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VERMILION ASSOCIATION FOR
RETARDED CITIZENS, INC.
ERATH, LOUISIANA

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

JUNE 30, 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 SEP 6 1998

VERMILION ASSOCIATION FOR RETARDED CITIZENS, INC.

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ALLEN J. LaBRY, CPA
A PROFESSIONAL ACCOUNTING CORPORATION

ALLEN J. LABRY, CPA

August 17, 1998

INDEPENDENT AUDITOR'S REPORT

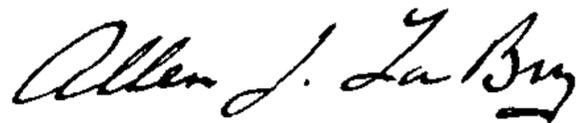
Board of Directors
Vermilion Association for Retarded Citizens, Inc.
809 S. Severin
Erath, Louisiana 70533

I have audited the accompanying statements of financial position of Vermilion Association for Retarded Citizens, Inc. (a nonprofit organization) as of June 30, 1998 and the related statements of *activities and cash flows* for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based upon my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermilion Association for Retarded Citizens, Inc., at June 30, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated August 17, 1998, on my conclusion of Vermilion Association for Retarded Citizens, Inc.'s internal control structure and a report dated August 17, 1998, on its compliance with laws and regulations.



Allen J. LaBry
Certified Public Accountant

AL:jt



ALLEN J. LaBRY, CPA
A PROFESSIONAL ACCOUNTING CORPORATION

ALLEN J. LABRY, CPA

August 17, 1998

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

Board of Directors
Vermilion Association For Retarded Citizens, Inc.
809 S. Severin
Erath, LA 70533

I have audited the financial statements of Vermilion Association For Retarded Citizens, Inc. (The Association - a nonprofit organization), as of and for the year ended June 30, 1998, and have issued my report thereon dated August 17, 1998.

I conducted my 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 I 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 Association is the responsibility of the Association's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Association's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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



Allen J. LaBry
Certified Public Accountant

AL:jt



ALLEN J. LaBRY, CPA
A PROFESSIONAL ACCOUNTING CORPORATION

ALLEN J. LABRY, CPA

August 17, 1998

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

Board of Directors
Vermilion Association For Retarded Citizens, Inc.
809 S Severin
Erath, LA 70533

I have audited the financial statements of Vermilion Association For Retarded Citizens, Inc. (The Association), as of and for the year ended June 30, 1998, and have issued my report thereon dated August 17, 1998.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Association 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 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, projection of any

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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 my audit of the financial statements of the Association for the year ended June 30, 1998, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

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

In my consideration of the internal control structure, I noted that, as a reportable condition, the limited number of employees preclude an adequate segregation of duties and other features of an adequate internal control structure. To employ such controls may not be cost beneficial for the Association.

A material weakness is a reportable condition in which the design or operation of one or more of the 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 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.

My 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, I believe none of the reportable conditions described above is a material weakness.

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



Allen J. LaBry
Certified Public Accountant

AL:jt

VERMILION ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1998

ASSETS

CURRENT ASSETS

CASH (NOTE 2)	\$21,977
CERTIFICATES OF DEPOSIT	257,251
ACCOUNTS RECEIVABLE	9,524

TOTAL CURRENT ASSETS	\$288,752
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NONCURRENT ASSETS

PROPERTY, PLANT & EQUIPMENT AT COST, NET OF ACCUMULATED DEPRECIATION (NOTE 3)	50,137
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TOTAL ASSETS	\$338,889
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

ACCOUNTS PAYABLE	\$1,225
PAYROLL TAX PAYABLE	0
STATE W/H TAX PAYABLE	0

TOTAL CURRENT LIABILITIES	1,225
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UNRESTRICTED NET ASSETS	337,664
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TOTAL LIABILITIES AND NET ASSETS	\$338,889
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VERMILION ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 1998

UNRESTRICTED NET ASSETS:

SUPPORT

SUPPORT—OFFICE OF MENTAL RETARDATION	\$104,806
CONTRIBUTIONS AND GRANTS	41,789

TOTAL UNRESTRICTED SUPPORT	146,595
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REVENUE

PARAMAX INCOME	10,614
CLIENT WORK INCOME	16,354
INTEREST INCOME	14,153
DUES	798

TOTAL UNRESTRICTED REVENUE	41,919
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TOTAL UNRESTRICTED REVENUES AND SUPPORT	188,514
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EXPENSES — PROGRAM SERVICES

ACCOUNTING	2,275
AUTO EXPENSE	11,966
CONVENTION	440
DEPRECIATION	14,317
DUES	2,134
INSURANCE	14,044
LICENSING	150
OFFICE SUPPLIES	4,001
PLANT SUPPLIES & REPAIRS	1,023
POSTAGE	223
REPAIRS & MAINTENANCE	130
SALARIES	80,213
SALARIES—CLIENT WORK	10,867
SECURITY	460
SUPPLIES—CLIENT WORK	456
TAXES—PAYROLL	567
TELEPHONE	7,062
TRAINING STAFF	790
UTILITIES	2,225

TOTAL EXPENSES	153,343
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INCREASE IN UNRESTRICTED NET ASSETS	35,171
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NET ASSETS AT BEGINNING OF YEAR	302,493
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NET ASSETS AT END OF YEAR	\$337,664
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VERMILION ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1998

CASH FLOWS FROM OPERATING ACTIVITIES:

CHANGE IN NET ASSETS	\$35,171
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
DEPRECIATION	14,317
DECREASE IN ACCOUNTS RECEIVABLE	169
INCREASE IN ACCOUNTS PAYABLE	468
DECREASE PAYROLL TAX PAYABLE	(35)
DECREASE IN STATE W/H TAX PAYABLE	(369)
NET CASH PROVIDED BY OPERATING ACTIVITIES	49,721

CASH FLOWS FROM INVESTING ACTIVITIES:

SHORT – TERM INVESTMENTS, NET	(47,638)
PURCHASE OF VAN & BUS	(32,654)
NET CASH USED BY INVESTING ACTIVITIES	(80,292)

NET DECREASE IN CASH AND CASH EQUIVALENTS	(30,571)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	52,548
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$21,977

VERMILION ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Vermilion Association for Retarded Citizens, Inc. have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

In 1997, the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by this new statement, the Organization has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. This reclassification had no effect on the change in net assets for June 30, 1998.

Estimates

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

NOTE 2: CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Cash includes amounts in demand deposits. At June 30, 1998, the Association had cash totaling \$21,977 as follows:

	General Fund

Cash	\$ 78
Demand Deposits	21,899

Total	\$ 21,977
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NOTE 3: PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

All Property, Plant, and Equipment are stated at historical cost. Donated fixed assets are stated at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective asset on a straight-line basis. A summary of Plant Assets is as follows:

Buildings and Improvements	\$ 95,497
Autos	<u>62,918</u>
	158,415
Less: Accumulated Depreciation	<u>108,278</u>
	\$ 50,137
	=====

NOTE 4: ACCUMULATED UNPAID VACATION, SICK PAY AND OTHER EMPLOYEE BENEFITS

There is no unpaid vacation or sick pay.

NOTE 5: CONTRIBUTED SERVICES

There are no services contributed to the association.

NOTE 6: MANAGERMENTS CORRECTIVE ACTION PLAN

At year-end June 30, 1997 the association had various reportable conditions that were included in the management letter. The Association maintained large cash balances which were in excess of federally insured deposits. The Association has since transferred

the excess cash into another bank. Invoices were not properly approved and some invoices were missing. The employee who processes disbursements signs off on invoices and the Treasurer double checks the invoice. Adjustments to salaries were not corrected through an expense or payable account, therefore the error was not included in the quarterly reports. All payroll corrections are now through an expense or payable account. All matters contained in the prior year management letter have been resolved by management. No management recommendation letter has been issued for the current year.

NOTE 7: INCOME TAXES

The Association is a not-for-profit organization that is exempt from income taxes under Section 501 (C)(3) of the Internal Revenue Code.