

VERMILIONVILLE HISTORIC FOUNDATION, INC.

Notes to Financial Statements (Continued)

deposit liabilities must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 1996, are secured as follows:

Bank balances	\$468,199
Federal deposit insurance	\$308,000
Pledged securities (Category 3)	132,669
Total Federal insurance and pledged securities	\$837,449
Deficiency of Federal insurance and pledged securities over bank balances	\$122,350

Pledged securities in Category 3 includes unsecured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Foundation's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 19:1219 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 90 days of being notified by the Foundation that the fiscal agent has failed to pay deposited funds upon demand.

(7) Management Agreement

The Foundation entered into a management agreement with the Lafayette Parish Bayou Vermilion District on July 1, 1996 wherein the Foundation would operate, manage, plan and administer Vermilionville subject to the following significant terms and conditions:

1. The terms of the agreement shall be for a term co-extensive with the term of the lease of the property which runs for a period of 20 years from April 3, 1991, unless sooner terminated in accordance with provisions set forth in the agreement.
2. The Foundation has the right to either hire and/or terminate the executive director of Vermilionville.
3. The annual budget shall be submitted to the District for review and comment prior to final adoption by the Foundation.
4. Vermilionville Historic Foundation, Inc. shall have all employees it deems necessary.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition 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, would adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the instructions of management in the financial statements.

#### **INTERNAL SEGREGATION OF ACCOUNTING FUNCTIONS**

##### **Findings:**

Due to the small number of administrative employees, the Foundation did not have adequate segregation of functions within the accounting system.

##### **Recommendation:**

Based upon current operations and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

##### **Response:**

No response is considered necessary.

A material weakness is a 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 component unit 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 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 the reportable condition described above is a material weakness.

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

*Dornall, Sikes, Kolder, Frederick & Rainey*  
A Corporation of Certified Public Accountants

Lafayette, Louisiana  
April 2, 1967

VERMILIONVILLE HISTORIC FOUNDATION, INC.

Notes to Financial Statements (Continued)

The Foundation is the custodian of the following property, plant, and equipment at December 31, 1996 which is included in the District's financial statements:

Buildings	\$3,438,007
Site improvements	1,488,923
Equipment	378,989
Furniture and fixtures	89,721
Artifacts	<u>180,292</u>
Total property, plant, and equipment	<u>\$5,585,932</u>

F. Compensated Absences

Amounts of vested or accumulated vacation leave is accrued when earned.

Full-time employees are entitled to 18 days of vacation leave a year and up to 15 days after five years of employment. Unused vacation time may be carried over from year to year but is limited to 18 days or 80 hours. Employees are credited with one day of sick leave per month worked and may begin using sick leave after six months of employment. The accumulation of sick leave is limited to 120 days or 960 hours. Usually upon separation, the employees are compensated for accumulated vacation leave and are not compensated for unused sick leave under any circumstances.

A normal leave of \$1,478 has been accrued in the Foundation's financial statement at December 31, 1996 and is included in accrued compensated absences.

G) Cash and Interest-Bearing Deposits

Under state law, the Foundation may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Foundation may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. As December 31, 1996, the Foundation has cash and Interest-Bearing Deposits (book balances) totaling \$432,079 in demand and time deposits.

These deposits are 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

**INTERNAL CONTROL AND COMPLIANCE**

#### SUPPLEMENTAL INFORMATION

VERMILIONVILLE HISTORIC FOUNDATION, INC.  
Notes to Financial Statements (Continued)

5. The District shall remain the owner of all property both movable and immovable.
6. The District shall guarantee, to the extent financially possible, the sum of \$125,000 for each fiscal year in 1993 and 1994 for the operating expenses of Vermilionville less the sums of casualty, flood and liability insurance.
7. In the event the Foundation should dissolve for whatever reason, all assets and property acquired in its name shall be transferred to the District.

14) Board Members Compensation

No per diem or other compensation was paid to the Directors of Vermilionville Historic Foundation, Inc. for the year ended December 31, 1996.

15) Retirement Commitments

All employees of the Vermilionville Historic Foundation, Inc. are members of the Social Security System. The Foundation and its employees contribute a percentage of each employee's salary to the System (3.65 percent contributed by the Foundation; 1.65 percent by the employee). The Foundation's contribution during the year ended December 31, 1996 amounted to \$24,485.

auditing procedures applied in the audit of the financial statements and, in our opinion, do fairly present in all material respects in relation to such financial statements taken as a whole.

The financial information for the preceding year which is included for comparative purposes was taken from the financial reports for that year in which we expressed an unqualified opinion on the financial statements of the Vermilionville Historic Foundation, Inc.

*Dornall, Sikes, Kolder, Frederick & Rainey*

A Corporation of Certified Public Accountants

Lafayette, Louisiana

April 2, 1993

**OTHER SUPPLEMENTAL INFORMATION**



HERRINGVILLE HISTORIC FOUNDATION, INC.  
Enterprise Fund  
Herringtonville

Comparative Balance Sheet  
December 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and interest-bearing deposits	\$180,290	\$118,078
Due from primary government	-	1,821
Prepaid expenses	8,893	8,899
Inventory	34,882	34,825
Other current assets	2,863	12,881
Total current assets	<u>322,828</u>	<u>186,504</u>
<b>Restricted assets:</b>		
Cash and interest-bearing deposits	191,788	120,301
Accrued business receivable	1,388	1,382
Total restricted assets	<u>193,176</u>	<u>121,683</u>
Total assets	<u>\$515,769</u>	<u>\$409,790</u>
<b>LIABILITIES AND RETAINED EARNINGS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 18,334	\$ 27,073
Accrued expenses	10,891	9,358
Deferred revenues	50,556	8,358
Total current liabilities	<u>79,781</u>	<u>44,789</u>
<b>Long-term liabilities:</b>		
Accrued compensated absences	1,633	1,590
Total liabilities	<u>81,414</u>	<u>46,379</u>
<b>Retained earnings:</b>		
Reserved for capital expenses	181,130	121,888
Unreserved	286,188	165,573
Total retained earnings	<u>467,318</u>	<u>287,461</u>
Total liabilities and retained earnings	<u>\$515,769</u>	<u>\$409,790</u>

The accompanying notes are an integral part of this statement.

# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

A CORPORATION OF MISSISSIPPI (A SUCCESSOR)

1988

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MEMPHIS  
REGISTERED OFFICE: 678-1000

## Independent Auditor's Report on Compliance with Laws and Regulations Based on an Audit of Component Unit Financial Statements Performed in Accordance with Government Auditing Standards

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The Board of Directors  
Vermilionville Historic Foundation, Inc.  
Lafayette, Louisiana

We have audited the component unit financial statements of the Vermilionville Historic Foundation, Inc. as of and for the year ended December 31, 1998, and have issued our report thereon dated April 3, 1999.

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 component unit financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Vermilionville Historic Foundation, Inc. is the responsibility of the Board of Directors of the Vermilionville Historic Foundation, Inc.. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Foundation's compliance with certain provisions of laws, regulations and contracts. However, the objective of our audit of the component unit financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

We noted a certain immaterial instance of noncompliance that we have reported to the Management of the Foundation in a separate letter dated April 2, 1999.

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

*Darnall, Sikes, Kolder, Frederick & Rainey*  
A Corporation of Certified Public Accountants

Lafayette, Louisiana  
April 2, 1999

MEMBER OF  
INTERNATIONAL SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS  
QUALITY ASSURANCE  
SERVICES PROGRAM

VERMILIONVILLE HISTORIC FOUNDATION, INC.  
 Enterprise Fund  
 Vermilionville

Comparative Statement of Revenue, Expenses, and Changes in Retained Earnings -  
 Proprietary Fund Type  
 Years Ended December 31, 1986 and 1985

	<u>1986</u>	<u>1985</u>
Operating revenues:		
Charges, fees and sales -		
Gate admissions	\$253,488	\$236,066
Memberships and corporate sponsorships	33,822	38,486
Restaurant sales	609,885	575,159
Gift shop sales	139,290	138,976
Miscellaneous -		
Appropriation from City/Parish Government	60,800	65,887
Interest Income	15,843	5,173
Other	8,830	21,273
Total operating revenues	<u>1,561,313</u>	<u>1,375,826</u>
Operating expenses:		
Restaurant	391,124	386,898
Gift shop	93,518	86,828
General and administrative	669,389	662,633
Total operating expenses	<u>1,154,031</u>	<u>1,136,359</u>
Operating income (loss)	<u>407,282</u>	<u>239,467</u>
Nonoperating revenues (expenses):		
Fundraising revenue	32,920	-
Fundraising expenses	(12,443)	-
Hotel/Motel taxes	-	100,710
Forgiveness of debt	-	24,881
Capital expenses	(132,873)	(182,893)
Total nonoperating revenues (expenses)	<u>(101,396)</u>	<u>42,708</u>
Income (loss) before operating transfers	<u>(12,114)</u>	<u>282,175</u>
Operating transfers:		
From primary government - Lafayette Parish		
From Vermilion District	(271,908)	(280,908)
Net income	113,066	301,267
Retained earnings, beginning	<u>365,361</u>	<u>132,836</u>
Retained earnings, ending	<u>\$478,427</u>	<u>\$434,103</u>

The accompanying notes are an integral part of this statement.

VERMILIONVILLE HISTORIC FOUNDATION, INC.  
Entrepreneur Fund  
Vermilionville

Comparative Statement of Cash Flows  
Years Ended December 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cash Flows from operating activities:		
Operating Income (Loss)	\$ 4,482	\$ (13,182)
Adjustments to reconcile operating income (Loss) to net cash provided by operating activities -		
Change in assets and liabilities:		
Decrease in due from other funds	3,821	94,971
Decrease in prepaid expenses	1,785	387
Increase in inventory	(28)	(3,701)
Decrease (increase) in other current assets	18,236	(8,538)
Decrease (increase) in accrued interest receivable	13	(1,381)
Increase (decrease) in accounts payable	(10,739)	4,329
Increase (decrease) in accrued expenses	753	(11,918)
Increase in deferred revenues	4,796	1,893
Decrease in accrued compensated absences	(675)	(626)
Total adjustments	<u>9,638</u>	<u>37,752</u>
Net cash provided by operating activities	<u>14,120</u>	<u>24,570</u>
Cash Flows from noncapital financing activities:		
Operating transfers in from other funds	125,808	360,808
Net fundraising revenues	<u>39,675</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>165,483</u>	<u>360,808</u>
Cash flows from capital and related financing activities:		
Bond/Note/ Loan received	-	185,715
Payment for capital expenses	<u>(12,823)</u>	<u>(89,835)</u>
Net cash provided (used) by capital and related financing activities	<u>(12,823)</u>	<u>95,880</u>
Net increase in cash and cash equivalents	140,674	319,283
Cash and cash equivalents, beginning of year	<u>318,382</u>	<u>135,880</u>
Cash and cash equivalents, end of year	<u>\$459,056</u>	<u>\$455,163</u>

The accompanying notes are an integral part of this statement.

VERMILIONVILLE HISTORIC FOUNDATION, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The financial statements of Vermilionville Historic Foundation, Inc. (Foundation) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the Foundation includes all funds and activities that are controlled by the Foundation. The Foundation is a component unit of the Lafayette Parish Bayou Vermilion District, the primary government, and is included in the financial reporting of the Lafayette Parish Bayou Vermilion District (District). Although legally separate from the District, the Foundation provides a management service which almost exclusively benefits the Lafayette Parish Bayou Vermilion District.

Vermilionville Historic Foundation, Inc. is a corporate body created under Chapter 32 of Title 12 of the Louisiana Revised Statutes of 1950, comprised of R.S. 12:181173. The Foundation was formed for the support, management and furtherance of Vermilionville, a living history museum, whose purpose is to preserve and interpret authentic elements of folklife and cultures of the Atchafalaya area between 1849 and 1883. Since the creation of the Foundation, the Foundation has entered into agreements with the District to manage Vermilionville. The first management agreement was in effect for the period January 1, 1985 to January 31, 1985. The second management agreement became effective July 1, 1985 and is currently effective. The District managed Vermilionville for the period February 1, 1985 through June 30, 1985.

Vermilionville Historic Foundation, Inc. is governed by a Board of Directors composed of thirteen members. One member shall be a member of the Lafayette Parish Bayou Vermilion District, one member shall be appointed by the Parish President of Lafayette Parish, one member shall be appointed by the Mayor of the City of Lafayette and two members-at-large shall be elected by the members of the Board as chosen by the above appointing authorities. Said at-large members shall be chosen from among applicants or nominations, from various civic, educational, ethnic or business organizations, and the Lafayette Parish Bayou Vermilion District President.

VERMILIONVILLE HISTORIC FOUNDATION, INC.

Notes to Financial Statements (Continued)

4. Fund Accounting

The accounts of the Foundation are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The fund in the financial statements in this report is as follows:

Proprietary Fund -

Enterprise Fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the interest of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Foundation's enterprise fund is Vermilionville.

Vermilionville began operations on April 1, 1996. Vermilionville operates as a commemorative museum of living history which preserves and re-creates the elements of folklife of the culture who settled the Atchafalaya area of South Louisiana between 1763 and 1890. Services are financed by user charges, membership fees, and sales of food, beverages and souvenirs.

5. Basis of Accounting

The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are generally recognized when they are earned and expenses are recognized when incurred. Membership income is recorded as revenue in the period received since the obligation to provide member services at a future date to the Foundation is not evident.

VERMILIONVILLE HISTORIC FOUNDATION, INC.

Notes to Financial Statements (Continued)

D. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

E. Statement of Cash Flows

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 1990, are recorded as prepaid expenses.

G. Inventories

Inventories are valued at the lower of cost or market.

H. Restricted Assets

Certain assets are classified as restricted assets because their use is restricted. House Bill No. 5728 of the regular session of 1990 provided that a portion of the proceeds of the state sales and use tax imposed in Lafayette Parish shall be allocated one-third to the Acadian Village and two thirds to Vermilionville for fiscal years 1990-1991 and 1991-1992 for capital expenditures.

I. Property, Plant and Equipment

Property, plant and equipment acquired by the proprietary fund is not capitalized. Instead, capital acquisition and construction expenses is reflected as an expense when incurred. Lafayette Parish Bayou Vermilion District is the rightful owner of all property, both movable and immovable and therefore, the assets are reported in the general fixed assets account group of the District. The Foundation is the custodian of the property, plant, and equipment.

COMPONENT UNIT FINANCIAL STATEMENTS



# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

ACCOUNTANTS AND TAX CONSULTANTS

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Fiscal Control CPA club

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Vermillionville Historic Foundation, Inc.  
Lafayette, Louisiana

We have audited the accompanying financial statements of the Vermillionville Historic Foundation, Inc., a component unit of Lafayette Parish, Rapin Vermillion District, as of and for the year ended December 31, 1996. These financial statements are the responsibility of the Foundation's management. 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 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 misstatements. 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Vermillionville Historic Foundation, Inc., as of December 31, 1996, and the results of its operations and the cash flows of its proprietary fund type 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 April 2, 1997 as our consideration of the Vermillionville Historic Foundation, Inc.'s internal control structure and a report dated April 2, 1997 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Supplemental Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Vermillionville Historic Foundation, Inc. Such information has been subjected to the

DARNALL  
SIKES, KOLDER, FREDERICK &  
RAINEY  
ACCOUNTANTS AND TAX CONSULTANTS  
1000 LA LOUISIANA CPA  
LAFAYETTE, LOUISIANA 70501

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**VERMILIONVILLE HISTORIC  
FOUNDATION, INC.**  
Lafayette, Louisiana

**Financial Report**

**Year Ended December 31, 1995**

This report provides a true and fair view of the report as presented to the public. A copy of this report shall be made available to the public to the extent possible, including electronically, upon request by the public. This report is available for public inspection at the State House Building, Legislative Office Building, where appropriate, at the office of the parish clerk of court.

Release Date: April 20, 1996

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# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

1996

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## MANAGEMENT LETTER

The Board of Directors  
Verdeville Historic Foundation, Inc.  
Lafayette, Louisiana

During our audit of the financial statements of the Verdeville Historic Foundation, Inc. as of and for the year ended December 31, 1995, we noted a certain immaterial instance of noncompliance that is required to be reported to management as follows:

- FINDING:** Bank balances were under secured by \$12,750 as December 31, 1995. La. Rev. Stat. 39:1225 requires that one hundred percent of bank balances be secured by FDIC insurance and securities pledged by the depositing bank.
- RECOMMENDATION:** Controls should be improved to make certain that bank balances are monitored and that FDIC insurance and/or securities are pledged to adequately secure deposits at all times.
- RESPONSE:** Controls have been improved to make certain that bank balances are secured at all times.

We would like to express our appreciation to you and your office staff for the assistance and assistance rendered to us in the performance of our audit. Should you have any questions or need assistance in implementing this recommendation, please feel free to contact us.

*Darnall, Sikes, Kolder, Frederick & Rainey*  
A Corporation of Certified Public Accountants

Lafayette, Louisiana  
April 2, 1997

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
1001 P.O. BOX 1000  
HOUSTON, TEXAS 77255-1000

VERMILIONVILLE HISTORICAL FOUNDATION, INC.  
 Enterprise Fund  
 Vermilionville

Comparative Schedule of Operating Expenses  
 Years Ended December 31, 1998 and 1999

	<u>1998</u>	<u>1999</u>
<b>Restaurant:</b>		
Salaries	\$187,484	\$187,300
Payroll taxes and benefits	17,397	25,101
Food costs	143,396	131,934
Supplies and small equipment	17,310	19,298
Special events	5,805	5,313
Total restaurant	<u>371,392</u>	<u>368,946</u>
<b>Gift shop:</b>		
Salaries	27,393	21,578
Payroll taxes and benefits	5,856	1,647
Merchandise	60,974	68,383
Freight	1,123	1,065
Supplies	214	443
Total gift shop	<u>96,560</u>	<u>94,116</u>
<b>General and administrative:</b>		
Salaries	208,437	199,716
Payroll taxes and benefits	51,891	59,319
Security	2,488	2,685
Grounds maintenance	5,413	3,592
Utilities	38,324	38,353
Telephone	7,151	7,991
Advertisements and public relations	18,977	17,167
Fundraising fees	19,040	18,240
Performers	58,866	57,869
Bank fees	7,380	7,800
Outside services	5,844	4,315
Insurance	38,885	41,593
Pest control	3,694	3,658
Land rent	7,800	7,800
Supplies	12,843	7,925
Bank and credit card charges	4,743	4,412
Postage	1,420	2,839
Support programs	248	1,818
Other	4,313	8,112
Total general and administrative	<u>681,799</u>	<u>667,613</u>
<b>Total operating expenses</b>	<u><u>\$847,453</u></u>	<u><u>\$843,151</u></u>

# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

A CORPORATION OFFICE FOR A VARIETY

1984

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## MEMORANDUM

Report to Board, 12/28/84

### Independent Auditor's Report on Internal Control Structure Based on an Audit of Component Unit Financial Statements Performed in Accordance with Government Auditing Standards

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The Board of Directors  
Natchitoches Historic Foundation, Inc.  
Lafayette, Louisiana

We have audited the component unit financial statements of Natchitoches Historic Foundation, Inc. as of and for the year ended December 31, 1984 and have issued our report thereon dated April 2, 1985.

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

The Directors of Natchitoches Historic Foundation, Inc. are responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assist 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 recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, the possibility of any evaluation of the structure in 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 component unit financial statements of Natchitoches Historic Foundation, Inc. for the year ended December 31, 1984, 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 operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

MEMORANDUM  
FOR THE BOARD OF DIRECTORS  
OF NATCHITOCHE HISTORIC FOUNDATION, INC.  
LAFAYETTE, LOUISIANA