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

Financial Report

Year Ended December 31, 1998

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

Release Date ~~March 2, 1999~~

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Vermilionville Historic Foundation, Inc., a component unit of Lafayette Parish Bayou Vermilion District, as of and for the year ended December 31, 1998. 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 Vermilionville Historic Foundation, Inc., as of December 31, 1998, 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 March 5, 1999 on our consideration of Vermilionville Historic Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of 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 Vermilionville Historic Foundation, Inc. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented 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 report for that year in which we expressed an unqualified opinion on the financial statements of Vermilionville Historic Foundation, Inc.

Kolder, Champagne, Slaven & Rainey, LLC
Certified Public Accountants

Lafayette, Louisiana
March 5, 1999

COMPONENT UNIT FINANCIAL STATEMENTS

VERMILIONVILLE HISTORIC FOUNDATION, INC.
Proprietary Fund Type - Enterprise Fund
Vermilionville

Comparative Balance Sheet
December 31, 1998 and 1997

| | 1998 | 1997 |
|--|-----------|-----------|
| ASSETS | | |
| Current assets: | | |
| Cash and interest-bearing deposits | \$282,563 | \$278,847 |
| Due from other governments | 6,667 | - |
| Prepaid expenses | 3,452 | 3,575 |
| Inventory | 34,744 | 32,509 |
| Other | 1,223 | 2,524 |
| Total current assets | 328,649 | 317,455 |
| Restricted assets: | | |
| Cash and interest-bearing deposits | 76,617 | 142,995 |
| Accrued interest receivable | 3,297 | 4,107 |
| Total restricted assets | 79,914 | 147,102 |
| Total assets | \$408,563 | \$464,557 |
| LIABILITIES AND RETAINED EARNINGS | | |
| Current liabilities: | | |
| Accounts payable | \$ 14,442 | \$ 10,205 |
| Accrued expenses | 21,698 | 16,489 |
| Deferred revenues | 14,988 | 14,987 |
| Total current liabilities | 51,128 | 41,681 |
| Long-term liabilities: | | |
| Accrued compensated absences | 450 | 890 |
| Total liabilities | 51,578 | 42,571 |
| Retained earnings: | | |
| Reserved for capital expenses | 79,914 | 147,102 |
| Unreserved | 277,071 | 274,884 |
| Total retained earnings | 356,985 | 421,986 |
| Total liabilities and retained earnings | \$408,563 | \$464,557 |

The accompanying notes are an integral part of this statement.

VERMILIONVILLE HISTORIC FOUNDATION, INC.
Proprietary Fund Type - Enterprise Fund
Vermilionville

Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings
Years Ended December 31, 1998 and 1997

| | <u>1998</u> | <u>1997</u> |
|---|-------------------------|-------------------------|
| Operating revenues: | | |
| Charges, fees and sales - | | |
| Gate admission | \$225,047 | \$237,808 |
| Memberships | 20,731 | 20,515 |
| Restaurant and special events | 467,337 | 401,587 |
| Gift shop | 129,415 | 121,278 |
| Miscellaneous - | | |
| Appropriation from City/Parish Government | 40,000 | 54,947 |
| Interest income | 12,065 | 15,908 |
| Other | 23,060 | 11,200 |
| Total operating revenues | <u>917,655</u> | <u>863,243</u> |
| Operating expenses: | | |
| Restaurant | 338,025 | 313,344 |
| Gift shop | 84,197 | 82,099 |
| General and administrative | 546,122 | 486,446 |
| Total operating expenses | <u>968,344</u> | <u>881,889</u> |
| Operating loss | <u>(50,689)</u> | <u>(18,646)</u> |
| Nonoperating revenues (expenses): | | |
| Fundraising revenues | 5,459 | - |
| Fundraising expenses | (2,244) | - |
| Capital expenses | (90,341) | (58,140) |
| Total nonoperating revenues (expenses) | <u>(87,126)</u> | <u>(58,140)</u> |
| Loss before operating transfers | (137,815) | (76,786) |
| Other financing sources: | | |
| Operating transfers in | <u>72,814</u> | <u>21,447</u> |
| Net loss | (65,001) | (55,339) |
| Retained earnings, beginning | <u>421,986</u> | <u>477,325</u> |
| Retained earnings, ending | <u><u>\$356,985</u></u> | <u><u>\$421,986</u></u> |

The accompanying notes are an integral part of this statement.

VERMILIONVILLE HISTORIC FOUNDATION, INC.
Proprietary Fund Type - Enterprise 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 loss | <u>\$ (50,689)</u> | <u>\$ (18,646)</u> |
| <i>Adjustments to reconcile net operating loss to net cash provided by operating activities -</i> | | |
| Changes in current assets and liabilities: | | |
| Decrease in prepaid expenses | 123 | 1,418 |
| (Increase) decrease in inventory | (2,235) | 2,173 |
| Increase in due from other governments | (6,667) | - |
| Decrease in other current assets | 1,301 | 123 |
| Increase (decrease) in accrued interest receivable | 810 | (2,739) |
| Increase (decrease) in accounts payables | 4,237 | (6,129) |
| Increase in accrued expenses | 5,209 | 6,398 |
| Increase in deferred revenues | 1 | 4,393 |
| Decrease in accrued compensated absences | (440) | (535) |
| Total adjustments | <u>2,339</u> | <u>5,102</u> |
| Net cash used by operating activities | <u>(48,350)</u> | <u>(13,544)</u> |
| <i>Cash flows from noncapital financing activities:</i> | | |
| Net monies raised from antique show | 3,215 | - |
| Operating transfers in from other funds | <u>72,814</u> | <u>21,447</u> |
| Net cash provided from noncapital financing activities | <u>76,029</u> | <u>21,447</u> |
| <i>Cash flows from capital and related financing activities:</i> | | |
| Capital expenses | <u>(90,341)</u> | <u>(58,140)</u> |
| Net decrease in cash and cash equivalents | (62,662) | (50,237) |
| Cash and cash equivalents, beginning of year | <u>421,842</u> | <u>472,079</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 359,180</u></u> | <u><u>\$ 421,842</u></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. 12:201(7). 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 Attakapas area between 1769 and 1890. Since the creation of the Foundation, the Foundation has entered into two agreements with the District to manage Vermilionville. The first management agreement was in effect for the period January 1, 1993 to January 31, 1996. The second management agreement became effective July 1, 1996 and is currently effective. The District managed Vermilionville for the period February 1, 1996 through June 30, 1996.

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 ten members-at-large shall be elected by the members of the Board so chosen by the above appointing authorities. Said at-large members shall be chosen from among applicants or nominations, from various civic, cultural, ethnic or business organizations, and the Lafayette Parish Bayou Vermilion District President.

B. 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.

VERMILIONVILLE HISTORIC FOUNDATION, INC.

Notes to Financial Statements (Continued)

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

Vermilionville began operations on April 1, 1990. Vermilionville operates as a commemorative museum of living history which preserves and re-creates the elements of folklife of the cultures who settled the Attakapas area of South Louisiana between 1765 and 1890. Services are financed by user charges, membership fees, and sales of food, beverages and souvenirs.

C. 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. Vermilionville applies all applicable FASB pronouncements issued after November 30, 1989 in accounting and reporting for its enterprise fund. Membership income is recorded as revenue in the period received since the obligation to provide member services at a future cost to the Foundation is not evident.

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, 1998, are recorded as prepaid expenses.

VERMILIONVILLE HISTORIC FOUNDATION, INC.

Notes to Financial Statements (Continued)

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. 1720 of the regular session of 1992 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 Acadiana Village and two thirds to Vermilionville for fiscal years 1993-1994 and 1994-1998 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.

The Foundation is the custodian of the following property, plant, and equipment at December 31, 1998 which is included in the District's financial statements:

| | |
|-------------------------------------|--------------------|
| Buildings | \$3,419,057 |
| Site improvements | 1,499,523 |
| Equipment | 304,228 |
| Furniture and fixtures | 89,721 |
| Artifacts | <u>258,778</u> |
| Total property, plant and equipment | <u>\$5,571,307</u> |

J. Compensated Absences

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

Full-time employees are entitled to 10 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 10 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.

Annual leave of \$450 has been accrued in the Foundation's financial statement at December 31, 1998 and is included in accrued compensated absences.

VERMILIONVILLE HISTORIC FOUNDATION, INC.

Notes to Financial Statements (Continued)

(2) 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. At December 31, 1998, the Foundation has cash and interest-bearing deposits (book balances) totaling \$359,180 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 deposit insurance 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, 1998, are secured as follows:

| | |
|--|------------------|
| Bank balances | <u>\$349,400</u> |
| Federal deposit insurance | \$200,000 |
| Pledged securities (Category 3) | <u>247,209</u> |
| Total federal insurance and pledged securities | <u>\$447,209</u> |
| Excess of federal insurance and pledged securities over bank balances | <u>\$ 97,809</u> |

Pledged securities in Category 3 includes uninsured 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 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Foundation that the fiscal agent has failed to pay deposited funds upon demand.

(3) Management Agreement

The Foundation reentered into a management agreement with the Lafayette Parish Bayou Vermilion District on July 1, 1994 whereas 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 5, 1991, unless sooner terminated in accordance with provisions set forth in the agreement.

VERMILIONVILLE HISTORIC FOUNDATION, INC.

Notes to Financial Statements (Continued)

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 hire all employees it deems necessary.
5. The District shall remain the owner of all property both movable and immovable.
6. The District shall guarantee, to the extent fiscally possible, the sum of \$125,000 for each fiscal year in 1995 and 1996 for the operating expenses of Vermilionville less the costs of casualty, flood and liability insurance.
7. In the event the Foundation should dissolve for whatever reason, all monies and property acquired in its name shall be transferred to the District.

(4) 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, 1998.

(5) 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 (7.65 percent contributed by the Foundation; 7.65 percent by the employee). The Foundation's contribution during the year ended December 31, 1998 amounted to \$33,154.

SUPPLEMENTAL INFORMATION

INTERNAL CONTROL AND COMPLIANCE

KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC

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Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the component unit financial statements of Vermilionville Historic Foundation, Inc. as of and for the year ended December 31, 1998 and have issued our report thereon dated March 5, 1999. We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Foundation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Inadequate Segregation of Accounting Functions

Finding:

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 internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. 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.

Kolder, Champagne, Slaven & Rainey, LLC
Certified Public Accountants

Lafayette, Louisiana
March 18, 1998

OTHER SUPPLEMENTAL INFORMATION

VERMILIONVILLE
Proprietary Fund Type - Enterprise Fund
Vermilionville

Comparative Schedule of Operating Expenses
Years Ended December 31, 1998 and 1997

| | <u>1998</u> | <u>1997</u> |
|----------------------------------|------------------|------------------|
| Restaurant: | | |
| Salaries | \$148,874 | \$126,910 |
| Payroll taxes and benefits | 18,371 | 14,910 |
| Food costs | 150,512 | 151,797 |
| Supplies and small equipment | <u>20,268</u> | <u>19,727</u> |
| Total restaurant | <u>338,025</u> | <u>313,344</u> |
| Gift shop: | | |
| Salaries | 15,744 | 15,581 |
| Payroll taxes and benefits | 2,178 | 2,125 |
| Merchandise | 63,780 | 62,971 |
| Freight | 1,240 | 1,092 |
| Supplies | <u>1,255</u> | <u>330</u> |
| Total gift shop | <u>84,197</u> | <u>82,099</u> |
| General and administrative: | | |
| Salaries | 268,144 | 220,585 |
| Payroll taxes and benefits | 33,482 | 30,722 |
| Security | 2,214 | 1,926 |
| Grounds maintenance | 12,220 | 10,280 |
| Artifact restoration | 6,831 | - |
| Utilities | 40,108 | 36,730 |
| Telephone | 8,592 | 7,800 |
| Advertisement | 21,748 | 25,365 |
| Professional fees | 19,800 | 18,300 |
| Performers | 49,555 | 51,850 |
| Audit fees | 7,200 | 7,200 |
| Outside services | 12,486 | 11,849 |
| Insurance | 20,491 | 21,078 |
| Pest control | 5,430 | 5,499 |
| Land rent | 650 | 7,800 |
| Supplies | 20,449 | 17,521 |
| Bank charges | 6,943 | 5,229 |
| Postage | 2,727 | 2,000 |
| Support programs | 252 | 350 |
| Other | <u>6,800</u> | <u>4,362</u> |
| Total general and administrative | <u>546,122</u> | <u>486,446</u> |
| Total operating expenses | <u>\$968,344</u> | <u>\$881,889</u> |

VERMILIONVILLE HISTORIC FOUNDATION, INC.
Proprietary Fund Type - Enterprise Fund
Vermilionville

Corrective Action Plan and Summary of Prior Year Finding
December 31, 1998

Inadequate Segregation of Accounting Functions

Due to the small number of administrative employees, the Foundation did not have adequate segregation of accounting functions. This finding was mentioned in the December 31, 1997 audit and is mentioned again in this report. Based upon current operations and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.