	(19,501.27)
NET LOSS	(14,548.00)	(11,175.40)	3,372.60
	=====		

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, 1996

	<u>ENTERPRISE FUND</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>Unfavorable</u>
Admissions - ship	\$200,000.00	\$205,592.77	\$ 5,592.77
Admissions - museum	6,000.00	5,095.35	(904.65)
Gift shop sales, net	40,000.00	34,929.36	(5,070.64)
Overnight camping	50,000.00	66,552.89	16,552.89
Fourth of July	27,150.00	34,542.48	7,392.48
Leases	12,000.00	12,000.00	.00
Foundation reimbursement	12,828.00	13,055.00	227.00
Other income	7,000.00	10,293.06	3,293.06
Grants	<u>128,020.00</u>	<u>125,718.00</u>	<u>(2,302.00)</u>
 Total Income (w/o Prior Years)	 482,998.00	 507,778.91	 24,780.91
 Full-time wages	 183,921.00	 184,555.36	 (634.36)
Part-time wages	69,580.00	68,848.75	731.25
Payroll taxes	22,780.00	22,442.15	337.85
Insurance	17,185.00	18,649.18	(1,464.18)
Deferred Comp	<u>7,230.00</u>	<u>7,226.05</u>	<u>3.95</u>
 Total Salaries & Related Benefits	 300,696.00	 301,721.49	 (1,025.49)
 Administrative supplies	 13,500.00	 13,745.43	 (245.43)
Advertising	16,050.00	16,857.03	(807.03)
Insurance	20,802.00	20,801.49	.51
Telephone	2,500.00	2,449.06	50.94
Utilities	74,057.00	69,654.48	4,402.52
Security	700.00	684.00	16.00
Travel	5,200.00	4,969.80	230.20
Professional fees	<u>10,575.00</u>	<u>10,575.00</u>	<u>.00</u>
 Total Administrative	 143,384.00	 139,736.29	 3,647.71
 Museum	 20,380.00	 21,325.50	 (945.50)
Exhibits	2,000.00	2,080.19	(80.19)
Gift shop	604.00	607.20	(3.20)
U.S.S. Kidd	16,000.00	14,808.42	1,191.58
Other	<u>3,250.00</u>	<u>.00</u>	<u>3,250.00</u>
 Total Maintenance & Supplies	 42,234.00	 38,821.31	 3,412.69

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, 1996

	ENTERPRISE FUND		
	Budget	Actual	Variance Favorable Unfavorable
Projects	\$.00	\$ 23,117.71	\$(23,117.71)
Depreciation, net of amortization	.00	3,984.76	(3,984.76)
Total Expenses	486,314.00	507,381.56	(21,067.56)
NET INCOME	(3,316.00)	397.35	3,713.35
	=====		