



FINANCIAL STATEMENTS

June 30, 2025

TOWN OF SORRENTO, LOUISIANA

TABLE OF CONTENTS

June 30, 2025

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditors' Report		1
Management's Discussion and Analysis		5
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	A	15
Statement of Activities	A-1	16
Fund Financial Statements:		
Governmental Fund – General Fund:		
Balance Sheet	A-2	17
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	A-3	18
Statement of Revenues, Expenditures, and Changes in Fund Balance	A-4	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	A-5	20
Proprietary Fund – Utility Fund:		
Statement of Net Position	A-6	21
Statement of Revenues, Expenses, and Changes in Net Position	A-7	22
Statement of Cash Flows	A-8	23
Notes to Financial Statements	A-9	24
Required Supplementary Information:		
General Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B	51
Schedule of Proportionate Share of the Net Pension Liability	B-1	52
Schedule of Pension Contributions	B-2	53
Notes to Required Supplementary Information	B-3	54

TABLE OF CONTENTS (Continued)

	<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information:		
Schedule of Compensation, Benefits and Other Payments to Agency Head	B-4	56
Act 87 Justice System Funding Schedule	B-5	57
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 <i>Government Auditing Standards</i>		59
SCHEDULE OF FINDINGS AND RESPONSES		61
SUMMARY OF PRIOR YEAR FINDINGS		62



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, 2025, 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof 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 51 through 55, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 November 21, 2025 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

November 21, 2025
Gonzales, Louisiana

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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, 2025. 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 \$5 million (net position). Of this amount, approximately \$1.5 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 government-wide net position of approximately \$676,000 as government-wide revenues exceeded expenses. The increase in total net position is primarily due to the increase in capital grants and contributions of \$377,000, collectively, from the prior year, while overall expenses decreased by \$57,000, primarily due to decreases in utility expenses related to garbage and sewer operating costs.

Governmental Fund financial statements

- As of the end of the year, the government's General Fund reported a fund balance of approximately \$1.8 million, an increase of approximately \$33,000 in comparison to the prior year primarily due to an increase in intergovernmental grants and contributions of \$255,000. Capital outlay expenditures increased by \$708,000, which relates to road projects and improvements to the Town Hall. Additionally, general governmental expenditures increased by \$55,000 due to increases in professional services related to implementation of new accounting systems, while highways and streets expenditures decreased by \$78,000 due to decreases in repairs and maintenance expenses and engineering fees.

Approximately 20% 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, 2025, 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, 2025, the Town’s net position was approximately \$5 million, of which approximately \$1.5 million was unrestricted. Restricted net position of \$362,000 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:

<p style="text-align: center;">Town of Sorrento, Louisiana Statement of Net Position June 30, 2025 and 2024 (in thousands)</p>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 1,921	\$ 1,947	\$ 73	\$ 115	\$ 1,994	\$ 2,062
Internal balances	5	58	(5)	(58)	-	-
Capital assets	2,107	1,428	1,083	1,185	3,190	2,613
Deferred outflows	1	1	-	-	1	1
Total assets and deferred outflows	<u>4,034</u>	<u>3,434</u>	<u>1,151</u>	<u>1,242</u>	<u>5,185</u>	<u>4,676</u>
Current and other liabilities	91	202	49	104	140	306
Long-term liabilities	7	9	-	-	7	9
Deferred inflows	1	-	-	-	1	-
Total liabilities and deferred inflows	<u>99</u>	<u>211</u>	<u>49</u>	<u>104</u>	<u>148</u>	<u>315</u>
Net position:						
Net investment in capital assets	2,107	1,428	1,083	1,076	3,190	2,504
Restricted	362	255	-	-	362	255
Unrestricted	<u>1,466</u>	<u>1,540</u>	<u>19</u>	<u>62</u>	<u>1,485</u>	<u>1,602</u>
Total net position	<u>\$ 3,935</u>	<u>\$ 3,223</u>	<u>\$ 1,102</u>	<u>\$ 1,138</u>	<u>\$ 5,037</u>	<u>\$ 4,361</u>

Net position of the Town’s governmental activities increased by approximately \$712,000 during 2025. 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 \$1.5 million 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 decreased by approximately \$36,000 during 2025. The Town maintains garbage pickup, sewer operations and leases a water distribution system. As of June 30, 2025, the Town's business activities reported an unrestricted net position of \$19,000 and a net investment in capital assets of \$1.1 million.

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, 2025 and 2024						
(in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 185	\$ 163	\$ 258	\$ 246	\$ 443	\$ 409
Operating grants and contributions	126	248	28	-	154	248
Capital grants and contributions	428	51	-	-	428	51
General revenues:						
Sales taxes	902	869	-	-	902	869
Franchise taxes	117	112	-	-	117	112
Ad valorem taxes	87	90	-	-	87	90
Other and transfers	118	85	(17)	(11)	101	74
Total revenues	1,963	1,618	269	235	2,232	1,853
Functions/Program expenses:						
General government	411	425	-	-	411	425
Public safety	429	425	-	-	429	425
Highways and streets	264	265	-	-	264	265
Culture and recreation	147	143	-	-	147	143
Utility operations	-	-	305	355	305	355
Total expenses	1,251	1,258	305	355	1,556	1,613
Change in net position	712	360	(36)	(120)	676	240
Beginning net position	3,223	2,863	1,138	1,258	4,361	4,121
Ending net position	\$ 3,935	\$ 3,223	\$ 1,102	\$ 1,138	\$ 5,037	\$ 4,361

(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)	
	General Fund	
	2025	2024
Revenues	\$ 1,914	\$ 1,598
Expenditures	1,930	1,236
Excess of revenues over expenditures	(16)	362
Other financing sources	49	27
Net change in fund balance	33	389
Beginning fund balance	1,802	1,413
Ending fund balance	\$ 1,835	\$ 1,802

The Town’s General Fund experienced an increase in fund balance of approximately \$33,000 during 2025, which is primarily related to an increase in intergovernmental grants and contributions of \$255,000. The Town’s capital outlay expenditures increased by \$708,000, although highways and streets expenditures decreased by \$78,000. At year end, fund balance was approximately \$1,835,000, of which approximately \$1,473,000 was unassigned and available for utilization at the Town’s discretion. Of the remaining balance, approximately \$362,000 relates to restricted fund balances where constraints have been established by parties outside the Town by enabling legislation.

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

<u>Source of Revenue</u>	(In thousands)			
	2025		2024	
Taxes	\$ 1,109	58%	\$ 1,074	67%
Licenses and permits	118	6%	117	7%
Intergovernmental	554	29%	299	19%
Other revenues	<u>133</u>	<u>7%</u>	<u>108</u>	<u>7%</u>
Total	<u>\$ 1,914</u>	<u>100%</u>	<u>\$ 1,598</u>	<u>100%</u>

Revenues of the primary government for governmental fund types for 2025 were approximately \$1,914,000 compared to approximately \$1,598,000 for the previous year. The Town's total governmental revenue increased by \$316,000, primarily due to a \$255,000 increase in grants and contributions. As noted above, the Town's activities are largely supported by tax revenues, which represent 58% of total governmental resources.

<u>Function</u>	(In thousands)			
	2025		2024	
General government	\$ 384	20%	\$ 329	27%
Public safety	429	22%	425	34%
Highways and streets	250	13%	328	27%
Culture and recreation	92	5%	87	7%
Capital outlay	<u>775</u>	<u>40%</u>	<u>67</u>	<u>5%</u>
Total	<u>\$ 1,930</u>	<u>100%</u>	<u>\$ 1,236</u>	<u>100%</u>

Expenditures of the primary government for governmental fund types increased in 2025 by \$694,000 or 56%. The change is related to increased expenditures for capital outlay of \$708,000.

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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 2025 are as follows:

- Sales tax revenues were increased by \$59,000,
- A decrease in grants and contributions revenue of \$105,000,
- An increase in general government expenditures of \$64,200,
- A decrease in highway and streets expenditures of \$32,300,
- A decrease in debt service expenditures of \$40,000,
- A decrease in proceeds from capital lease of \$200,000.

Overall, the decrease in appropriations (expenditures) was \$8,800, which resulted in the final budgeted appropriation of \$2,036,400. Additionally, budgeted expenditures exceeded actual expenditures by \$106,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the Town had approximately \$3.2 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 \$577,000, or 22%, from the prior fiscal year end.

	(In thousands)					
	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 128	\$ 128	\$ 60	\$ 60	\$ 188	\$ 188
Construction in progress	729	41	-	-	729	41
Infrastructure	191	205	-	-	191	205
Buildings and improvements	610	598	-	-	610	598
Improvements other than buildings	370	406	-	-	370	406
Equipment and vehicles	79	50	35	46	114	96
Sewer system	-	-	836	898	836	898
Water distribution system	-	-	152	181	152	181
Total assets, net of depreciation	<u>\$ 2,107</u>	<u>\$ 1,428</u>	<u>\$ 1,083</u>	<u>\$ 1,185</u>	<u>\$ 3,190</u>	<u>\$ 2,613</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 2025, the Town had \$7,300 in long-term liabilities compared to \$9,400 at the end of 2024. A decrease of approximately \$2,100 is directly attributable to the change to Town's net pension liability. The Town's outstanding long-term liabilities at June 30, 2025 is as shown below:

	Outstanding July 1, 2024	Additions	Reductions	Outstanding June 30, 2025	Due Within One Year
Net pension liability	\$ 9,371	\$ -	\$ 2,084	\$ 7,287	\$ -

ECONOMIC FACTORS AND NEXT YEAR'S GENERAL FUND BUDGET

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2026 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 53% of budgeted revenues and other financing sources. The Town budgeted a decrease in revenues of approximately \$251,000 for 2026 compared to actual 2025 results due to a projected decrease in capital grants. Additionally, the Town is projecting a decrease in expenditures of \$97,000 compared to 2025 actuals. If these estimates are realized during 2026, fund balance for the Town's General Fund will decrease by approximately \$121,000 compared to an increase in fund balance of \$33,000 during 2025.

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, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,104,030	\$ 28,181	\$ 1,132,211
Accounts receivable, net	54,879	14,867	69,746
Internal balances	5,000	(5,000)	-
Due from other governments	383,654	-	383,654
Prepaid assets	572	-	572
Restricted cash	378,239	30,152	408,391
Capital assets:			
Non-depreciable	856,896	60,366	917,262
Depreciable, net	1,250,094	1,022,169	2,272,263
Total assets	4,033,364	1,150,735	5,184,099
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	1,172	-	1,172
Total assets and deferred outflows of resources	\$ 4,034,536	\$ 1,150,735	\$ 5,185,271
LIABILITIES			
Accounts payable	\$ 66,965	\$ 11,847	\$ 78,812
Customer prepayment on utility charges	-	6,974	6,974
Payable from restricted assets	24,131	30,152	54,283
Long-term liabilities:			
Net pension liability	7,287	-	7,287
Total liabilities	98,383	48,973	147,356
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	1,154	-	1,154
Total liabilities and deferred inflows of resources	99,537	48,973	148,510
NET POSITION			
Net investment in capital assets	2,106,990	1,082,535	3,189,525
Restricted for:			
Recreational services	143,484	-	143,484
Public safety	125,941	-	125,941
Senior citizen assistance	92,342	-	92,342
Unrestricted	1,466,242	19,227	1,485,469
Total net position	3,934,999	1,101,762	5,036,761
Total liabilities and net position	\$ 4,034,536	\$ 1,150,735	\$ 5,185,271

TOWN OF SORRENTO, LOUISIANA

STATEMENT OF ACTIVITIES

For the year ended June 30, 2025

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 411,681	\$ 162,660	\$ 26,182	\$ 428,168	\$ 205,329	\$ -	\$ 205,329
Public safety:							
Police	391,435	1,617	50,000	-	(339,818)	-	(339,818)
Fire	38,040	-	50,000	-	11,960	-	11,960
Highways and streets	263,601	-	-	-	(263,601)	-	(263,601)
Culture and recreation	146,612	20,470	-	-	(126,142)	-	(126,142)
Total governmental activities	1,251,369	184,747	126,182	428,168	(512,272)	-	(512,272)
Business-type activities:							
Utility operations	305,136	257,921	27,775	-	-	(19,440)	(19,440)
Total primary government	\$ 1,556,505	\$ 442,668	\$ 153,957	\$ 428,168	(512,272)	(19,440)	(531,712)
General revenues:							
Taxes:							
Sales					902,384	-	902,384
Franchise					116,835	-	116,835
Ad valorem					87,344	-	87,344
Other					2,797	-	2,797
Investment income					63,671	48	63,719
Proceeds from insurance and other					34,705	-	34,705
Transfers					16,900	(16,900)	-
Total general revenues					1,224,636	(16,852)	1,207,784
Change in net position					712,364	(36,292)	676,072
Net position - beginning of year					3,222,635	1,138,054	4,360,689
Net position - end of year					\$ 3,934,999	\$ 1,101,762	\$ 5,036,761

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

TOWN OF SORRENTO, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2025

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,104,030
Accounts receivable, net	54,879
Due from other governments	383,654
Due from Utility Fund	5,000
Restricted cash	378,239
Prepaid assets	572
Total assets	<u>\$ 1,926,374</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 66,965
Payable from restricted assets	24,131
Total liabilities	<u>91,096</u>
FUND BALANCE	
Restricted for:	
Recreational services	143,484
Public safety	125,941
Senior citizen assistance	92,342
Unassigned	1,473,511
Total fund balance	<u>1,835,278</u>
Total liabilities and fund balance	<u>\$ 1,926,374</u>

TOWN OF SORRENTO, LOUISIANA

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

June 30, 2025

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

Total fund balance - governmental fund (Exhibit A-2)	\$	1,835,278	
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds.			2,106,990
Pension related obligations are not due and payable with current resources and, therefore, are not reported in governmental funds.			
Net pension liability	\$	(7,287)	
Deferred outflows related to pension liability		1,172	
Deferred inflows related to pension liability		<u>(1,154)</u>	<u>(7,269)</u>
Net position of governmental activities (Exhibit A)			<u><u>\$ 3,934,999</u></u>

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

For the year ended June 30, 2025

	<u>General Fund</u>
REVENUES	
Taxes:	
Sales and use	\$ 902,384
Franchise	116,835
Ad valorem	87,344
Other	2,797
Charges for services:	
Licenses and permits	118,301
Rental and service fees	64,829
Fines	1,617
Grants and contributions	554,350
Investment income	63,671
Miscellaneous	2,023
Total revenues	<u>1,914,151</u>
EXPENDITURES	
Current function:	
General government	384,397
Public safety:	
Police	391,435
Fire	37,046
Highways and streets	250,307
Culture and recreation	92,144
Capital outlay	774,640
Total expenditures	<u>1,929,969</u>
Excess of revenues over expenditures	<u>(15,818)</u>
OTHER FINANCING SOURCES	
Transfers in	16,900
Proceeds from insurance	32,024
Total other financing sources	<u>48,924</u>
Net change in fund balance	33,106
FUND BALANCE	
Beginning of year	<u>1,802,172</u>
End of year	<u>\$ 1,835,278</u>

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, 2025

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)	\$ 33,106
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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.

Capital outlay	\$ 774,640	
Depreciation expense	<u>(96,040)</u>	678,600

Changes in net pension obligations are reported only in the Statement of Activities.

<u>658</u>

Change in net position of governmental activities (Exhibit A-1)	<u>\$ 712,364</u>
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TOWN OF SORRENTO, LOUISIANA
PROPRIETARY FUND - UTILITY FUND
STATEMENT OF NET POSITION

June 30, 2025

ASSETS

Current assets:

Cash and cash equivalents	\$ 28,181
Accounts receivable, net	14,867
Restricted cash - utility deposits	<u>30,152</u>
Total current assets	<u>73,200</u>

NONCURRENT ASSETS

Capital assets:

Non-depreciable	60,366
Depreciable, net	<u>1,022,169</u>
Total noncurrent assets	<u>1,082,535</u>
Total assets	<u><u>\$ 1,155,735</u></u>

LIABILITIES

Current liabilities:

Accounts payable	\$ 11,847
Customer prepayment on utility charges	6,974
Due to General Fund	5,000
Payable from restricted assets	<u>30,152</u>
Total current liabilities	<u>53,973</u>

NET POSITION

Net investment in capital assets	1,082,535
Unrestricted	<u>19,227</u>
Total net position	<u>1,101,762</u>
Total liabilities and net position	<u><u>\$ 1,155,735</u></u>

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, 2025

OPERATING REVENUES

Charges for services:

Garbage	\$ 172,977
Sewer	79,437
Water franchise fees	<u>5,507</u>
Total operating revenues	<u>257,921</u>

OPERATING EXPENSES

Garbage	134,510
Sewer	65,857
Administrative	2,519
Depreciation	<u>102,250</u>
Total operating expenses	<u>305,136</u>
Operating loss	(47,215)

NONOPERATING REVENUES

Investment income	<u>48</u>
Loss before operating grants, contributions, and transfers	(47,167)
Operating grants and contributions	27,775
Transfers out	<u>(16,900)</u>
Change in net position	(36,292)

NET POSITION

Beginning of year	<u>1,138,054</u>
End of year	<u><u>\$ 1,101,762</u></u>

**TOWN OF SORRENTO, LOUISIANA
PROPRIETARY FUND - UTILITY FUND**

STATEMENT OF CASH FLOWS

For the year ended June 30, 2025

	Business-type Activities - Enterprise Fund
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 259,916
Payments to suppliers	(200,421)
Net cash provided by operating activities	<u>59,495</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Repayments on amounts due to General Fund	(53,489)
Operating grants	27,775
Transfers to other funds	(16,900)
Net cash used for noncapital and related financing activities	<u>(42,614)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>48</u>
Net increase in cash	16,929
CASH AND CASH EQUIVALENTS	
Beginning of period	<u>41,404</u>
End of period	<u><u>\$ 58,333</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (47,215)
Adjustments for non-cash items:	
Depreciation	102,250
Change in operating assets and liabilities:	
Accounts receivable	764
Accounts payable and other current liabilities	<u>3,696</u>
Net cash provided by operating activities	<u><u>\$ 59,495</u></u>
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:	
Cash	\$ 28,181
Restricted cash	<u>30,152</u>
Total cash and cash equivalents	<u><u>\$ 58,333</u></u>

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 (the Town) 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 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)

Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 61, established criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

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.

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 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 2025.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Also, the Town may elect to treat any fund as a major fund that may not meet the above criteria. The Town considers the General Fund and the Utility Fund as major funds.

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.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Town does not maintain any special revenue funds.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs. The Town does not maintain any debt service funds.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. The Town does not maintain any capital projects funds.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund types (continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (Continued)

Fund financial statements (Continued)

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.

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.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 2.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$1,700 in the Utility Fund was recorded at June 30, 2025.

Inventories

The Town does not record any inventories of materials or supplies. These items are recorded as expenditures when purchased rather than when consumed. Materials and supplies on hand at year end are not considered material and, accordingly, the failure to record such inventories is not considered to be a significant departure from generally accepted accounting principles.

Leased Asset Receivable

Leased asset receivables are a result of leases in which the Town has entered into a contract with a lessee that delivers the right to use a nonfinancial asset of the Town as specified by the contract for a period of time in an exchange or exchange-like transaction. Such receivables are reported on the government-wide financial statements at present value of the lease payments to be received during the lease term. Additionally, the Town would recognize a deferred inflow of resources that is reported at the value of the lease receivable plus any payments received at or before the commencement of the lease for future periods. Assets of agreement entered into in which the Town is the lessor are retained as capital assets of the Town and are reported in the government-wide financial statements as described under Capital Assets. The Town has not entered into any agreements delivering control of a right to use a nonfinancial asset to a lessee as described at June 30, 2025.

Interfund Receivables and 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 \$5,000 at June 30, 2025.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-of-Use Assets

Right-of-use assets are a result of leases in which the Town has entered into a contract with a lessor that conveys control of the right to use the lessor's nonfinancial asset as specified by the contract for a period of time in an exchange-like transaction. Such assets are reported on the government-wide statements net of amortization. Right-of-use assets are amortized at the lesser of the useful life or lease term. The Town has not entered into any agreements gaining control of the right to use a lessor's nonfinancial assets as described above at June 30, 2025.

Subscription-Based Information Technology Arrangements

Subscription-based information technology arrangements (SBITA) are a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. Such assets are reported on the government-wide financial statement net of amortization. SBITA are amortized during the extent of the agreement. The Town has not entered into any material agreements gaining control of the right to use another party's information technology as described above at June 30, 2025.

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, long-term assets are accounted for as capital assets, which include land and land improvements, buildings, equipment, furniture and infrastructure assets (streets, roads, bridges, sewer and drainage systems). All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized at the completion of construction projects.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed.

Prior to the implementation of GASB 34 the infrastructure assets of the Town's governmental funds were capitalized but not depreciated. These assets are comprised of the streets maintained by the Town and have been valued at historical cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Government-wide Statements (Continued)

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

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

Long-term Liabilities

The accounting treatment of long-term liabilities 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.

In the government-wide statement of net position and in the proprietary fund financial statements, long-term debt is reported as a liability. The long-term debt consists primarily of utility revenue bonds and certificates of indebtedness for public improvements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Debt (Continued)

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. Instead, the debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures. The accounting for proprietary fund debt is the same in the fund statements as it is in the government-wide statements. The Town is not obligated for any special assessment debt.

Compensated Absences

GASB Statement No. 101 provides that compensated absences should be accrued as a liability as the benefits are earned if (1) the rights to receive the compensation are attributable to services already rendered, (2) the leave accumulates, and (3) it is more likely than not that the leave will be used for time off or otherwise paid or settled. Permanent, full-time employees earn annual leave on the anniversary date of their employment based upon years of service. Such leave may not carry over or accumulate from one anniversary date to another. Additionally, since vacation leave is not paid upon retirement or termination, there is no accrual of the liability for unused vacation leave.

GASB Statement No. 101 requires the accrual for sick leave to the extent it is more likely than not that benefits will be used for time off or otherwise paid or settled. Sick leave is earned at the rate of one day per month to a maximum of ten days per year, and no more than thirty days may be accumulated at any time. The Town's policy provides that sick leave is paid only for designated absences and that no payment for accrued sick leave is made upon retirement or termination. Therefore, accrual of the liability for unused sick leave is not required.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, which is reported in the government-wide statement.

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 inflows related to net pension liability and unavailable revenues are the only amounts that qualify for this category. Deferred inflows are recognized in the period that the resources 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.

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)

Use of Restricted Resources

When an expense is incurred in government and business-type activities that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense to the restricted net position before unrestricted net position is utilized.

When an expenditure is incurred in governmental funds 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.

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 related depreciation, net pension liabilities and related deferred inflows and outflows of resources.

Current Accounting Standards Implemented

During the year, the Town implemented policies established under GASB Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The adoption of this statement did not materially impact the Town's governmental or business-type activities at July 1, 2024.

Additionally, during the year, the Town implemented policies established under GASB Statement No. 102, *Certain Risk Disclosures*, to improve consistency and comparability in financial reporting by requiring governments to disclose information about certain risks that could have a significant effect on their financial condition or results of operations. Specifically, GASB 102 requires disclosure of (1) concentrations of risks, such as those related to revenues or suppliers, and (2) constraints arising from certain commitments or limitations that may impact a government's ability to access resources.

Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through November 21, 2025, the date the financial statements were available to be issued. No significant subsequent events were noted.

NOTE 2 - CASH AND CASH EQUIVALENTS

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, 2025, the Town's deposits were not exposed to any custodial risk.

As of June 30, 2025, the Town had a balance of \$1,148,085 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.

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 no 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 55 days as of June 30, 2025.
- 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.

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

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.

NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

At June 30, 2025, accounts receivable for the Town's funds consisted of the following:

General Fund:

Franchise taxes	\$ 30,334
Licenses and permits	18,101
Charges for services	<u>6,444</u>
Total governmental activities	<u>54,879</u>

Utility Fund:

User fees, net	<u>14,867</u>
Total primary government	<u>\$ 69,746</u>

Due from other governments at June 30, 2025 consisted of the following:

General Fund:

Sales & use tax	\$ 81,804
Grants	<u>301,850</u>
Total governmental activities	<u>\$ 383,654</u>

(Continued)

NOTE 5 - RESTRICTED CASH

Restricted cash at June 30, 2025 was as follows:

Recreation	\$ 185,421
Public safety - fire	79,297
Senior citizens	60,870
Public safety - police	<u>52,651</u>
 Total governmental activities	 <u>\$ 378,239</u>

Governmental activities restricted cash includes \$160,880 held in LAMP investments, with the remaining \$217,359 held in a demand deposit accounts. Business-type activities restricted cash of \$30,152 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, 2025, taxes of 5.97 mills were levied on property with assessed valuations totaling \$14,371,040 and were dedicated to general government. Total taxes levied and collected during 2025 were \$85,801 and \$87,344, respectively.

NOTE 7 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2025, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 127,750	\$ -	\$ -	\$ 127,750
Construction in progress	<u>41,017</u>	<u>688,129</u>	<u>-</u>	<u>729,146</u>
Total capital assets not being depreciated	<u>168,767</u>	<u>688,129</u>	<u>-</u>	<u>856,896</u>
Capital assets being depreciated:				
Infrastructure	355,918	-	-	355,918
Buildings and improvements	938,719	34,550	-	973,269
Equipment and vehicles	457,151	51,961	399	508,713
Improvements other than buildings	<u>537,053</u>	<u>-</u>	<u>-</u>	<u>537,053</u>
Total capital assets being depreciated	<u>2,288,841</u>	<u>86,511</u>	<u>399</u>	<u>2,374,953</u>
Less accumulated depreciation for:				
Infrastructure	150,758	14,568	-	165,326
Buildings and improvements	340,182	22,041	-	362,223
Equipment and vehicles	407,593	22,591	399	429,785
Improvements other than buildings	<u>130,685</u>	<u>36,840</u>	<u>-</u>	<u>167,525</u>
Total accumulated depreciation	<u>1,029,218</u>	<u>96,040</u>	<u>399</u>	<u>1,124,859</u>
Total capital assets being depreciated, net	<u>1,259,623</u>	<u>(9,529)</u>	<u>-</u>	<u>1,250,094</u>
Governmental capital assets, net	<u>\$ 1,428,390</u>	<u>\$ 678,600</u>	<u>\$ -</u>	<u>\$ 2,106,990</u>

(Continued)

NOTE 7 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

Recreation	\$ 55,462
General government	27,284
Highway and streets	<u>13,294</u>

Total depreciation expense - governmental activities	<u><u>\$ 96,040</u></u>
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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 60,366	\$ -	\$ -	\$ 60,366
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>60,366</u>	<u>-</u>	<u>-</u>	<u>60,366</u>
Capital assets being depreciated:				
Sewer treatment plants	1,566,287	-	-	1,566,287
Water system, tank, & pump	773,284	-	-	773,284
Equipment	<u>116,514</u>	<u>-</u>	<u>-</u>	<u>116,514</u>
Total capital assets being depreciated	<u>2,456,085</u>	<u>-</u>	<u>-</u>	<u>2,456,085</u>
Less accumulated depreciation for:				
Sewer treatment plants	668,280	62,828	-	731,108
Water system, tank, & pump	592,930	28,595	-	621,525
Equipment	<u>70,456</u>	<u>10,827</u>	<u>-</u>	<u>81,283</u>
Total accumulated depreciation	<u>1,331,666</u>	<u>102,250</u>	<u>-</u>	<u>1,433,916</u>
Total capital assets being depreciated, net	<u>1,124,419</u>	<u>(102,250)</u>	<u>-</u>	<u>1,022,169</u>
Business-type activities capital assets, net	<u><u>\$1,184,785</u></u>	<u><u>\$(102,250)</u></u>	<u><u>\$ -</u></u>	<u><u>\$1,082,535</u></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, 2025:

	July 1, 2024	Additions	Reductions	June 30, 2025	Due Within One Year
Net pension liability	\$ 9,371	\$ -	\$ 2,084	\$ 7,287	\$ -

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, 2024. Access to the report can be found on LASERS website, www.lasersonline.com, or the Louisiana Legislative Auditor's website, www.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).

(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy (Continued)

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, 2025, for the Town and covered employees were as follows:

	Contribution Rates	
	Town	Employees
Louisiana State Employees' Retirement System		
Judges hired before 1/1/2011	40.17%	11.50%
Judges hired on or after 1/1/2011	38.31%	13.00%
Judges hired on or after 7/1/2015	38.31%	13.00%

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

Plan	2025	2024	2023
Louisiana State Employees' Retirement System	\$ 1,121	\$ 1,187	\$ 1,259

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, 2025, 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, 2024	Current Measurement Rate	Previous Measurement Rate	Increase (Decrease)
LASERS	\$ 7,287	0.00013%	0.00014%	-0.00001%

(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At June 30, 2025, 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	\$ -	\$ (32)
Changes of assumptions	51	-
Net difference between projected and actual earnings on pension plan investments	-	(869)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	(253)
Differences between allocated and actual contributions	-	-
Employer contributions subsequent to the measurement date	1,121	-
	<u>\$ 1,172</u>	<u>\$ (1,154)</u>

The Town reported a total of \$1,121 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, 2025.

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
2025	\$ (588)
2026	158
2027	(401)
2028	<u>(272)</u>
	<u>\$ (1,103)</u>

(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 2019-2023. The recommended assumption changes based on this study were adopted by the Board, effective June 30, 2024. The experience study report, dated April 25, 2024, 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, 2024:

	Measurement/ Valuation Date	Expected Remaining Service Lives	Investment Rate of Return
LASERS	June 30, 2024	2 years	7.25%; net of investment expense

Mortality

Non-disabled members – The PubG-2010 Healthy Retiree on a fully generational basis by Mortality Improvement Scale MP-2021.

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

Termination, Disability, and Retirement

Termination, disability, and retirement assumptions were projected based on a five-year (2019-2023) experience study of the System's members.

Salary Increases

Salary increases were projected based on a 2019-2023 experience study of the System's members. The salary increase range applicable to Judges has a lower range of 2.4% and upper range of 4.8%.

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.

(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 2.4% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.15% for 2024. 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, 2024, are summarized in the following table:

Expected Long-Term Rates of Return	
Asset Class	June 30, 2024
Cash	0.76%
Domestic Equity	4.29%
International Equity	5.22%
Domestic Fixed Income	2.04%
International Fixed Income	5.24%
Alternative Investments	8.19%
Total fund	5.61%
Inflation	2.40%
Total expected long-term rate of return	8.15%

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.

(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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:

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
LASERS			
Discount Rates	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Shares of Net Pension Liability	<u>\$ 10,063</u>	<u>\$ 7,287</u>	<u>\$ 4,928</u>

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.

As of June 30, 2025, 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, 2025, the Town has received \$150,000 as part of this intergovernmental agreement.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk Management

The Town may be 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 may be 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, 2025, there were no assets held by Nationwide on behalf of Town employees.

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.

(Continued)

NOTE 12 - COMPENSATION OF GOVERNING BOARD

During the year ended June 30, 2025, Council members received compensation, as follows:

<u>Name</u>	<u>Amount</u>
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>\$ 18,000</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, 2025

	Original Budget	Final Budget	Actual	Variance - favorable (unfavorable)
REVENUES				
Taxes:				
Sales and use	\$ 885,000	\$ 944,000	\$ 902,384	\$ (41,616)
Franchise	110,000	115,000	116,835	1,835
Ad valorem	85,000	85,000	87,344	2,344
Other	3,000	3,000	2,797	(203)
Charges for services:				
Licenses and permits	111,300	111,300	118,301	7,001
Rental and service fees	35,300	65,500	64,829	(671)
Fines	1,250	1,500	1,617	117
Grants and contributions	572,500	467,500	554,350	86,850
Investment income	30,500	62,000	63,671	1,671
Miscellaneous	500	500	2,023	1,523
Total revenues	<u>1,834,350</u>	<u>1,855,300</u>	<u>1,914,151</u>	<u>58,851</u>
EXPENDITURES				
Current function:				
General government	339,500	403,700	384,397	19,303
Public safety:				
Police	412,600	392,600	391,435	1,165
Fire	45,000	46,500	37,046	9,454
Highways and streets	373,600	341,300	250,307	90,993
Culture and recreation	89,500	105,000	92,144	12,856
Debt service	40,000	-	-	-
Capital outlay	745,000	747,300	774,640	(27,340)
Total expenditures	<u>2,045,200</u>	<u>2,036,400</u>	<u>1,929,969</u>	<u>106,431</u>
Excess of revenues over expenditures	(210,850)	(181,100)	(15,818)	165,282
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	200,000	-	-	-
Proceeds from insurance	-	31,500	32,024	524
Transfers	16,900	16,900	16,900	-
Proceeds from sale of capital assets	-	3,000	-	(3,000)
Total other financing sources (uses)	<u>216,900</u>	<u>51,400</u>	<u>48,924</u>	<u>(2,476)</u>
Net change in fund balance	6,050	(129,700)	33,106	<u>\$ 162,806</u>
FUND BALANCE				
Beginning of year	<u>1,473,523</u>	<u>1,802,172</u>	<u>1,802,172</u>	
End of year	<u>\$ 1,479,573</u>	<u>\$ 1,672,472</u>	<u>\$ 1,835,278</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, 2025

Louisiana State Employees' Retirement System (LASERS):

As of the fiscal year ended (1):	2025	2024	2023	2022
Employer's Proportion of the Net Pension Liability (Asset)	0.00013%	0.00014%	0.00015%	0.00015%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,287	\$ 9,371	\$ 11,264	\$ 8,311
Employer's Covered-Employee Payroll	2,927	2,935	2,927	2,927
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	248.96%	319.28%	384.83%	283.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.60%	68.40%	63.70%	72.80%

As of the fiscal year ended (1):	2021	2020	2019	2018
Employer's Proportion of the Net Pension Liability (Asset)	0.00015%	0.00015%	0.00016%	0.00017%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,571	\$ 11,012	\$ 10,912	\$ 11,684
Employer's Covered-Employee Payroll	2,927	2,927	2,927	2,927
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	429.48%	376.22%	372.80%	399.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.00%	62.90%	64.30%	62.50%

As of the fiscal year ended (1):	2017	2016
Employer's Proportion of the Net Pension Liability (Asset)	0.00017%	0.00016%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,957	\$ 10,746
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	442.67%	367.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.70%	62.70%

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

TOWN OF SORRENTO, LOUISIANA

SCHEDULE OF PENSION CONTRIBUTIONS

LAST TEN FISCAL YEARS

For the year ended June 30, 2025

Louisiana State Employees' Retirement System (LASERS):

As of the fiscal year ended	Contributions in Relation to			Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Excess (Deficiency)		
6/30/2025	\$ 1,121	\$ 1,121	\$ -	\$ 2,927	38.30%
6/30/2024	1,187	1,187	-	2,935	40.44%
6/30/2023	1,259	1,259	-	2,927	43.01%
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%

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

TOWN OF SORRENTO, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2025

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

The Town's General Fund 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, 2025. The Town's basis of budgetary accounting follows generally accepted accounting principles.

NOTE 2 - DEFINED BENEFIT PENSION PLAN

Changes in Benefit Terms and Assumptions

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

NOTE 2 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Benefit Terms and Assumptions (Continued)

Measurement Date	Investment Rate of Return		Inflation rates		Changes of Benefit Terms	
	Rate	Change	Rate	Change	Years	Change
June 30, 2024	7.25%	0.00%	2.40%	0.10%	2	-
June 30, 2023	7.25%	0.00%	2.30%	0.00%	2	-
June 30, 2022	7.25%	-0.15%	2.30%	0.00%	2	-
June 30, 2021	7.40%	-0.15%	2.30%	0.00%	2	-
June 30, 2020	7.55%	-0.05%	2.30%	-0.20%	2	-
June 30, 2019	7.60%	-0.05%	2.50%	-0.25%	2	(1)
June 30, 2018	7.65%	-0.05%	2.75%	0.00%	3	-
June 30, 2017	7.70%	-0.05%	2.75%	-0.25%	3	-
June 30, 2016	7.75%	0.00%	3.00%	0.00%	3	-
June 30, 2015	7.75%		3.00%		3	

TOWN OF SORRENTO, LOUISIANA

**SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD**

For the year ended June 30, 2025

Agency Head: Christopher Guidry, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ <u>18,838</u>

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

For the year ended June 30, 2025

	First Six Month Period Ending, December 31, 2024	Second Six Month Period Ending, June 30, 2025
COLLECTIONS:		
Ascension Parish Sheriff, Criminal Court Costs/Fees	\$ 206	\$ 172
Ascension Parish Sheriff, Criminal Fines - Other	<u>536</u>	<u>704</u>
TOTAL COLLECTIONS:	<u>742</u>	<u>876</u>
TOTAL ENDING BALANCE OF AMOUNTS COLLECTED AND ASSESSED BUT NOT RECEIVED	<u>\$ -</u>	<u>\$ -</u>

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, 2025, 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 November 21, 2025.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Gonzales, Louisiana
November 21, 2025

TOWN OF SORRENTO

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2025

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. No instances 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 – COMPLIANCE WITH STATE LAWS AND REGULATIONS

None noted.

TOWN OF SORRENTO, LOUISIANA
SUMMARY OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2025

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None noted.

B. FINDINGS – COMPLIANCE WITH STATE LAWS AND REGULATIONS

None noted.

TOWN OF SORRENTO, LOUISIANA
STATEWIDE AGREED-UPON PROCEDURES REPORT
YEAR ENDED JUNE 30, 2025



**INDEPENDENT ACCOUNTANTS' 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, 2024 through June 30, 2025. 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, 2024 through June 30, 2025. 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:

1) Collections (excluding electronic funds transfers)

- A. 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.

- B. 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.

- i. Employees 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.

- ii. 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.

- iii. 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; and

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.

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

No exception noted.

- C. 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.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (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:

- i. Observe that receipts are sequentially pre-numbered.

No exceptions noted.

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

No exceptions noted.

- iii. Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- iv. 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 and the cash is stored securely in a locked safe or drawer).

Two of eight receipts for eight deposits selected was not deposited within one day of collection. One receipt did not document the receipt date of payment received and we were unable to determine if the check was deposited timely. The other receipt was not deposited timely.

Management's Response: The Town will document receipt date for all sources received going forward.

- v. Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

2) Payroll and Personnel

- A. 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 management's representation that listing was complete. Agreed paid salaries for four of five employees/officials selected to authorized salaries/pay rates in the personnel file without exception. The authorized payrate for one of five employees/officials selected was not documented in personnel file. See 9Biv below.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

No exceptions noted.

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

No exceptions noted.

- iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

No exceptions noted.

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

The authorized payrate for one of five employees/officials selected was not documented in personnel file.

Management's Response: The Town will review employee/official personnel files to ensure the current pay for employees/officials are properly authorized and documented in personnel file.

- C. 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's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

No exceptions noted.

- D. 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.

3) Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A 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.

No exceptions noted.

- B. 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).

No exceptions noted.

- C. 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 the report includes the applicable requirements of R.S. 42:344:

The Town prepared its annual sexual harassment report for the current fiscal period that it included the applicable requirements of R.S. 42:344, however, the report was not dated on or before February 1, 2025.

Management's Response: The Town intends to comply with annual sexual harassment reporting beginning with the current fiscal period.

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.

Dez, Dupuy + Ruiz

Gonzales, Louisiana
November 21, 2025