

Sorrento[®]

LOUISIANA

FINANCIAL STATEMENTS

June 30, 2022

TOWN OF SORRENTO, LOUISIANA

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June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Town Council
Town of Sorrento, Louisiana

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Sorrento, Louisiana (the Town), as of and for the year ended, June 30, 2022, and the related notes to the financial statement, which collectively comprise the Town of Sorrento, Louisiana's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and the major fund of the Town, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or, error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison schedules, the Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Plan contributions on pages 5 through 13 and 48 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sorrento, Louisiana's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head and Justice System Funding Schedule – Receiving Entity are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of Compensation, Benefits, and Other Payments to Agency Head and Justice System Funding Schedule – Receiving Entity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022 on our consideration of the Town of Sorrento, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Sorrento, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Sorrento, Louisiana's internal control over financial reporting and compliance.

Diez, Dupuy & Ruiz

December 9, 2022
Gonzales, Louisiana

FINANCIAL SECTION

TOWN OF SORRENTO, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of The Town of Sorrento's (Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2022. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. This MD&A should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

Government-wide financial statements

- Assets and deferred outflows of the Town's primary government exceeded its liabilities and deferred inflows at the close of the year by approximately \$3.7 million (net position). Of this amount, approximately \$1.1 million (unrestricted net position) may be used without restrictions to meet the Town's ongoing obligations to citizens and creditors.
- The Town experienced an increase in governmental activity net position of approximately \$345,000 as governmental activities revenues exceed governmental activities expenses. Business-type activities of the Town experienced an increase of net position of approximately \$443,000. The increases in net position are primarily due to increases in sales taxes, grants and contributions, and charges for services by \$566,000, collectively, from the prior year, while overall expenses increased by \$207,000.

Governmental Fund financial statements

- As of the end of the year, the government's General Fund reported a fund balance of approximately \$1.1 million, an increase of approximately \$390,000 in comparison to the prior year due to a decrease in capital outlay expenditures of \$478,000. This decrease is the community park and parking lot at the Community Center which was constructed in prior year. Approximately 23% of the fund balance is restricted for purposes related to recreation, public safety, and senior citizen programs.

Significant aspects of the Town's financial well-being, as of and for the year ended June 30, 2022, are detailed throughout this analysis.

(Continued)

USING THIS ANNUAL REPORT

The Town's financial statements focus on the government as a whole and on major individual funds. Both government-wide and fund perspectives allow the reader to address relevant questions, broaden a basis for comparison from year to year and should enhance the Town's accountability.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 15 and 16, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.

Fund financial statements start on page 17. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

The Town's auditor has provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the Town as a Whole

The analysis of the Town as a whole begins on page 15. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and its activities in a way to determine if the Town is in better condition, compared to the prior year. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the current year's revenues and expenses are reported regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two statements report the Town's net position and related changes. The Town's financial health, or financial position, can be measured by its net position—the difference between assets plus deferred outflows and liabilities plus deferred inflows. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors should be considered such as changes in the Town's property and sales tax base and the condition of the Town's buildings, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, the Town's operations are divided into two kinds of activities:

Governmental activities – Most of the Town’s basic services are reported here, including public safety, highway and streets, culture and recreation, and general administration. Property taxes, sales taxes, franchise taxes and occupational license fees finance most of these activities.

Business-type activities – The Town charges a fee to customers to fund the cost of certain services it provides. The Town maintains garbage pickup, sewer operations and leases a water distribution system. The business-type activities have historically generated an operating deficit, primarily due to sewer system repairs and depreciation expense recognized on the Town's water and sewer systems.

At June 30, 2022, the Town’s net position was approximately \$3.7 million, of which approximately \$1.1 million was unrestricted. Restricted net position of \$256,000 is reported separately to show legal constraints from legislation that limits the Town’s ability to use the net position for day-to-day operations.

The analysis of the primary government focuses on the net positions and change in net position of the Town’s governmental and business-type activities and is as follows:

Town of Sorrento, Louisiana
Statement of Net Position
June 30, 2022 and 2021
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 1,267	\$ 1,030	\$ 284	\$ 46	\$ 1,551	\$ 1,076
Capital assets	1,341	1,407	1,238	918	2,579	2,325
Deferred outflows	<u>1</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>3</u>
Total assets and deferred outflows	<u>2,609</u>	<u>2,440</u>	<u>1,522</u>	<u>964</u>	<u>4,131</u>	<u>3,404</u>
Current and other liabilities	145	318	278	163	423	481
Long-term liabilities	8	13	-	-	8	13
Deferred inflows	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>
Total liabilities and deferred inflows	<u>155</u>	<u>331</u>	<u>278</u>	<u>163</u>	<u>433</u>	<u>494</u>
Net position:						
Net investment in capital assets	1,341	1,407	986	808	2,327	2,215
Restricted	256	121	-	-	256	121
Unrestricted (deficit)	<u>857</u>	<u>581</u>	<u>258</u>	<u>(7)</u>	<u>1,115</u>	<u>574</u>
Total net position	<u>\$ 2,454</u>	<u>\$ 2,109</u>	<u>\$ 1,244</u>	<u>\$ 801</u>	<u>\$ 3,698</u>	<u>\$ 2,910</u>

Net position of the Town’s governmental activities increased by approximately \$345,000 during 2022. Unrestricted net position represents the part of net position that can be used to finance day-to-day operations without constraints established by legislation or other legal requirements. The \$857,000 in unrestricted net position of governmental activities represents the accumulated results of operations. The changes in net position are discussed later in this analysis.

The net position of the Town's business activities increased by approximately \$443,000 during 2022. The Town maintains garbage pickup, sewer operations and leases a water distribution system.

The results of this year's operations for the primary government as a whole, as reported in the Statement of Activities, are as follows:

Town of Sorrento						
Changes in Net Position						
For the years ended June 30, 2022 and 2021						
(in thousands)						
	Governmental		Business-type		Total	
	Activities		Activities		2022	2021
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 181	\$ 143	\$ 212	\$ 196	\$ 393	\$ 339
Operating grants and contributions	264	37	455	-	719	37
Capital grants and contributions	-	386	-	10	-	396
General revenues:					-	-
Sales taxes	969	741	-	-	969	741
Franchise taxes	113	104	-	-	113	104
Ad valorem taxes	82	84	-	-	82	84
Other and transfers	41	52	63	(21)	104	31
Total revenues	<u>1,650</u>	<u>1,547</u>	<u>730</u>	<u>185</u>	<u>2,380</u>	<u>1,732</u>
Functions/Program expenses:						
General government	351	343	-	-	351	343
Public safety	425	428	-	-	425	428
Highway and streets	405	273	-	-	405	273
Culture and recreation	124	94	-	-	124	94
Interest on long-term debt	-	-	-	-	-	-
Utility operations	-	-	287	247	287	247
Total expenses	<u>1,305</u>	<u>1,138</u>	<u>287</u>	<u>247</u>	<u>1,592</u>	<u>1,385</u>
Change in net position	345	409	443	(62)	788	347
Beginning net position	<u>2,109</u>	<u>1,700</u>	<u>801</u>	<u>863</u>	<u>2,910</u>	<u>2,563</u>
Ending net position	<u>\$ 2,454</u>	<u>\$ 2,109</u>	<u>\$ 1,244</u>	<u>\$ 801</u>	<u>\$ 3,698</u>	<u>\$ 2,910</u>

(Continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is on major funds, rather than generic fund types.

Reporting the Town's Most Significant Funds

The analysis of the Town's major funds begins on page 17 with the fund financial statements that provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council establishes other funds to control and manage money for particular purposes or meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—governmental and proprietary—use different accounting approaches.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Most of the Town's basic services are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation to the financial statements. The governmental major funds (Exhibits A-2 and A-4) presentation is presented using modified accrual basis and focuses on the major funds of the Town. The Town has one governmental fund, which is the General Fund.

Proprietary funds—When the Town charges customers for the services it provides—whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The Town has one proprietary fund, which is the Utility Fund.

(Continued)

Notes to the financial statements—The notes provide information that is essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-9.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning original and final budgetary comparisons to actual results for the year for the Town’s major governmental fund, which is the General Fund. Additionally, the Town presents certain RSI related to the Town’s participation in the Louisiana State Employees’ Retirement System.

Financial Analysis of the Government's Funds

The general government operations of the Town are accounted for in the General Fund. The focus of this fund, as noted earlier, is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town’s financing requirements. The following is a summary of general governmental operations:

	(in thousands)	
	<u>General Fund</u>	
	<u>2022</u>	<u>2021</u>
Revenues	\$ 1,592	\$ 1,499
Expenditures	<u>1,240</u>	<u>1,615</u>
Excess (deficiency) of revenues over expenditures	352	(116)
Other financing sources	<u>38</u>	<u>49</u>
Net change in fund balance	390	(67)
Beginning fund balance	<u>712</u>	<u>779</u>
Ending fund balance	<u>\$ 1,102</u>	<u>\$ 712</u>

The Town’s General Fund experienced an increase in fund balance of approximately \$390,000 during 2022, which is primarily related to a decrease in capital outlay of \$478,000. The Town’s tax revenues increased by \$234,000, along with intergovernmental revenues which decreased by \$182,000, mostly related to decreases in capital grants. At year end, fund balance was approximately \$1,102,000, of which approximately \$846,000 was unassigned and available for utilization at the Town’s discretion. Of the remaining balance, approximately \$256,000 relates to restricted fund balances where constraints have been established by parties outside the Town by enabling legislation.

(Continued)

Sources of governmental revenues, excluding other financing sources, are summarized below.

<u>Source of Revenue</u>	(In thousands)			
	2022		2021	
Taxes	\$ 1,166	73%	\$ 932	63%
Licenses and permits	113	7%	104	7%
Intergovernmental	242	15%	381	25%
Other revenues	<u>71</u>	<u>5%</u>	<u>82</u>	<u>5%</u>
Total	<u>\$ 1,592</u>	<u>100%</u>	<u>\$ 1,499</u>	<u>100%</u>

Revenues of the primary government for governmental fund types for 2022 were approximately \$1,592,000 compared to approximately \$1,499,000 for the previous year. The Town's total revenue increased by \$93,000, primarily due to an increase in tax revenues, which totaled \$1,166,000. As noted above, the Town's activities are largely supported by tax revenues, which represent 73% of total governmental resources.

<u>Function</u>	(In thousands)			
	2022		2021	
General government	\$ 262	21%	\$ 285	18%
Public safety	425	34%	428	27%
Highways and streets	445	36%	270	17%
Culture and recreation	64	5%	72	4%
Debt service	-	0%	38	2%
Capital outlay	<u>44</u>	<u>4%</u>	<u>522</u>	<u>32%</u>
Total	<u>\$ 1,240</u>	<u>100%</u>	<u>\$ 1,615</u>	<u>100%</u>

Expenditures of the primary government decreased in 2022 by \$375,000 or 23%. The change is related to decreased expenditures for capital outlay related to the construction of recreation facilities of \$478,000 in 2021, and an increase in highway and streets cost of \$175,000 due to disaster related cleanup cost incurred in 2022.

(Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the Town’s General Fund’s budget was amended. The amendment of the operating budget is a customary practice of the Town for changes that occur with financial related matters throughout the fiscal year. The most significant changes during 2022, are as follows:

- Sales tax revenues were increased by \$174,000,
- An increase in rental and services fees of \$38,000,
- Highway and streets increase of \$47,700,
- A decrease in debt service of \$24,000,
- A decrease in capital outlay of \$60,000.

Overall, the increases to appropriations (expenditures) were \$8,500, which resulted in the final budgeted appropriation of \$1,135,800. Additionally, expenditures exceeded budget by \$104,000, which was due to unbudgeted highways and streets expenditures of \$157,900 related to disaster cleanup costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the Town had approximately \$2.6 million invested in a range of capital assets, including vehicles, computer equipment, office furniture, land, buildings, water distribution systems, and sewer treatment systems. This amount represents a net increase of \$254,000, or 11%, from the prior fiscal year end.

	(in thousands)					
	Governmental		Business-type		Totals	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Land	\$ 128	\$ 128	\$ 60	\$ 60	\$ 188	\$ 188
Construction in progress	-	-	288	-	288	-
Infrastructure	5	14	-	-	5	14
Buildings and improvements	623	644	-	-	623	644
Improvements other than buildings	480	517	-	-	480	517
Equipment and vehicles	105	104	68	-	173	104
Sewer system	-	-	584	592	584	592
Water distribution system	-	-	238	266	238	266
Total assets, net of depreciation	<u>\$ 1,341</u>	<u>\$ 1,407</u>	<u>\$ 1,238</u>	<u>\$ 918</u>	<u>\$ 2,579</u>	<u>\$ 2,325</u>

The Town elected to capitalize infrastructure assets on a prospective basis as a Phase 3 government, which is provided by GASB No. 34. More detailed information about the Town’s capital assets is presented in Note 7 to the financial statements.

Long-term Liabilities

At the end of 2022, the Town had \$8,000 in long-term liabilities compared to \$13,000 at the end of 2021. A decrease of approximately \$4,000 is primarily attributable to the change to Town’s net pension liability. The Town’s outstanding long-term liabilities at June 30, 2022 is as shown below:

	<u>Outstanding July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2022</u>	<u>Due Within One Year</u>
Net pension liability	<u>\$ 12,571</u>	<u>\$ -</u>	<u>\$ 4,260</u>	<u>\$ 8,311</u>	<u>\$ -</u>

ECONOMIC FACTORS AND NEXT YEAR’S GENERAL FUND BUDGET

The Town’s elected and appointed officials considered many factors when setting the fiscal-year 2023 budget and tax rates. One of those factors is the economy. The largest taxpayers in the surrounding area are primarily companies involved in the oil refining and petrochemical processing sector. These companies impact the local economy of the Town and its businesses. These industrial companies are significantly impacted by the change national economy and related production demands. As a result, the local economy can be impacted.

An important factor affecting the General Fund budget is the Town’s sales tax collections that approximate 57% of budgeted revenue and other financing sources. The Town budgeted a decrease in revenue of approximately \$503,500 for 2023 compared to actual 2022 results due to a reduction in sales and use tax and grant and contribution revenues. Additionally, the Town is projecting a decrease in expenditures of \$187,400 compared to 2022 actuals. If these estimates are realized during 2023, fund balance for the Town’s General Fund will increase by approximately \$48,400 compared to an increase in fund balance of \$389,700 during 2022.

Contacting the Town’s Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the Town’s finances and to show accountability for the money the Town receives. Questions about this report or need additional financial information, contact the Town’s Finance Office at (225) 675-5337 or P.O. Box 65, Sorrento, LA 70778.

BASIC FINANCIAL STATEMENTS

TOWN OF SORRENTO, LOUISIANA
STATEMENT OF NET POSITION

June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 824,113	\$ 235,573	\$ 1,059,686
Accounts receivable, net	49,276	14,276	63,552
Internal balances	88,924	(88,924)	-
Due from other governments	207,092	9,777	216,869
Restricted cash	97,024	23,971	120,995
Capital assets:			
Non-depreciable	127,750	348,861	476,611
Depreciable, net	1,213,668	889,062	2,102,730
Total assets	<u>2,607,847</u>	<u>1,432,596</u>	<u>4,040,443</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	1,474	-	1,474
Total assets and deferred outflows of resources	<u>\$ 2,609,321</u>	<u>\$ 1,432,596</u>	<u>\$ 4,041,917</u>
LIABILITIES			
Accounts payable	\$ 113,371	\$ 159,041	\$ 272,412
Customer prepayment on utility charges	-	5,722	5,722
Payable from restricted assets	31,463	24,280	55,743
Long-term liabilities:			
Net pension liability	8,311	-	8,311
Total liabilities	<u>153,145</u>	<u>189,043</u>	<u>342,188</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	1,938	-	1,938
Total liabilities and deferred inflows of resources	<u>155,083</u>	<u>189,043</u>	<u>344,126</u>
NET POSITION			
Net investment in capital assets	1,341,418	985,327	2,326,745
Restricted for:			
Recreational services	141,095	-	141,095
Public safety	27,332	-	27,332
Senior citizen assistance	87,343	-	87,343
Unrestricted	857,050	258,226	1,115,276
Total net position	<u>2,454,238</u>	<u>1,243,553</u>	<u>3,697,791</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,609,321</u>	<u>\$ 1,432,596</u>	<u>\$ 4,041,917</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF SORRENTO, LOUISIANA
STATEMENT OF ACTIVITIES

For the year ended June 30, 2022

	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 351,463	\$ 145,757	\$ 243,658	\$ -	\$ 37,952	\$ -	\$ 37,952
Public safety:							
Police	366,045	2,784	-	-	(363,261)	-	(363,261)
Fire	59,259	-	-	-	(59,259)	-	(59,259)
Highway and streets	404,614	-	-	-	(404,614)	-	(404,614)
Culture and recreation	123,647	32,765	19,600	-	(71,282)	-	(71,282)
Total governmental activities	<u>1,305,028</u>	<u>181,306</u>	<u>263,258</u>	<u>-</u>	<u>(860,464)</u>	<u>-</u>	<u>(860,464)</u>
Business-type activities:							
Utility operations	287,466	212,137	-	455,171	-	379,842	379,842
Total primary government	<u>\$ 1,592,494</u>	<u>\$ 393,443</u>	<u>\$ 263,258</u>	<u>\$ 455,171</u>	<u>(860,464)</u>	<u>379,842</u>	<u>(480,622)</u>
General revenues:							
Taxes:							
Sales					968,933	-	968,933
Franchise					112,999	-	112,999
Ad valorem					81,656	-	81,656
Other					2,278	-	2,278
Gain on sale of capital assets					23,564	-	23,564
Proceeds from legal settlement					-	77,500	77,500
Investment income					776	502	1,278
Transfers					14,700	(14,700)	-
Total general revenues					<u>1,204,906</u>	<u>63,302</u>	<u>1,268,208</u>
Change in net position					344,442	443,144	787,586
Net position - beginning of year					<u>2,109,796</u>	<u>800,409</u>	<u>2,910,205</u>
Net position - end of year					<u>\$ 2,454,238</u>	<u>\$ 1,243,553</u>	<u>\$ 3,697,791</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF SORRENTO, LOUISIANA

BALANCE SHEET GOVERNMENTAL FUND

June 30, 2022

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 824,113
Accounts receivable, net	49,276
Due from other governments	207,092
Due from Utility Fund	88,924
Restricted cash	<u>97,024</u>
Total assets	<u>\$ 1,266,429</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 113,371
Payable from restricted assets	<u>31,463</u>
Total liabilities	<u>144,834</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	<u>19,600</u>
FUND BALANCE	
Restricted for:	
Recreational services	141,095
Public safety	27,332
Senior citizen assistance	87,343
Unassigned	<u>846,225</u>
Total fund balance	<u>1,101,995</u>
Total liabilities and fund balance	<u>\$ 1,266,429</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF SORRENTO, LOUISIANA

**RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

June 30, 2022

Total net position reported for governmental activities in the statement of net position is different because:

Total fund balance - governmental fund (Exhibit A-2)	\$		1,101,995
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds.			1,341,418
Some revenues were collected more than sixty days after year-end and, therefore are not available soon enough to pay for current period expenditures.			19,600
Pension related obligations are not due and payable with current resources and, therefore, are not reported in governmental funds.			
Net pension liability	\$	(8,311)	
Deferred outflows related to pension liability		1,474	
Deferred inflows related to pension liability		(1,938)	(8,775)
Net position of governmental activities (Exhibit A)	\$		<u>2,454,238</u>

TOWN OF SORRENTO, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

For the year ended June 30, 2022

	General Fund
REVENUES	
Taxes:	
Sales and use	\$ 968,933
Franchise	112,999
Ad valorem	81,656
Other	2,278
Charges for services:	
Licenses and permits	112,509
Rental and service fees	66,013
Fines	2,784
Grants and contributions	243,658
Investment income	776
Total revenues	1,591,606
EXPENDITURES	
Current function:	
General government	261,558
Public safety:	
Police	366,045
Fire	59,259
Highways and streets	445,326
Culture and recreation	63,768
Capital outlay	44,252
Total expenditures	1,240,208
Excess of revenues over expenditures	351,398
OTHER FINANCING SOURCES	
Transfers in	14,700
Proceeds from sale of capital assets	23,564
Total other financing sources	38,264
Net change in fund balance	389,662
FUND BALANCE	
Beginning of year	712,333
End of year	\$ 1,101,995

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF SORRENTO, LOUISIANA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2022

The change in net position reported for governmental activities in the statement of activities is different because:

Net change in fund balance - total governmental fund (Exhibit A-4)	\$	389,662
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay.</p>		
Capital outlay	\$	44,252
Depreciation expense	<u>(109,791)</u>	(65,539)
<p>Because some revenues are not collected for sixty days after year-end, they are not considered "available" revenues in the governmental funds.</p>		
Grant revenues		19,600
<p>Changes in net pension obligations are reported only in the Statement of Activities.</p>		
		<u>719</u>
Change in net position of governmental activities (Exhibit A-1)	\$	<u><u>344,442</u></u>

**TOWN OF SORRENTO, LOUISIANA
 PROPRIETARY FUND - UTILITY FUND
 STATEMENT OF NET POSITION**

June 30, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$	235,573
Accounts receivable, net		14,276
Restricted cash - utility deposits		23,971
Due from other governments		9,777
		283,597
Total current assets		283,597

NONCURRENT ASSETS

Capital assets:

Non-depreciable		348,861
Depreciable, net		889,062
		1,237,923

Total noncurrent assets

1,237,923

Total assets

\$ 1,521,520

LIABILITIES

Current liabilities:

Accounts payable	\$	32,679
Customer prepayment on utility charges		5,722
Contracts payable		126,362
Due to General Fund		88,924
Payable from restricted assets		24,280
		277,967
Total current liabilities		277,967

NET POSITION

Net investment in capital assets 985,327

Unrestricted 258,226

Total net position

1,243,553

Total liabilities and net position

\$ 1,521,520

Notes on Exhibit A-9 are an integral part of this statement.

**TOWN OF SORRENTO, LOUISIANA
 PROPRIETARY FUND - UTILITY FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION**

For the year ended June 30, 2022

OPERATING REVENUES

Charges for services:

Garbage	\$ 137,871
Sewer	63,869
Penalties	3,413
Water franchise fees	<u>6,984</u>

Total operating revenues	<u>212,137</u>
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OPERATING EXPENSES

Garbage	130,645
Sewer	81,720
Administrative	4,087
Depreciation	<u>71,014</u>

Total operating expenses	<u>287,466</u>
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Operating income	(75,329)
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NONOPERATING REVENUES

Proceeds from legal settlement	77,500
Interest income	<u>502</u>

Total nonoperating revenues	<u>78,002</u>
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Income before capital grants, contributions, and transfers	2,673
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Capital grants and contributions	455,171
Transfers out	<u>(14,700)</u>

Change in net position	443,144
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NET POSITION

Beginning of year	<u>800,409</u>
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End of year	<u><u>\$ 1,243,553</u></u>
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**TOWN OF SORRENTO, LOUISIANA
PROPRIETARY FUND - UTILITY FUND**

STATEMENT OF CASH FLOWS

For the year ended June 30, 2022

	<u>Business-type Activities - Enterprise Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 210,071
Payments to suppliers	<u>(192,913)</u>
Net cash provided by operating activities	<u>17,158</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from legal settlement	77,500
Transfers to other funds	<u>(14,700)</u>
Net cash used for noncapital and related financing activities	<u>62,800</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grant proceeds	445,394
Repayment to General Fund	(35,385)
Payments on capital asset additions	<u>(264,621)</u>
Net cash provided by capital and related financing activities	<u>145,388</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>502</u>
Net increase in cash	225,848
CASH	
Beginning of period	<u>33,696</u>
End of period	<u>\$ 259,544</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating income	\$ (75,329)
Adjustments for non-cash items:	
Depreciation	71,014
Change in allowance for doubtful accounts	(8,250)
Change in operating assets and liabilities:	
Accounts receivable	6,555
Accounts payable and other current liabilities	<u>23,168</u>
Net provided by operating activities	<u>\$ 17,158</u>
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:	
Cash	\$ 235,573
Restricted cash	<u>23,971</u>
Total cash on statement of cash flows	<u>\$ 259,544</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF SORRENTO, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation

Located in Ascension Parish, the Town of Sorrento was incorporated in 1956 and is a political subdivision of the State of Louisiana. The Town, under the provisions of the Lawrason Act, enacts ordinances, sets policy, and establishes programs in such fields as public safety, highways and streets, and culture and recreation.

The financial statements of the Town of Sorrento, Louisiana (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are described below.

The financial statements comply with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34) and include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations,
- Financial statements prepared using accrual accounting for all of the Town’s activities, including infrastructure (roads, bridges, etc.), and
- Fund financial statements to focus on the major funds.

Reporting Entity

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary municipal government, and where applicable (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The criteria for determining which component units should be considered part of the Town for financial reporting purposes are as follows:

1. Appointing a voting majority of an organization's governing body and,
 - a. The ability of the Town 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 Town.
2. Organizations for which the Town does not appoint a voting majority but which are fiscally dependent on the Town.
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.

As required by generally accepted accounting principles, these financial statements are presented by the Town; there are no component units to be either blended within the Town's funds or discretely presented in these financial statements.

Basis of Presentation

The Town's basic financial statements consist of the government-wide statements of the primary government and the fund financial statements (individual major funds). The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units.

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities for all non-fiduciary activities of the Town. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the government as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These statements distinguish between the governmental and business-type activities of the Town.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements (Continued)

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Business type activities are financed in whole or part by fees charged to external parties for utility services provided. The Town provides sewer services, garbage services, and leases a water distribution system to a private contractor in which the Town receives franchise fees. These are services are classified as business-type activities.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are very similar to the traditional government fund statements as prepared by governments prior to the issuance of GASB No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column in the basic financial statements. The Town does not have any non-major funds in 2022.

The daily operations of the Town continue to be 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, equity, revenues and expenditures or expenses, as appropriate. Funds are organized into three major categories: governmental, proprietary and fiduciary. The Town does not have any fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (continued)

A fund is considered major if it is the primary operating fund of the Town (the General Fund) or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expense of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be expended and the means by which spending activities are controlled. The various funds of the primary government presented in the financial statements are described as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use, and balances of expendable financial resources and related liabilities of the Town are accounted for through governmental funds. Measurement is focused upon determining changes in financial position, rather than net income. The following are the governmental fund types of the Town:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Proprietary Fund/Enterprise Fund Types - Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs and 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 (2) 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. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Town considers the Utility Fund a major fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are assessed. Program revenues for governmental activities include operating and capital grants, occupational licenses and permits, and special assessments.

Fund financial statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting. Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). "Available" means collectible within the current period or within 60 days after year-end. Charges for services and governmental miscellaneous revenues, are recorded as earned since they are measurable and available.

Nonexchange transactions, in which the Town receives value without directly giving value in return, includes sales tax, ad valorem tax, federal and state grants, and special assessments. Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15th of each year, and become delinquent after December 31st. The taxes are generally collected in December, January and February of each year. Sales taxes are recorded when in the possession of the intermediary collecting agent and are recognized as revenue at that time. Federal and state grants are recorded as revenue when the Town is entitled to the funds, generally corresponding to when grant related costs are incurred by the Town, but subject to the availability criteria. Special assessments are recorded when the Town has an enforceable legal claim on those resources.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) unmatured interest on general long-term debt which is recognized when due, and (2) claims and judgments and compensated absences are recorded as expenditures in the governmental fund type when paid with expendable financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (continued)

Fund financial statements (continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. Proprietary funds are maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

Cash and Cash Equivalents

Cash and cash equivalents for the Town include the Louisiana Asset Management Pool (LAMP) account and each individual fund's share of the consolidated operating cash accounts.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The investment policy of the Town is governed by state statutes that include depository and custodial contract provisions. The Town invests funds in accordance with L.R.S. 39:1211-1245 and 33:2955 which include, but are not limited to, United States treasury bonds, treasury notes, treasury bills, and fully collateralized interest-bearing checking accounts and certificates of deposit. Other provisions require depositories to insure or collateralize all deposits in accordance with state law and require securities collateralizing deposits to be held by an independent third party with whom the Town has a custodial agreement. The Town primarily utilizes the Louisiana Asset Management Pool to invest idle funds and records amounts invested at fair value.

For purposes of the Statement of Cash Flows, liquid investments of the enterprise fund with a maturity of three months or less are considered to be cash equivalents. See Note 2.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities, uncollectible amounts due for receivables are recognized as bad debts and directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged to the revenue reported. In business-type activities, uncollectible amounts due from utility billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. An allowance for doubtful accounts of \$100,000 and \$2,200 in the General Fund and Utility Fund, respectively, was recorded at June 30, 2022.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as “due from other funds” or “due to other funds” on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” The Utility Fund owed the General Fund \$88,924 at June 30, 2022.

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed. Major outlays for capital assets and improvements are capitalized at completion of construction projects.

Prior to the implementation of GASB 34, governmental funds' infrastructure assets were not capitalized. The Town has elected to capitalize infrastructure expenditures on a prospective basis.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Infrastructure	15 years
Buildings	25 - 40 years
Improvements	10 years
Machinery and equipment	3 - 20 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are not capitalized. Instead, capital acquisition and construction are reflected as expenditures in the governmental funds. Capital assets used in proprietary fund operations are accounted for in the same manner as in government-wide statements.

Property, plant, and equipment used by the proprietary funds are stated at cost. Interest costs incurred during construction periods are capitalized. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Lines, meters, & sewer systems	50 years
Water well, tank & pump	10 - 25 years
Equipment	5 - 20 years

Compensated Absences

The Town has the following policy relating to vacation and sick leave:

Each full time employee is entitled to 10 days vacation and 5 days sick leave for each year worked. For those full time employees hired prior to August 18, 1992, vacation benefits increase after 10 years worked to 15 days, and after 15 years worked to 20 days. These benefits are non-cumulative and must be taken when due. As a result, no liability is recorded in these financial statements.

Pensions

For purposes of measuring the net pensions liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Louisiana State Employees' Retirement System (LASERS) and additions to/deductions from LASERS fiduciary net position have been determined on the same basis as they are reported by LASERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The Town has one item that qualifies for this category, which is deferred outflows related to pension liability and reported in the government-wide statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) at that time. The Town's deferred outflows and inflows related to net pension liability and unavailable revenues are the only amounts that qualify for this category. The amounts deferred and recognized as an inflow of resources in the period that the amounts become available.

Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted - consist of net position that is restricted by the Town Charter, the Town Code, Town's creditors (for example, through debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted - all other net position is reported in this category.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to reduce restricted net position followed by unrestricted net position.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed - Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution.
- Assigned - Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the Town Council.
- Unassigned - All amounts not included in other spendable classifications.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances (Continued)

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (fund balance), the Town's policy is to apply the expenditure in the following priority: 1) restricted fund balance, 2) committed fund balance, 3) assigned fund balance, and 4) unassigned fund balance.

Interfund Transfers

Advances between funds which are not expected to be repaid are accounted for as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

In those cases where repayment is expected, the advances are accounted for through the various interfund accounts.

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the Town Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the modified-accrual basis, covers the General Fund. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Council and are included in the financial statements.

In connection with budget preparation, a portion of the unassigned fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

Restricted Cash

Restricted cash on the balance sheet of the General Fund represents cash received from the restricted sales tax for the purposes of recreation, fire protection and senior citizen programs. Additionally, amounts collected by the Town for utility deposits, special assessments, bail bonds, and confiscated property have been classified as restricted.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for uncollectible accounts and depreciation.

Current Accounting Standards Implemented

During the year, the Town implemented policies established under GASB Statement No. 87, *Leases*. This standard requires all leases to be reported on the statement of net position under a single accounting model for both lessors and lessees. The statement will require the recognition of lease assets or liabilities for leases previously reported as operating leases. Both operating and capital leases will be reported under this single accounting method and reported by lessees as an intangible right to use assets and by lessors as a receivable with both reporting a deferred inflow of resources. The Town has include the requirements of this standard, as applicable, in its June 30, 2022 financial statement. The implementation of GASB No. 87 did not financially effect the Town.

Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through December 9, 2022, the date the financial statements were available to be issued. No significant subsequent events were noted.

NOTE 2 - CASH AND CASH EQUILVALENTS

The Town may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

Custodial credit risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. As of June 30, 2022, the Town's deposits were not exposed to any custodial risk.

As of June 30, 2022, the Town had a balance of \$534,946 invested in LAMP. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pools of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955.

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

LAMP is an investment pool with the following characteristics:

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 56 days as of June 30, 2022.
- Foreign currency risk: Foreign currency risk is not applicable to LAMP investments.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the Securities and Exchange Commission as an investment company.

NOTE 3 - CONCENTRATION OF CREDIT RISK - PROPRIETARY FUNDS

Accounts receivable and related user fees from utility customers were comprised largely of residents in the Town. Most customers have made deposits to partially secure their outstanding balance.

(Continued)

NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

At June 30, 2022, accounts receivable for the Town’s funds consisted of the following:

General Fund:	
Franchise taxes	\$ 29,659
Licenses and permits	<u>19,617</u>
Total General Fund	<u>49,276</u>
Utility Fund:	
User fees, net	12,571
Franchise fees	<u>1,705</u>
Total accounts receivable - primary government	<u>14,276</u>
Total	<u><u>\$ 63,552</u></u>

Due from other governments at June 30, 2022 consisted of the following:

General Fund:	
Sales & use tax	\$ 76,502
Grants	<u>130,590</u>
Total General Fund	<u>207,092</u>
Utility Fund:	
Grant	<u>9,777</u>
Total due from other governments - primary government	<u><u>\$ 216,869</u></u>

Additionally, the Town has recorded an accounts receivable of \$100,000 in special assessments due from Renaissance Orange Grove, L.L.C. (see Note 10). This amount is considered likely uncollectable by the Town, therefore, a provision for doubtful account has also been recorded of \$100,000.

(Continued)

NOTE 5 - RESTRICTED CASH

Restricted cash at June 30, 2022 was as follows:

Senior citizens	\$ 45,318
Recreation	39,401
Public safety - fire	9,654
Public safety - police	<u>2,651</u>
 Total governmental activities	 <u>\$ 97,024</u>

Business-type activities restricted cash of \$23,971 is related to customer deposits held on utility services provided.

NOTE 6 - AD VALOREM TAXES

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

All property taxes are recorded in governmental funds, and as explained in Note 1, revenues in governmental funds are recognized in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the taxes assessed for the calendar year falling within the current fiscal year are recorded as revenue. Property taxes are collected by the tax collector during the fiscal year and are therefore available to liquidate liabilities of the current period.

Taxes are levied by the Town in September or October and are billed to the taxpayers in November. Billed taxes become delinquent on December 31st. Revenues from ad valorem taxes are budgeted in the year assessed. Ad valorem taxes attach as an enforceable lien on property as of January 1st of each year.

For the year ended June 30, 2022, taxes of 5.96 mills were levied on property with assessed valuations totaling \$13,090,630 and were dedicated to general government. Total taxes levied and collected during 2022 were \$78,020 and \$81,656, respectively.

(Continued)

NOTE 7 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2022, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 127,750	\$ -	\$ -	\$ 127,750
Construction in progress	-	-	-	-
Total capital assets not being depreciated	127,750	-	-	127,750
Capital assets being depreciated:				
Infrastructure	137,405	-	-	137,405
Buildings and improvements	932,944	-	-	932,944
Equipment and vehicles	404,953	44,252	-	449,205
Improvements other than buildings	537,053	-	-	537,053
Total capital assets being depreciated	2,012,355	44,252	-	2,056,607
Less accumulated depreciation for:				
Infrastructure	123,237	9,160	-	132,397
Buildings and improvements	288,575	21,232	-	309,807
Equipment and vehicles	301,171	42,559	-	343,730
Improvements other than buildings	20,165	36,840	-	57,005
Total accumulated depreciation	733,148	109,791	-	842,939
Total capital assets being depreciated, net	1,279,207	(65,539)	-	1,213,668
Governmental activities capital assets, net	\$ 1,406,957	\$ (65,539)	\$ -	\$ 1,341,418

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Recreation	\$ 59,879
Highways and streets	28,725
General government	21,187
Total depreciation expense - governmental activities	\$ 109,791

(Continued)

NOTE 7 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 60,366	\$ -	\$ -	\$ 60,366
Construction in progress	<u>-</u>	<u>288,495</u>	<u>-</u>	<u>288,495</u>
Total capital assets, not being depreciated	<u>60,366</u>	<u>288,495</u>	<u>-</u>	<u>348,861</u>
Capital assets being depreciated:				
Sewer treatment plants	1,127,827	26,700	-	1,154,527
Water system, tank, & pump	773,284	-	-	773,284
Equipment	<u>46,976</u>	<u>75,788</u>	<u>(6,250)</u>	<u>116,514</u>
Total capital assets being depreciated	<u>1,948,087</u>	<u>102,488</u>	<u>(6,250)</u>	<u>2,044,325</u>
Less accumulated depreciation for:				
Sewer treatment plants	536,377	34,343	-	570,720
Water well, tank, & pump	507,146	28,594	-	535,740
Equipment	<u>46,976</u>	<u>8,077</u>	<u>(6,250)</u>	<u>48,803</u>
Total accumulated depreciation	<u>1,090,499</u>	<u>71,014</u>	<u>(6,250)</u>	<u>1,155,263</u>
Total capital assets being depreciated, net	<u>857,588</u>	<u>31,474</u>	<u>-</u>	<u>889,062</u>
Business-type activities capital assets, net	<u>\$ 917,954</u>	<u>\$ 319,969</u>	<u>\$ -</u>	<u>\$ 1,237,923</u>

NOTE 8 - LONG-TERM LIABILITIES

Governmental Activities

The following is a summary of long-term liabilities transactions for the primary government for governmental activities for the year ended June 30, 2022:

	Outstanding July 1, 2021	Additions	Reductions	Outstanding June 30, 2022	Due Within One Year
Net pension liability	<u>\$ 12,571</u>	<u>\$ -</u>	<u>\$ 4,260</u>	<u>\$ 8,311</u>	<u>\$ -</u>

(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLAN

The Town of Sorrento remits payments to Louisiana State Employees’ Retirement System (LASERS). The system is a cost sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan is as follows:

Plan Description

Louisiana State Employees’ Retirement System

The Louisiana State Employees’ Retirement System (LASERS) was established for the purpose of providing retirement allowances and other benefits as stated under the provisions of La. R.S. 11:401, as amended, for eligible state officers, employees and their beneficiaries. The projection of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

The Louisiana State Employees’ Retirement System has issued a stand-alone audit report their financial statements for the year ended June 30, 2021. Access to the report can be found on LASERS website, www.lasersonline.com, or the Louisiana Legislative Auditor’s website, www.la.la.gov.

Funding Policy

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer’s portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems’ Actuarial Committee (PRSAC).

Employer contribution rate to the plan LASERS is established annually under La. R.S. 11:101-11:104 by the Public Retirement Systems’ Actuarial Committee (PRSAC). The contribution rates in effect for the year ended June 30, 2022, for the Town and covered employees were as follows:

	Contribution Rates	
	Town	Employees
Louisiana State Employees' Retirement System		
Judges hired before 1/1/2011	43.70%	11.50%
Judges hired on or after 1/1/2011	43.00%	13.00%
Judges hired on or after 7/1/2015	43.00%	13.00%

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy (Continued)

Contributions made to the plan for the past three fiscal years, were as follows:

Plan	2022	2021	2020
Louisiana State Employees' Retirement System	\$ 1,262	\$ 1,268	\$ 1,222

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

The following schedule lists the Town's proportionate share of the Net Pension Liability for the pension plan based on the measurement dates. The Town uses this measurement to record its net pension liability and associated amounts as of June 30, 2022, in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at the measurement date of the plan, along with the change compared prior year rates. The Town's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

	Net Pension Liability at June 30, 2021	Current Measurement Rate	Previous Measurement Rate	Increase (Decrease)
LASERS	\$ 8,311	0.00015%	0.00015%	0.00000%

At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8	\$ -
Changes of assumptions	204	-
Net difference between projected and actual earnings on pension plan investments	-	(1,938)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	-
Differences between allocated and actual contributions	-	-
Employer contributions subsequent to the measurement date	1,262	-
	<u>\$ 1,474</u>	<u>\$ (1,938)</u>

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Town reported a total of \$1,262 as deferred outflow of resources related to pension contributions made subsequent to the measurement period based on the measurement data, which will be recognized as a reduction in net pension liability of the Town in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

Year	LASERS
2022	\$ 125
2023	298
2024	439
2025	861
	\$ 1,723

Actuarial Assumptions

Demographic and salary assumptions used in the valuation were adopted by the Board of Trustees following the most recent experience study. The Retirement System is required to conduct an experience study every five years. An experience study was completed for the observation period of 2014-2018. The recommended assumption changes based on this study were adopted by the Board, effective July 1, 2014. The experience study report, dated January 16, 2014, provides further information regarding the rationale for these assumptions.

A summary of the actuarial methods and assumptions used in determining the total pension liability for the plan as of June 30, 2021:

	Measurement/ Valuation Date	Expected Remaining Service Lives	Investment Rate of Return
LASERS	June 30, 2021	2 years	7.40%; net of investment expense

Mortality

Non-disabled members – Mortality rates based on the RP-2014 Combined Healthy Mortality Table with mortality improvement projected using the MP-2018.

Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Termination, Disability, and Retirement

Termination, disability, and retirement assumptions were projected based on a five-year (2014-2018) experience study of the System's members for 2019.

Salary Increases

Salary increases were projected based on a 2014-2018 experience study of the System's members. The salary increase range applicable to the Town's employees has a lower range of 2.6% and upper range of 5.1%.

Cost of Living Adjustments

The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.3% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.61% for 2021. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2021, are summarized in the following table:

Expected Long Term Real Rates of Return	
Asset Class	2021
Cash	-0.29%
Domestic Equity	4.09%
International Equity	5.12%
Domestic Fixed Income	0.49%
International Fixed Income	3.94%
Alternative Investments	6.93%
Inflation	2.30%
Total Fund	5.80%

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rates used for the plan is displayed in the Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate table.

The following table presents the Town’s proportionate share of the Net Pension Liability (NPL) using the discount rate of the Retirement System as well as what the Town’s proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by the Retirement System:

	1.0% Decrease	Current Discount Rate	1.0% Increase
LASERS			
Discount Rates	6.40%	7.40%	8.40%
Shares of Net Pension Liability	\$ 11,261	\$ 8,311	\$ 5,801

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Intergovernmental Agreement

The Town entered into an agreement with Orange Grove Community Development District (the District) whereas the District and its developer, Renaissance Orange Grove, L.L.C. (Renaissance), plan to construct a planned unit development (Orange Grove) within an annexed area of the Town. The Town and Renaissance have agreed that within 45 days of completed construction and approval of the final plat of the first filing of Orange Grove subdivision, the infrastructure assets of Orange Grove, which consist of a sewer system and related facilities, internal roadway system and storm water management system, shall be transferred by the District to the Town. Upon transfer of the systems, the Town shall assume full ownership and responsibility for operation and maintenance of the systems and will be responsible for the expansion, completion, operation and maintenance of the systems for all residents of Orange Grove who may reside in subsequent filing plats of Orange Grove. Also, the Town shall have exclusive rights to all fees and revenues generated from the sewer system within Orange Grove. The term of this agreement is for 60 years unless terminated by both the Town and the District.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of June 30, 2022, the systems had not been transferred to the Town from the District.

Additionally, the District partially financed the construction of Orange Grove through the issuance of special assessment bonds. The Town has not incurred any debt, liabilities or other obligations as the bonds were issued by the District.

Finally, the Town entered into a cooperative endeavor agreement with Renaissance. This agreement provides that Renaissance shall pay the Town a sum of \$150,000 within two years of the annexation ordinance (Ordinance #09-04, adopted May 19, 2009) and approval of Orange Grove by the Town as specified lots are sold within Orange Grove. When received, these funds are restricted for fire and safety construction. As of June 30, 2022, the Town has received \$50,000 as part of this intergovernmental agreement; the remaining \$100,000 was the basis for a provision for uncollectible debt as disclosed in Note 4.

Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. There were no major changes in insurance coverage from the prior year and settlements have not exceeded coverage in the current year or in the past three years.

Suits and Claim

Various suits and claims arising in the ordinary course of operations are pending against the Town. The majority of cases are either covered by insurance or other defenses; however, the ultimate effect of such litigation cannot be ascertained at this time.

NOTE 11 - DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Nationwide Retirement Solutions, Inc. (Nationwide). The Plan, available to all Town employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with the amended provisions of the Internal Revenue Code, all amounts deferred under the Plan, including income attributable to those amounts, are solely the property and rights of the participants and their beneficiaries. As required, the Town established an agreement with a third party administrator who will hold the assets and income of the Plan. At June 30, 2022, there were no assets held by Nationwide on behalf of Town employees.

NOTE 11 - DEFERRED COMPENSATION PLAN (CONTINUED)

The Town has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Under this statement governments who have no responsibility for the plan and are not formally considered the Plan's trustee are not required to report the plan in its financial statements. Since the Town Plan is held in a custodial account with a third-party administrator, the assets and liabilities are not presented in the Town's financial statements.

NOTE 12 - COMPENSATION OF GOVERNING BOARD

During the year ended June 30, 2022, Council members received compensation, as follows:

<u>Name</u>	<u>Amount</u>
Christopher Guidry	\$ 12,000
Wanda LeBlanc Bourgeois	3,600
Randy J. Anny	3,600
Chad Domingue	3,600
Darnell Gilbert, Sr.	3,600
Duane Humphrey	<u>3,600</u>
Total	<u>\$ 30,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF SORRENTO, LOUISIANA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance - favorable (unfavorable)
REVENUES				
Taxes:				
Sales and use	\$ 672,500	\$ 846,500	\$ 968,933	\$ 122,433
Franchise	92,500	105,000	112,999	7,999
Ad valorem	72,000	77,500	81,656	4,156
Beer	3,000	3,000	2,278	(722)
Charges for services:				
Licenses and permits	101,300	101,200	112,509	11,309
Rental and service fees	21,500	59,500	66,013	6,513
Fines	4,000	3,000	2,784	(216)
Grants and contributions	6,000	29,325	243,658	214,333
Investment income	3,500	100	776	676
Miscellaneous	900	500	-	(500)
Total revenues	<u>977,200</u>	<u>1,225,625</u>	<u>1,591,606</u>	<u>365,981</u>
EXPENDITURES				
Current function:				
General government	254,800	281,200	261,558	19,642
Public safety:				
Police	366,500	369,000	366,045	2,955
Fire	32,500	38,500	59,259	(20,759)
Highways and streets	287,700	335,400	445,326	(109,926)
Culture and recreation	51,800	61,700	63,768	(2,068)
Debt service	24,000	-	-	-
Capital outlay	110,000	50,000	44,252	5,748
Total expenditures	<u>1,127,300</u>	<u>1,135,800</u>	<u>1,240,208</u>	<u>(104,408)</u>
Deficiency of revenues over expenditures	(150,100)	89,825	351,398	261,573
OTHER FINANCING SOURCES				
Proceeds from capital lease	100,000	-	-	-
Transfer from Utility Fund	18,700	14,700	14,700	-
Proceeds from sale of capital assets	-	20,000	23,564	3,564
Total expenditures	<u>118,700</u>	<u>34,700</u>	<u>38,264</u>	<u>3,564</u>
Net change in fund balance	(31,400)	124,525	389,662	<u>\$ 265,137</u>
FUND BALANCE				
Beginning of year, per budget	<u>748,429</u>	<u>712,334</u>	<u>712,333</u>	
End of year, per budget	<u>\$ 717,029</u>	<u>\$ 836,859</u>	<u>\$ 1,101,995</u>	

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF SORRENTO, LOUISIANA
SCHEDULE OF PROPORTIONATE SHARE
OF NET PENSION LIABILITY

For the year ended June 30, 2022

Louisiana State Employees' Retirement System (LASERS):

As of the fiscal year ended (2):	2022	2021	2020
Employer's Proportion of the Net Pension Liability (Asset)	0.00015%	0.00015%	0.00015%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,311	\$ 12,571	\$ 11,012
Employer's Covered-Employee Payroll	2,927	2,927	2,927
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	283.94%	429.48%	376.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.80%	58.00%	62.90%
 As of the fiscal year ended (2):	 2019	 2018	 2017
Employer's Proportion of the Net Pension Liability (Asset)	0.00016%	0.00017%	0.00017%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 10,912	\$ 11,684	\$ 12,957
Employer's Covered-Employee Payroll	2,927	2,927	2,927
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	372.80%	399.18%	442.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.30%	62.50%	57.70%
 As of the fiscal year ended (2):	 2016	 2015	
Employer's Proportion of the Net Pension Liability (Asset)	0.00016%	0.00016%	
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 10,746	\$ 10,192	
Employer's Covered-Employee Payroll	2,927	2,927	
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	367.13%	348.21%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.70%	65.00%	

(1) Schedule is intended to show information for 10 years. Additional years will be displayed as available.

(2) The amounts presented have a measurement date of LASERS's prior June 30th fiscal year end.

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF SORRENTO, LOUISIANA
SCHEDULE OF PENSION CONTRIBUTIONS

LAST TEN FISCAL YEARS (1)

For the year ended June 30, 2022

Louisiana State Employees' Retirement System (LASERS):

As of the fiscal year ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Excess (Deficiency)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
6/30/2022	\$ 1,259	\$ 1,262	\$ 3	\$ 2,927	43.12%
6/30/2021	1,276	1,268	(8)	2,927	43.32%
6/30/2020	1,215	1,222	7	2,927	41.75%
6/30/2019	1,215	1,158	(57)	2,927	39.56%
6/30/2018	1,215	1,169	(46)	2,927	39.94%
6/30/2017	1,215	1,020	(195)	2,927	34.85%
6/30/2016	1,215	1,132	(83)	2,927	38.67%
6/30/2015	1,215	1,189	(26)	2,927	40.62%

(1) Schedule is intended to show information for 10 years. Additional years will be displayed as available.

TOWN OF SORRENTO, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2022

NOTE 1 - BUDGETS

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the Town Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the modified-accrual basis, covers the General Fund. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

Basis of Accounting

All of the Town's funds budgets are prepared on the modified-accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended June 30, 2022. The Town's basis of budgetary accounting follows generally accepted accounting principles.

NOTE 2 - DEFINED BENEFIT PENSION PLAN

Changes of Benefit Terms

In 2019, members hired after June 30, 2015, may retire at age 62 upon completing five years of creditable service.

Additionally, in 2019, Hazardous Duty Services Plan member's surviving spouse and minor or handicapped or mentally incapacitated child or children are entitled to survivor benefits to 80% of the member's final average compensation if the member was killed in the line of duty. If the member dies in the line of duty as a result of an intentional act of violence, survivor benefits may be increased to 100% of the members final average compensation.

NOTE 2 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes of Assumptions

In 2022, the investment rate of return for LASERS decreased by .15% resulting in an investment rate of return of 7.40%. There were no changes in the inflation rate nor the expected remaining service life during the period.

In 2021, the investment rate of return for LASERS decreased by .05% resulting in an investment rate of return of 7.55%. Additionally, the inflation rate decreased by .20% resulting in an inflation rate of 2.3%. There were no changes in the expected remaining service life during the period.

In 2020, the investment rate of return for LASERS decreased by .05% resulting in an investment rate of return of 7.60%. Additionally, the inflation rate decreased by .25% resulting in an inflation rate of 2.5%. Finally, expected remaining service life decreased by 1 year resulting in an expected remaining service life of 2 years.

In 2019, the investment rate of return for LASERS decreased by .05% resulting in an investment rate of return of 7.65%. There were no changes in the inflation rate nor the expected remaining service life during this period.

In 2018, the investment rate of return for LASERS decreased by .05% resulting in an investment rate of return of 7.70%. Additionally, the inflation rate decreased by .25% resulting in an inflation rate of 2.75%. There were no changes in the expected remaining service life during this period.

In 2017, the investment rate of return for LASERS was 7.75%, while the inflation rate was 3.0%. Additionally, the expected remaining service life was 3 years.

TOWN OF SORRENTO, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD

For the year ended June 30, 2022

Agency Head: Christopher Guidry, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ <u>12,000</u>

TOWN OF SORRENTO, LOUISIANA
ACT 87 JUSTICE SYSTEM FUNDING SCHEDULE
RECEIVING ENTITY - CASH BASIS

For the year ended June 30, 2022

	First Six Month Period Ending, December 31, 2021	Second Six Month Period Ending, June 30, 2022
COLLECTIONS:		
Ascension Parish Sheriff, Criminal Court Costs/Fees	\$ 193	\$ 311
Ascension Parish Sheriff, Criminal Fines - Other	871	1,409
TOTAL COLLECTIONS:	1,064	1,720
TOTAL ENDING BALANCE OF AMOUNTS COLLECTED AND ASSESSED BUT NOT RECEIVED	\$ -	\$ -

OTHER INDEPENDENT AUDITORS' REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the Town Council
Town of Sorrento, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Sorrento, Louisiana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Sorrento, Louisiana's basic financial statements and have issued our report dated December 9, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Sorrento, Louisiana's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Sorrento, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Sorrento, Louisiana's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

● Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sorrento, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned cost as item 2022-001.

Town of Sorrento, Louisiana's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Sorrento, Louisiana's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. Town of Sorrento, Louisiana's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Diez, Dupuy & Ruiz

Gonzales, Louisiana
December 9, 2022

TOWN OF SORRENTO

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2022

A. SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of the Town of Sorrento were prepared in accordance with GAAP.
2. No significant deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. One instance of noncompliance material to the financial statements of Town of Sorrento, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None noted

C. FINDINGS – NON-COMPLIANCE WITH STATE LAWS AND REGULATIONS

2022-001 Budget Law

Criteria: R.S. 38:2234 provides that the governing authority to amend the budget when total actual expenditures and other uses plus projected expenditures and other sources for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.

Condition: Actual expenditures in the General Fund had an unfavorable variance of 9.2% to the final budgeted expenditures and other uses.

Effect: The Town is non-compliant with the Louisiana budget law.

Cause: The General Fund budget was not amended when actual expenditures exceeded budgeted expenditures and other uses by more than 5%.

Recommendation: The Town should continue to monitor its budgets and amend the budgets appropriately in accordance with state statutes. In addition, the Town Council should understand their responsibility for establishing quorums at scheduled Town meetings where open meetings are required to ensure compliance with Louisiana budget laws.

Management's corrective action plan: The Town monitors its budget on a monthly basis, and budget to actual statements are provided to the Town Council for oversight of the budget monitoring process, as required by R.S. 38:224. The Town also amended its budget as part of the monitoring process, although unanticipated expenditures were incurred between the date of the budget amendment and the Town's fiscal year end which resulted in actual expenditures and other uses exceeding final budget appropriations by more than 5%.

TOWN OF SORRENTO, LOUISIANA
SUMMARY OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2022

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None noted.

B. FINDINGS – NON-COMPLIANCE WITH STATE LAWS AND REGULATIONS

2021-001 Budget Law

Condition: Actual expenditures in the General Fund had an unfavorable variance of 58.13% to the final budgeted expenditures and other uses.

Current Years Status: Similar finding reported in current year.

TOWN OF SORRENTO, LOUISIANA
STATEWIDE AGREED-UPON PROCEDURES REPORT
YEAR ENDED JUNE 30, 2022



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor, Members of the Town Council, and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. The Town of Sorrento's management is responsible for those C/C areas identified in the SAUPs.

The Town of Sorrento has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and entity's operations:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

Written policies and procedures were obtained and address the functions noted above.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

Written policies and procedures were obtained and address the functions noted above with the exception of how vendors are added to the vendor list.

Management's response: Management will review the Town's policies and procedures in place and consider amending the Town's policies to include how vendors are added to the vendor list and procedures for periodically reviewing changes to vendor files.

- c) **Disbursements**, including processing, reviewing, and approving.

Written policies and procedures were obtained and address the functions noted above.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Written policies and procedures were obtained and address the functions noted above with the exception of management's actions to determine the completeness of all collections for each type of revenue.

Management's response: Management will review the Town's policies and procedures in place and consider amending the Town's policies to include management's actions to determine the completeness of all collections for each type of revenue.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

The Town's personnel policy does not address the functions noted above.

Management's response: The Town intends to amend its policy to address the functions noted.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The Town does not have a contracting policy to address the above functions.

Management's response: The Town intends to adopt a contracting policy to address the functions noted above and implement in the current year.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of the statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

The Town does not have a credit card policy to address the above functions.

Management's response: The Town intends to adopt a contracting policy to address the above functions.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Written policies and procedures were obtained and address the functions noted above with the exception of dollar thresholds by category of expense.

Management's response: Management will review the Town's policies and procedures in place and consider amending the Town's policies to include dollar thresholds by category of expense.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

The Town does not have an ethics policy.

Management's response: The Town follows the State's policy. Management will consider amending the Town's policies to note adherence to the Louisiana Code of Governmental Ethics as well as procedures to ensure and monitor that employees/elected officials annually attest through signature verification that they have read the entity's ethics policy.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Town does not have a debt service policy.

Management's response: The Town intends to adopt a debt service policy to address the functions noted above and implement in the current year.

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The Town does not have a Disaster Recovery/Business Continuity policy.

Management's response: The Town plans to prepare Disaster Recovery/Business Continuity policy to address the functions noted above and implement in the current year.

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Written policies and procedures were obtained and address the functions noted above with the exception of annual employee training and annual reporting.

Management's responses: The Town intends to amend its policy to address annual employee training and annual reporting.

Board

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions noted.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.

No exceptions noted.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Not applicable, the Town did not have a negative unassigned fund balance in the prior year.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Obtained listing of client bank accounts for the fiscal period from management and management's representation that listing is complete.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

No exceptions noted.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions noted.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions noted.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Obtained a listing of deposit sites and management's representation that listing is complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

Obtained a listing of collection locations and management's representation that listing is complete.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Employees responsible for cash collections share cash drawers.

Management's Response: The Town has made efforts to segregate duties to the extent possible with a limited amount of personnel. The Town has determined the cost-benefit of adding additional staff to satisfy this segregation of duties matter is not economical. Additionally, the Town monitors financial activity, to include review of budget to actual profit and loss statements, on a monthly basis to identify any unexpected financial results.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Employees responsible for cash collections are responsible for preparing and making bank deposits.

Management's Response: The Town has made efforts to segregate duties to the extent possible with a limited amount of personnel. The Town has determined the cost-benefit of adding additional staff to satisfy this segregation of duties matter is not economical. Additionally, the Town monitors financial activity, to include review of budget to actual profit and loss statements, on a monthly basis to identify any unexpected financial results.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Employees responsible for collecting cash are responsible for posting collection entries to the general ledger or subsidiary ledgers without another employee/official responsible for reconciling ledger postings to each other and to the deposit.

Management's Response: The Town has made efforts to segregate duties to the extent possible with a limited amount of personnel. The Town has determined the cost-benefit of adding additional staff to satisfy this segregation of duties matter is not economical. Additionally, the Town monitors financial activity, to include review of budget to actual profit and loss statements, on a monthly basis to identify any unexpected financial results.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exception noted.

- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

No exceptions noted.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

a) Observe that receipts are sequentially pre-numbered.

No exceptions noted.

b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

The Town did not stamp or otherwise document the receipt date for two of eleven deposits selected, therefore, we were unable to determine if the Town deposited the receipts within one business day.

Management’s Response: The Town noted that the two exceptions were unintentional oversights and other supporting documentation agreed to deposit receipts. Efforts will be made to ensure adequate information is documented for cash collections going forward.

e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Obtained listing of locations that process payments and management’s representation that listing is complete.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exception noted.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

No exceptions noted.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

The disbursement documentation matched the related original itemized invoice for disbursements selected, except for one disbursement included deliverables and the documentation did not indicate that the deliverables included on the invoice were received by the entity.

Management's response: Management will review the Town's policies and procedures in place and consider amending the Town's policies to include a process for documenting the receipt of deliverables.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Obtained listing of the credit cards and management's representation that listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

No evidence that the monthly statement or combined statement and supporting documentation were reviewed and approved.

Management's response: The Town will document in writing review and approval of monthly statement or combined statement by someone other than the authorized card holder to the extent possible with the limited number of employees involved.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Written documentation of the business/public purpose was not documented on all transactions.

Management's response: Management will discuss the importance of documenting the business/public purpose for all transactions and provide written documentation of the business/public purpose for all credit card transactions going forward.

Travel and Travel -Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Obtained listing of travel and related expense reimbursements and management's representation that listing is complete.

- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Obtained listing of contracts initiated or renewed during the fiscal period and management's representation that listing is complete.

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Not applicable.

- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No exceptions noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel

- 16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained listing of employees and officials employed during the fiscal period and management's representation that listing was complete. The personnel files for the five employees/elected officials selected did not include documentation of authorized salaries/pay rates.

Management will review the Town's personnel policy and consider implementing procedures to document and maintain approved salaries/pay rates in personnel files. All salaries are provided to the Town Council for approval during the annual budget adoption process.

- 17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions noted.

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

No exceptions noted.

- c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions noted.

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

The personnel files for the five employees/elected officials selected did not include documentation of authorized salaries/pay rates.

Management's Response: Management will review the Town's personnel policy and consider implementing procedures to document and maintain approved salaries/pay rates in personnel files. All salaries are provided to the Town Council for approval during the annual budget adoption process.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Management represented that no employees or officials received termination payments during the fiscal period.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions noted.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Two of 5 employees selected did not have documentation to demonstrate that they completed one hour of ethics training during the year.

Management's Response: Management will consider amending the Town's policies to note adherence to the Louisiana Code of Governmental Ethics as well as implement procedures to ensure that each employee/official completed one hour of ethics training during the fiscal period.

- b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Not applicable, the Town does not have an ethics policy.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.

No debt was issued during the fiscal period.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

The Town did not have debt outstanding at the end of the fiscal period.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management asserted that the entity did not have any misappropriations of public funds or assets during the fiscal period.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- a. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

We performed the procedure and discussed the results with management.

- b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- c. Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Two of 5 employees selected did not have documentation to demonstrate that they completed one hour of sexual harassment training during the calendar year.

Management's Response: The Town intends to amend its policy to address and monitor annual employee training for employees/officials.

27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

The Town does not have its sexual harassment policy and complaint procedures posted on its website or in a conspicuous location on the entity's premises.

Management's Response: The Town intends to post its sexual harassment policy and complaint procedures on its website or in a conspicuous location on the entity's premises.

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:

The Town did not prepare its annual sexual harassment report for the current fiscal period that it included the applicable requirements of R.S. 42:344.

Management's Response: The Town intends to amend its policy to address preparing its annual sexual harassment report for the fiscal period that it includes the applicable requirements of R.S. 42:344.

We were engaged by the Town of Sorrento to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Town of Sorrento and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Deez, Dupuy + Reuz

Gonzales, Louisiana
December 9, 2022