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TOWN OF SORRENTO, LOUISIANA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 1996

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

Release Date FEB 26 1997

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MEMBER
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96 DEC 20 AM 9:15

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mr. Wilson R. Longanecker, Mayor
and the Members of the Board of Aldermen
Town of Sorrento, Louisiana

I have audited the accompanying general purpose financial statements of the Town of Sorrento, Louisiana, as of June 30, 1996, and for the year then ended. These general purpose financial statements are the responsibility of the Town of Sorrento, Louisiana, management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

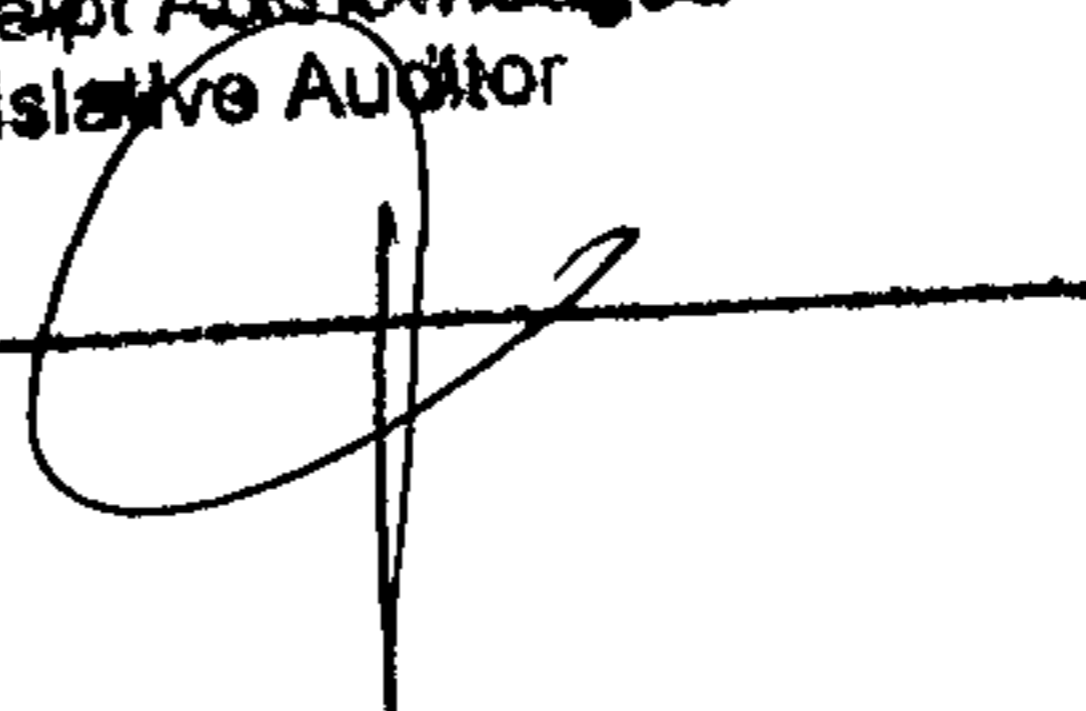
I conducted my audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Sorrento, Louisiana, at June 30, 1996, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 13, 1996, on my consideration of the Town of Sorrento's internal control structure and a report dated December 13, 1996, on its compliance with laws and regulations.

Receipt Acknowledged
Legislative Auditor

By



The Honorable Mr. Wilson R. Longanecker, Mayor
and the Members of the Board of Aldermen
Page 2

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as a supplemental schedule in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Town of Sorrento, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

December 13, 1996

Conrad P. Bourque

TOWN OF SORRENTO, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1996

	<u>GOVERNMENTAL</u> <u>FUND TYPE</u>	<u>PROPRIETARY</u> <u>FUND TYPE</u>	<u>ACCOUNT GROUP</u> <u>GENERAL FIXED</u>	<u>TOTALS</u> <u>(MEMO.</u> <u>ONLY)</u> <u>6-30-96</u>
	<u>GENERAL</u>	<u>ENTERPRISE</u>	<u>ASSETS</u>	
ASSETS				
Cash	\$239,012	\$ 81,181	\$ -	\$ 320,193
Receivables:				
Taxes & Hwy. Maint.	79,355	-	-	79,355
Accounts (net of allowance for uncollectable accounts)	-	30,845	-	30,845
Prepaid expenses	-	1,285	-	1,285
Restricted assets:				
Cash	80,124	11,334	-	91,458
General fixed assets	-	-	677,200	677,200
Fixed assets (net of accumulated depreciation)	-	696,994	-	696,994
TOTAL ASSETS	<u>\$398,491</u>	<u>\$821,639</u>	<u>\$677,200</u>	<u>\$1,897,330</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Payroll taxes payable	\$ 3,973	\$ 519	\$ -	\$ 4,492
Accounts payable	29,892	2,548	-	32,440
Accrued items	1,481	152	-	1,633
Customer deposits	-	11,334	-	11,334
Total Liabilities	35,346	14,553	-	49,899
FUND EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	677,200	677,200
Contributed Capital (net of accumulated depreciation)	-	688,955	-	688,955
Retained earnings:				
Unreserved	-	118,131	-	118,131
Fund balances:				
Reserved for restricted assets	70,880	-	-	70,880
Unreserved	292,265	-	-	292,265
Total Fund Equity	<u>363,145</u>	<u>807,086</u>	<u>677,200</u>	<u>1,847,431</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$398,491</u>	<u>\$821,639</u>	<u>\$677,200</u>	<u>\$1,897,330</u>

The accompanying notes are an integral part of this statement

TOWN OF SORRENTO, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

YEAR ENDED JUNE 30, 1996

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 1995)

	1996		Variance- Favorable (Unfavorable)	Actual 1995
	Budget	Actual		
REVENUES:				
Taxes	\$254,000	\$269,428	\$ 15,428	\$266,211
Video Poker	170,000	196,350	26,350	195,031
Licenses	32,000	29,329	(2,671)	34,298
Fines and forfeits	162,000	122,752	(39,248)	148,153
Miscellaneous	21,000	35,083	14,083	30,240
Total revenues	639,000	652,942	13,942	673,933
EXPENDITURES:				
Current:				
General government	226,500	207,821	18,679	181,993
Public safety	160,000	199,592	(39,592)	235,291
Highways and streets	150,000	113,903	36,097	127,372
Capital outlay	102,500	58,649	43,851	19,394
Total expenditures	639,000	579,965	59,035	564,050
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	72,977	72,977	109,883
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(10,000)	(10,000)	(22,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	-	62,977	62,977	87,883
FUND BALANCE, beginning of year	300,168	300,168	-	212,285
FUND BALANCE, end of year	\$300,168	\$363,145	\$ 62,977	\$300,168

The accompanying notes are an integral part of this statement.

TOWN OF SORRENTO, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS -
PROPRIETARY FUND TYPE - ENTERPRISE FUND
YEAR ENDED JUNE 30, 1996

(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 1995)

	<u>June 30, 1996</u>	<u>June 30, 1995</u>
OPERATING REVENUES:		
Charges for services:		
Gas sales	\$120,806	\$127,203
Garbage	47,211	46,170
Sewer	11,949	12,931
Miscellaneous	<u>165</u>	<u>2,325</u>
Total operating revenues	180,131	188,629
OPERATING EXPENSES:		
Gas department expenses	129,880	129,613
Garbage department expenses	47,896	50,458
Sewer department expenses	10,124	18,279
General expenses	-	841
Depreciation	<u>15,939</u>	<u>15,660</u>
Total operating expenses	<u>203,839</u>	<u>214,851</u>
OPERATING INCOME (LOSS)	(23,708)	(26,222)
NON-OPERATING REVENUES:		
Interest	<u>2,808</u>	<u>2,275</u>
INCOME (LOSS) BEFORE OTHER FINANCING USES	(20,900)	(23,947)
OTHER FINANCING SOURCES (USES):		
Operating transfers in	10,000	22,000
Operating transfers out		-
LESS DEPRECIATION TRANSFERRED TO CONTRIBUTED CAPITAL	<u>14,896</u>	<u>14,896</u>
NET INCOME (LOSS)	3,996	12,949
RETAINED EARNINGS, beginning of year	<u>114,135</u>	<u>101,186</u>
RETAINED EARNINGS, end of year	\$ <u>118,131</u>	\$ <u>114,135</u>

The accompanying notes are an integral part of this statement.

TOWN OF SORRENTO, LOUISIANA

STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPE - ENTERPRISE FUND

YEAR ENDED JUNE 30, 1996

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating (loss)	\$(23,708)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	15,939
Increase in accounts receivable	(9,244)
Increase in prepaid expenses	(64)
Decrease in payroll taxes payable	45
Increase in accounts payable	1,084
Increase in accrued items	152
Increase in customer deposits	<u>1,563</u>

NET CASH USED BY OPERATING ACTIVITIES \$(14,233)

CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:

 Operating transfers in 10,000

NET CASH SOURCE FOR NONCAPITAL FINANCING ACTIVITIES 10,000

CASH FLOWS FROM INVESTING ACTIVITIES:

 Purchase of equipment (2,789)

 Interest earnings 2,808

NET CASH PROVIDED BY INVESTING ACTIVITIES 19

NET DECREASE IN CASH (4,214)

CASH, BEGINNING OF YEAR 96,729

CASH, END OF YEAR \$ 92,515

The accompanying notes are an integral part of this statement

TOWN OF SORRENTO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Sorrento, Louisiana, was incorporated September 11, 1956, under the provision of the Lawrason Act. The Town operates under a Mayor - Board of Aldermen form of government.

The accounting and reporting practices of the Town of Sorrento, Louisiana, conform to generally accepted accounting principles as applicable to governmental units on a consistent basis between periods. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Governmental Units, published by the American Institute of Certified Public Accountants.

A. Financial Reporting Entity - This report includes all funds and account groups which are controlled by or dependent on the Town's executive and legislative branches (the Mayor and Board of Aldermen). Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, a certain organization (Fire Department) is not part of the Town and is thus excluded from the accompanying financial statements. No control is exercised by the Town over its operations.

The following is a summary of certain significant accounting policies:

B. Fund Accounting - The accounts of the Town of Sorrento, Louisiana, are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types as follows:

TOWN OF SORRENTO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996
(CONTINUED)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Type:

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.

Proprietary Fund Type:

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

C. Fixed Assets and Long-Term Liabilities - The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in governmental funds type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. The Town has elected to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements. No depreciation has been provided on general fixed assets.

The proprietary fund is accounted for on a cost of service or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet.

TOWN OF SORRENTO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996
(CONTINUED)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>YEARS</u>
Lines, meters, & sewer system	50
Equipment	6-10
Vehicles	6

All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets of \$118,950 (Cleve Reber Site-\$118,850) are stated at their estimated fair value on the date received.

D. Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Property taxes, sales taxes, and interest revenue are treated as susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

TOWN OF SORRENTO, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996
(CONTINUED)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

E. Budgets and Budgetary Accounting - The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

- 1) The Town Mayor and Clerk prepare a proposed budget message and budget and submits same to the Board of Aldermen prior to the beginning of each fiscal year.
- 2) A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- 3) A public hearing is held on the proposed budget at least two weeks after publication of the call for the hearing.
- 4) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
- 5) Budgetary amendments involving the transfer of funds from one department, program, or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
- 6) All budgetary appropriations lapse at the end of each fiscal year.
- 7) Budgets for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of aldermen.

F. Bad Debts - Uncollectable amounts due for taxed and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectability of the particular receivable.

TOWN OF SORRENTO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996
(CONTINUED)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Prepaid Expense - Payments made, which will benefit periods beyond June 30, 1996, are recorded as prepaid expense.

H. Compensated Absences - The Town has the following policy relating to vacation and sick leave:

Each full time employee is entitled to 5 days vacation and 5 days sick leave for each year worked. Vacation benefits increased after 5 years worked to 10 days, after 10 years worked to 15 days, after 15 years worked to 20 days. These benefits are non-cumulative and must be taken when due.

I. Sales Taxes - The Town of Sorrento Board of Aldermen passed an ordinance, effective July 1, 1981, levying a one cent sales tax for the purposes of general operating expenses (70%), recreation (10%), fire protection (10%), and senior citizens programs (10%). The Town Board also passed an ordinance, effective October 26, 1986, levying a one cent sales tax for the purpose of general operating expenditures.

J. Comparative Data - Comparative total data for the prior year has been presented in the accompanying financial statements (except the combined sheet and statement of cash flows) in order to provide an understanding of changes in the Town's operations.

K. Total Columns on Combined Statements - Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

L. Statement of Cash Flows - The Town has adopted the use of the statement of cash flows in place of the statement of changes of financial position. For purposes of the statement of cash flows, the Utility Enterprise Fund considers all highly liquid investments, (including restricted assets), with a maturity of three months or less when purchased to be cash equivalents.

TOWN OF SORRENTO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996
(CONTINUED)

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NOTE 2 - DEPOSITS AND INVESTMENTS

The carrying amount of the Town's deposits (listed as cash on the financial statement), including certificates of deposit, with financial institutions as of June 30, 1996, was \$411,651 and the bank balance was \$424,888. The bank balance is categorized as follows:

Amount insured by the FDIC	\$200,000
Amounts collateralized with securities held by in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.	215,000
Amounts uninsured and unsecured	<u>9,888</u>
	<u>\$424,888</u>

Statutes authorize the Town to invest in United States bonds, treasury notes or certificates, time certificates of deposits of Louisiana state banks and national banks having the principle office in the State of Louisiana or any other federally insured investments.

The government's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name, or (3) uninsured and unregistered for which securities are held by the broker or dealer, or by its trust department or agent but not in the government's name. As of June 30, 1996, there were no investments.

TOWN OF SORRENTO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996
(CONTINUED)

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NOTE 3 - AD VALOREM TAXES

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

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Ascension Parish.

For the year ended June 30, 1996, taxes of 6.60 mills were levied on property with assessed valuations totaling \$2,581,160, and were dedicated to general government.

Total taxes levied were \$17,036. Taxes of \$652 were receivable at June 30, 1996.

NOTE 4 - RESTRICTED ASSETS

Restricted assets at June 30, 1996, were applicable to the following:

	<u>General Fund</u>
Fire protection	\$ 8,784
Senior citizens programs	14,619
Recreation	<u>56,721</u>
Total	\$80,124
	<u>Utility Fund</u>
Gas deposits	\$11,334

NOTE 5 - CONCENTRATION OF CREDIT RISK - PROPRIETARY FUND

Accounts receivable from utility customers were comprised of the following sources: residential -99% and commercial -1%. Most customers have made deposits to partially secure their outstanding balance.

TOWN OF SORRENTO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996
(CONTINUED)

NOTE 6 - FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance <u>6-30-95</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6-30-96</u>
Buildings	\$244,059	\$ 37,040	\$ -	\$281,099
Land	29,450	-	-	29,450
Other improvements	-	2,769	-	2,769
Equipment	<u>345,268</u>	<u>18,840</u>	<u>125</u>	<u>363,882</u>
Totals	<u>\$618,777</u>	<u>\$ 58,649</u>	<u>\$ 125</u>	<u>\$677,200</u>

A summary of proprietary fund type property, plant, and equipment at June 30, 1996 follows:

Sewer system	\$744,815
Gas lines	22,690
Equipment	<u>33,556</u>
Total	\$801,061
Less accumulated depreciation	<u>104,068</u>
	<u>\$696,993</u>

NOTE 7 - PENSION PLAN

Substantially all police employees of the Town of Sorrento are members of the Municipal Police Employees Retirement System of Louisiana ("System"), a cost sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

TOWN OF SORRENTO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996
(CONTINUED)

NOTE 7 - PENSION PLAN (CONTINUED)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Sorrento is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the Town of Sorrento are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions for the year ending June 30, 1996, 1995, and 1994 were \$3,397, \$5,279, and \$3,822, respectively.

NOTE 8 - CONTRIBUTED CAPITAL - PROPRIETARY FUND

Contributed capital is recorded in the Enterprise Fund for capital grants restricted for the acquisition or construction of capital assets. The Town placed this sewer system (acquired by LCDBG) into service in October, 1992. The Town elected to record depreciation of the sewer system as a reduction in the contributed capital account, because it does not plan to recuperate the grant investment through the user fees. The user fees are to be used for operating purposes.

NOTE 9 - CONTINGENCIES

At June 30, 1996, the Town of Sorrento, Louisiana, is involved in no lawsuits and is aware of no claims.

Conrad P. Bourque

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CERTIFIED PUBLIC ACCOUNTANT

MEMBER
AMERICAN INSTITUTE OF CPA'S
SOCIETY OF LOUISIANA CPA'S

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

To the Honorable Mr. Wilson R. Longanecker, Mayor
and the Members of the Board of Aldermen
Town of Sorrento, Louisiana

I have audited the general purpose financial statements of the
Town of Sorrento, Louisiana, for the year ended June 30, 1996,
and have issued my report dated December 13, 1996.

I conducted my audit in accordance with generally accepted
auditing standards and *Government Auditing Standards*, issued by
the Comptroller General of the United States. Those standards
require that I plan and perform the audit to obtain reasonable
assurance about whether the general purpose financial
statements are free of material misstatement.

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

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

This report is intended for the information of the Board of
Aldermen, management, and the Legislative Auditor. This
restriction is not intended to limit the distribution of this
report, which is a matter of public record.

December 13, 1996

Conrad P. Bourque

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AMERICAN INSTITUTE OF CPA's
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE OR
BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mr. Wilson R. Longenecker, Mayor
and the Members of the Board of Aldermen
Town of Sorrento, Louisiana

I have audited the general purpose financial statements of the
Town of Sorrento, Louisiana, as of and for the year ended June
30, 1996, and have issued my report thereon dated December 13,
1996.

I conducted my audit in accordance with generally accepted
auditing standards and *Government Auditing Standards*, issued by
the Comptroller General of the United States. Those standards
require that I plan and perform the audit to obtain reasonable
assurance about whether the general purpose financial
statements are free of material misstatement.

The management of the Town of Sorrento, Louisiana, is
responsible for establishing and maintaining an internal
control structure. In fulfilling this responsibility,
estimates and judgements by management are required to assess
the expected benefits and related costs of internal control
structure policies and procedures. The objectives of an
internal control structure are to provide management with
reasonable, but not absolute, assurance that assets are
safeguarded against loss from unauthorized use or disposition,
and that transactions are executed in accordance with
management's authorization and recorded properly to permit the
preparation of general purpose financial statements in
accordance with generally accepted accounting principles.
Because of inherent limitations in any internal control
structure, errors or irregularities may nevertheless occur and
not be detected. Also, projection of any evaluation of the
structure to future periods is subject to the risk that
procedures may become inadequate because of changes in
conditions or that the effectiveness of the design and operation
of policies and procedures may deteriorate.

Conrad P. Bourque

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CERTIFIED PUBLIC ACCOUNTANT

MEMBER
AMERICAN INSTITUTE OF CPA's
SOCIETY OF LOUISIANA CPA's

December 13, 1996

Dr. Daniel G. Kyle, CPA
Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, La. 70804-9397

Dear Dr. Kyle,

I want to inform you that no management letter was issued
in connection with this audit report.

Conrad P. Bourque