

Sorrento[®]

LOUISIANA

FINANCIAL STATEMENTS

June 30, 2021

TOWN OF SORRENTO, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 then ended, June 30, 2021, and the related notes to the financial statement, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Sorrento, Louisiana, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund – statement of revenues, expenditures, and changes in fund balance – budget (GAAP basis) and actual, schedule of proportionate share of the net pension liability, and schedule of pension contributions on pages 3 through 11 and 46 through 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 the justice system funding schedule – receiving entity are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to agency head and the justice system funding schedule – receiving entity are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to agency head and the justice system funding schedule – receiving entity are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021 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 solely 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.



December 17, 2021
Gonzales, Louisiana

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, 2021. 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

In 2021, the Town of Sorrento experienced an increase in governmental activity net position of approximately \$409,000 as governmental activities revenues exceed governmental activities expenses. Business-type activities of the Town experienced a decrease of net position of approximately \$62,000. Utility charges for services increased \$2,500 from the prior year while operating expenses decreased by \$127,000.

The major financial highlights for 2021 are as follows:

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 \$2.9 million (net position). Of this amount, approximately \$574,000 (unrestricted net position) may be used without restrictions to meet the Town's ongoing obligations to citizens and creditors.
- Governmental activities net position increased by approximately \$409,000 and business-type total net position decreased by approximately \$62,000.

Governmental Fund financial statements

- As of the end of the year, the government's General Fund reported a fund balance of approximately \$712,000, a decrease of approximately \$67,000 in comparison to the prior year due to an increase in capital outlay of \$487,000 related to the construction of a community park and a parking lot at the Community Center. Approximately 17% 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, 2021, are detailed throughout this analysis.

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 13 and 14, 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 15. 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 13. 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, 2021, the Town’s net position was approximately \$2.9 million, of which approximately \$574,000 was unrestricted. Restricted net position of \$121,000 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:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,030	\$ 857	\$ (78)	\$ 111	\$ 952	\$ 968
Capital assets	1,407	968	918	951	2,325	1,919
Deferred outflows	<u>3</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>2</u>
Total assets and deferred outflows	<u>2,440</u>	<u>1,827</u>	<u>840</u>	<u>1,062</u>	<u>3,280</u>	<u>2,889</u>
Current and other liabilities	318	79	39	199	357	278
Long-term liabilities	<u>13</u>	<u>48</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>48</u>
Total liabilities and deferred inflows	<u>331</u>	<u>127</u>	<u>39</u>	<u>199</u>	<u>370</u>	<u>326</u>
Net position:						
Net investment in capital assets	1,407	931	808	880	2,215	1,811
Restricted	121	254	-	-	121	254
Unrestricted (deficit)	<u>581</u>	<u>515</u>	<u>(7)</u>	<u>(17)</u>	<u>574</u>	<u>498</u>
Total net position	<u>\$ 2,109</u>	<u>\$ 1,700</u>	<u>\$ 801</u>	<u>\$ 863</u>	<u>\$ 2,910</u>	<u>\$ 2,563</u>

Net position of the Town’s governmental activities increased by approximately \$409,000 during 2021. 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 \$581,000 in unrestricted net position of governmental activities represents the accumulated results of operations. The changes in net position are discussed later in this analysis.

The net position of the Town's business activities decreased by approximately \$62,000 during 2021. The Town maintains garbage pickup, sewer operations and leases a water distribution system.

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

Town of Sorrento
Changes in Net Position
For the years ended June 30, 2021 and 2020
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 143	\$ 130	\$ 196	\$ 194	\$ 339	\$ 324
Operating grants and contributions	37	23	-	32	37	55
Capital grants and contributions	386	-	10	-	396	-
General revenues:					-	-
Sales taxes	741	678	-	-	741	678
Franchise taxes	104	94	-	-	104	94
Ad valorem taxes	84	68	-	-	84	68
Other and transfers	52	201	(21)	(21)	31	180
Total revenues	<u>1,547</u>	<u>1,194</u>	<u>185</u>	<u>205</u>	<u>1,732</u>	<u>1,399</u>
Functions/Program expenses:						
General government	343	280	-	-	343	280
Public safety	428	411	-	-	428	411
Highway and streets	273	313	-	-	273	313
Culture and recreation	94	79	-	-	94	79
Interest on long-term debt	-	2	-	-	-	2
Utility operations	-	-	247	374	247	374
Total expenses	<u>1,138</u>	<u>1,085</u>	<u>247</u>	<u>374</u>	<u>1,385</u>	<u>1,459</u>
Change in net position	409	109	(62)	(169)	347	(60)
Beginning net position	<u>1,700</u>	<u>1,591</u>	<u>863</u>	<u>1,032</u>	<u>2,563</u>	<u>2,623</u>
Ending net position	<u>\$ 2,109</u>	<u>\$ 1,700</u>	<u>\$ 801</u>	<u>\$ 863</u>	<u>\$ 2,910</u>	<u>\$ 2,563</u>

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 15 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.

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	
	2021	2020
Revenues	\$ 1,499	\$ 999
Expenditures	1,615	1,079
Deficiency of revenues over expenditures	(116)	(80)
Other financing sources	49	195
Net change in fund balance	(67)	115
Beginning fund balance	779	664
Ending fund balance	\$ 712	\$ 779

The Town’s General Fund experienced a decrease in fund balance of approximately \$67,000 during 2021, which is primarily related to increase in capital outlay of \$487,000. The Town’s tax revenues increased by \$89,000, along with intergovernmental revenues which increased by \$358,000, mostly related to increases in capital grants. At year end, fund balance was approximately \$712,000, of which approximately \$591,000 was unassigned and available for utilization at the Town’s discretion. Of the remaining balance, approximately \$121,000 relates to restricted fund balances where constraints have been established by parties outside the Town by enabling legislation.

(Continued)

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

<u>Source of Revenue</u>	(In thousands)			
	2021		2020	
Taxes	\$ 932	63%	\$ 843	84%
Licenses and permits	104	7%	98	10%
Intergovernmental	381	25%	23	2%
Other revenues	82	5%	35	4%
Total	<u>\$ 1,499</u>	<u>100%</u>	<u>\$ 999</u>	<u>100%</u>

Revenues of the primary government for governmental fund types for 2021 were approximately \$1,499,000 compared to approximately \$999,000 for the previous year. The Town's total revenue increased by \$500,000, primarily due to an increase in intergovernmental revenues, which totaled \$381,000. As noted above, the Town's activities are largely supported by tax revenues, which represent 63% of total governmental resources.

<u>Function</u>	(In thousands)			
	2021		2020	
General government	\$ 285	18%	\$ 259	24%
Public safety	428	27%	411	38%
Highways and streets	270	17%	280	26%
Culture and recreation	72	4%	53	5%
Debt service	38	2%	41	4%
Capital outlay	522	32%	35	3%
Total	<u>\$ 1,615</u>	<u>100%</u>	<u>\$ 1,079</u>	<u>100%</u>

Expenditures of the primary government increased in 2021 by \$536,000 or 50%. The change is related to increased expenditures for general government of \$26,000 and capital outlay of \$487,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments made to the Town’s General Fund budget over the course of the fiscal year. Overall, expenditures exceeded budget by \$594,000, which was due to unbudgeted capital outlay of \$482,000 related to the construction of the Town park and improvements to the parking lot at the Town’s Community Center.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the Town had approximately \$2.3 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 \$406,000, or 21%, from the prior fiscal year end.

	(in thousands)					
	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 128	\$ 128	\$ 60	\$ 60	\$ 188	\$ 188
Construction in progress	-	55	-	-	-	55
Infrastructure	14	23	-	-	14	23
Buildings and improvements	644	620	-	-	644	620
Improvements other than buildings	517	17	-	-	517	17
Equipment and vehicles	104	125	-	-	104	125
Sewer system	-	-	592	596	592	596
Water distribution system	-	-	266	295	266	295
Total assets, net of depreciation	<u>\$ 1,407</u>	<u>\$ 968</u>	<u>\$ 918</u>	<u>\$ 951</u>	<u>\$ 2,325</u>	<u>\$ 1,919</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 2021, the Town had \$13,000 in long-term liabilities compared to \$48,000 at the end of 2020. A decrease of approximately \$35,000 is primarily attributable to the payoff of debt outstanding related to Town’s installment purchase agreement for equipment in the highway and streets department. The Town’s outstanding long-term liabilities at June 30, 2021 is as shown below:

	<u>Outstanding July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2021</u>	<u>Due Within One Year</u>
Installment purchase agreement	\$ 37,234	\$ -	\$ 37,234	\$ -	\$ -
Net pension liability	11,012	2,781	1,222	12,571	-
	<u>\$ 48,246</u>	<u>\$ 2,781</u>	<u>\$ 38,456</u>	<u>\$ 12,571</u>	<u>\$ -</u>

ECONOMIC FACTORS AND NEXT YEAR’S GENERAL FUND BUDGET

The Town’s elected and appointed officials considered many factors when setting the fiscal-year 2022 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 66% of budgeted revenue and other financing sources. The Town budgeted a decrease in revenue of approximately \$452,804 for 2022 compared to actual 2021 results due to a reduction in intergovernmental grant revenues. Additionally, the Town is projecting a decrease in expenditures of \$488,125 compared to 2021 actuals. If these estimates are realized during 2022, fund balance for the Town’s General Fund will decrease by approximately \$150,100 before other financing sources and uses as compared to a decrease of approximately \$116,000 before other financing sources during 2021.

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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 587,516	\$ 11,820	\$ 599,336
Accounts receivable, net	46,735	12,581	59,316
Internal balances	124,309	(124,309)	-
Due from other governments	162,390	-	162,390
Restricted cash	109,571	21,876	131,447
Capital assets:			
Non-depreciable	127,750	60,366	188,116
Depreciable, net	1,279,207	857,588	2,136,795
Total assets	2,437,478	839,922	3,277,400
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	3,198	-	3,198
Total assets and deferred outflows of resources	\$ 2,440,676	\$ 839,922	\$ 3,280,598
LIABILITIES			
Accounts payable	\$ 292,124	\$ 11,235	\$ 303,359
Customer prepayment on utility charges	-	6,093	6,093
Payable from restricted assets	26,064	22,185	48,249
Long-term liabilities:			
Net pension liability	12,571	-	12,571
Total liabilities	330,759	39,513	370,272
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	121	-	121
Total liabilities and deferred inflows of resources	330,880	39,513	370,393
NET POSITION			
Net investment in capital assets	1,406,957	807,752	2,214,709
Restricted for:			
Recreational services	43,958	-	43,958
Public safety	13,123	-	13,123
Senior citizen assistance	64,705	-	64,705
Unrestricted (deficit)	581,053	(7,343)	573,710
Total net position	2,109,796	800,409	2,910,205
Total liabilities, deferred inflows of resources and net position	\$ 2,440,676	\$ 839,922	\$ 3,280,598

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

TOWN OF SORRENTO, LOUISIANA
STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

	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	\$ 343,165	\$ 126,482	\$ 37,531	\$ -	\$ (179,152)	\$ -	\$ (179,152)
Public safety:							
Police	368,899	3,355	-	-	(365,544)	-	(365,544)
Fire	58,833	-	-	-	(58,833)	-	(58,833)
Highway and streets	273,385	178	-	40,239	(232,968)	-	(232,968)
Culture and recreation	93,595	13,050	-	345,500	264,955	-	264,955
Interest on long-term debt	329	-	-	-	(329)	-	(329)
Total governmental activities	<u>1,138,206</u>	<u>143,065</u>	<u>37,531</u>	<u>385,739</u>	<u>(571,871)</u>	<u>-</u>	<u>(571,871)</u>
Business-type activities:							
Utility operations	<u>247,369</u>	<u>196,268</u>	<u>9,746</u>	<u>-</u>	<u>-</u>	<u>(41,355)</u>	<u>(41,355)</u>
Total primary government	<u>\$ 1,385,575</u>	<u>\$ 339,333</u>	<u>\$ 47,277</u>	<u>\$ 385,739</u>	<u>(571,871)</u>	<u>(41,355)</u>	<u>(613,226)</u>
General revenues:							
Taxes:							
Sales					740,591	-	740,591
Franchise					104,138	-	104,138
Ad valorem					84,406	-	84,406
Other					3,037	-	3,037
Gain on sale of capital assets					27,290	-	27,290
Investment income					183	32	215
Miscellaneous					374	-	374
Transfers					<u>20,800</u>	<u>(20,800)</u>	<u>-</u>
Total general revenues					<u>980,819</u>	<u>(20,768)</u>	<u>960,051</u>
Change in net position					408,948	(62,123)	346,825
Net position - beginning of year					<u>1,700,848</u>	<u>862,532</u>	<u>2,563,380</u>
Net position - end of year					<u>\$ 2,109,796</u>	<u>\$ 800,409</u>	<u>\$ 2,910,205</u>

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

TOWN OF SORRENTO, LOUISIANA

BALANCE SHEET GOVERNMENTAL FUND

June 30, 2021

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 587,516
Accounts receivable, net	46,735
Due from other governments	162,390
Due from Utility Fund	124,309
Restricted cash	<u>109,571</u>
Total assets	<u><u>\$ 1,030,521</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 292,124
Payable from restricted assets	<u>26,064</u>
Total liabilities	<u>318,188</u>
FUND BALANCE	
Restricted for:	
Recreational services	43,958
Public safety	13,123
Senior citizen assistance	64,705
Unassigned	<u>590,547</u>
Total fund balance	<u>712,333</u>
Total liabilities and fund balance	<u><u>\$ 1,030,521</u></u>

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

TOWN OF SORRENTO, LOUISIANA

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

June 30, 2021

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

Total fund balance - governmental fund (Exhibit A-2)	\$	712,333	
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds.			1,406,957
Pension related obligations are not due and payable with current resources and, therefore, are not reported in governmental funds.			
Net pension liability	\$	(12,571)	
Deferred outflows related to pension liability		3,198	
Deferred inflows related to pension liability		(121)	(9,494)
Net position of governmental activities (Exhibit A)	\$		<u>2,109,796</u>

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

For the year ended June 30, 2021

	General Fund
REVENUES	
Taxes:	
Sales and use	\$ 740,591
Franchise	104,138
Ad valorem	84,406
Other	3,037
Charges for services:	
Licenses and permits	104,221
Rental and service fees	35,489
Fines	3,355
Grants and contributions	423,270
Investment income	183
Miscellaneous	374
Total revenues	1,499,064
EXPENDITURES	
Current function:	
General government	285,580
Public safety:	
Police	368,899
Fire	58,833
Highways and streets	270,516
Culture and recreation	71,543
Debt service:	
Principal	37,234
Interest	483
Capital outlay	522,337
Total expenditures	1,615,425
Deficiency of revenues over expenditures	(116,361)
OTHER FINANCING SOURCES	
Transfers in	20,800
Proceeds from sale of capital assets	28,840
Total other financing sources	49,640
Net change in fund balance	(66,721)
FUND BALANCE	
Beginning of year	779,054
End of year	\$ 712,333

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, 2021

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)	\$	(66,721)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay.</p>		
Capital outlay	\$ 522,337	
Depreciation expense	<u>(82,294)</u>	440,043
<p>The net effect of various miscellaneous transactions involving capital assets, such as sales, trade-ins, and donations, is to decrease net position.</p>		
		(1,550)
<p>Issuance of long-term liabilities (leases) provides current financial resources to governmental funds. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities.</p>		
Principal payments on lease purchase		37,234
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Net change in accrued interest payable		154
<p>Changes in net pension obligations are reported only in the Statement of Activities.</p>		
		<u>(212)</u>
Change in net position of governmental activities (Exhibit A-1)	\$	<u><u>408,948</u></u>

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

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

STATEMENT OF NET POSITION

June 30, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$	11,820
Accounts receivable, net		12,581
Restricted cash - utility deposits		21,876
Total current assets		46,277

NONCURRENT ASSETS

Capital assets:

Non-depreciable		60,366
Depreciable, net		857,588
Total noncurrent assets		917,954
Total assets	\$	964,231

LIABILITIES

Current liabilities:

Accounts payable	\$	11,235
Customer prepayment on utility charges		6,093
Due to General Fund		124,309
Payable from restricted assets		22,185
Total current liabilities		163,822

NET POSITION

Net investment in capital assets		807,752
Unrestricted (deficit)		(7,343)
Total net position		800,409
Total liabilities and net position	\$	964,231

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, 2021

OPERATING REVENUES

Charges for services:

Garbage	\$ 131,749
Water franchise fees	<u>64,519</u>

Total operating revenues	<u>196,268</u>
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OPERATING EXPENSES

Garbage	120,539
Sewer	60,970
Administrative	2,711
Depreciation	<u>63,149</u>

Total operating expenses	<u>247,369</u>
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Operating loss	(51,101)
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NONOPERATING REVENUES AND EXPENSES

Interest income	<u>32</u>
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Loss before capital grants, contributions, and transfers	(51,069)
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Capital grants and contributions	9,746
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Transfers out	<u>(20,800)</u>
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Change in net position	(62,123)
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NET POSITION

Beginning of year	<u>862,532</u>
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End of year	<u><u>\$ 800,409</u></u>
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**TOWN OF SORRENTO, LOUISIANA
PROPRIETARY FUND - UTILITY FUND**

STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

	Business-type Activities - Enterprise Fund
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 202,654
Payments to suppliers	<u>(185,309)</u>
Net cash provided by operating activities	<u>17,345</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Operating grant proceeds	9,746
Transfers to other funds	<u>(20,800)</u>
Net cash used for noncapital and related financing activities	<u>(11,054)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grant proceeds	26,634
Repayment to General Fund	(21,181)
Payments on capital asset additions	<u>(30,204)</u>
Net cash used for capital and related financing activities	<u>(24,751)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>32</u>
Net decrease in cash	(18,428)
CASH	
Beginning of period	<u>52,124</u>
End of period	<u><u>\$ 33,696</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (51,101)
Adjustments for non-cash items:	
Depreciation	63,149
Change in allowance for doubtful accounts	(1,550)
Change in operating assets and liabilities:	
Accounts receivable	6,786
Accounts payable and other current liabilities	<u>61</u>
Net provided by operating activities	<u>\$ 17,345</u>
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:	
Cash	\$ 11,820
Restricted cash	<u>21,876</u>
Total cash on statement of cash flows	<u><u>\$ 33,696</u></u>

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

TOWN OF SORRENTO, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation

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

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

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

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

Reporting Entity

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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

1. Appointing a voting majority of an organization's governing body and,
 - a. The ability of the Parish 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 Parish.
2. Organizations for which the Parish does not appoint a voting majority but which are fiscally dependent on the Parish.
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 (the Town) and the fund financial statements (individual major funds). The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units.

Government-wide Financial Statements

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements (Continued)

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

Business type activities are financed in whole or part by fees charged to external parties for utility services provided. The Town provides sewer services, garbage services, and leases a water distribution system to a private contractor in which the Town receives franchise fees. These 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 2021.

The daily operations of the Town continue to be organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures or expenses, as appropriate. Funds are organized into three major categories: governmental, proprietary and fiduciary. The Town does not have any fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (continued)

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

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

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

Governmental Fund Types

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

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

Proprietary Fund/Enterprise Fund Types - Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Town considers the Utility Fund a major fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus

Government-wide financial statements

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

Fund financial statements

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (continued)

Fund financial statements (continued)

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

Cash and Cash Equivalents

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

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

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

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities, uncollectible amounts due for receivables are recognized as bad debts and directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged to the revenue reported. In business-type activities, uncollectible amounts due from utility billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. An allowance for doubtful accounts of \$100,000 and \$10,450 in the General Fund and Utility Fund, respectively, was recorded at June 30, 2021.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as “due from other funds” or “due to other funds” on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” The Utility Fund owed the General Fund \$124,309 at June 30, 2021.

Capital Assets

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

Government-wide Statements

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Fund Financial Statements

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

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

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

Compensated Absences

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

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

Pensions

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

Deferred Outflows and Inflows of Resources

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

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

Government-wide and Proprietary Fund Net Position

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

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

Use of Restricted Resources

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

Governmental Fund Balances

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances (Continued)

Use of Restricted Resources

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

Interfund Transfers

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

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

Budget Policy and Budgetary Accounting

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

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

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

Restricted Cash

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through December 17, 2021, 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, 2021, the Town's deposits were not exposed to any custodial risk.

As of June 30, 2021, the Town had a balance of \$178,573 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.

(Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

LAMP is an investment pool with the following characteristics:

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

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

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

NOTE 3 - CONCENTRATION OF CREDIT RISK - PROPRIETARY FUNDS

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

(Continued)

NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

At June 30, 2021, accounts receivable for the Town's funds consisted of the following:

General Fund:	
Franchise taxes	\$ 26,013
Licenses and permits	<u>20,722</u>
Total General Fund	<u>46,735</u>
Utility Fund:	
User fees, net	11,151
Franchise fees	<u>1,430</u>
Total accounts receivable - primary government	<u>12,581</u>
Total	<u><u>\$ 59,316</u></u>

Due from other governments at June 30, 2021 consisted of the following:

General Fund:	
Sales & use tax	\$ 80,250
Grant	81,321
Beer tax	<u>819</u>
Total due from other governments - primary government	<u><u>\$ 162,390</u></u>

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

NOTE 5 - RESTRICTED CASH

Restricted cash at June 30, 2021 was as follows:

Recreation	\$ 55,993
Senior citizens	32,113
Public safety - fire	18,814
Public safety - police	<u>2,651</u>
Total governmental activities	<u><u>\$ 109,571</u></u>

Business-type activities restricted cash of \$21,876 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, 2021, taxes of 5.96 mills were levied on property with assessed valuations totaling \$12,241,740 and were dedicated to general government. Total taxes levied and collected during 2021 were \$72,961 and \$84,406, respectively.

NOTE 7 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 127,750	\$ -	\$ -	\$ 127,750
Construction in progress	<u>55,435</u>	<u>-</u>	<u>(55,435)</u>	<u>-</u>
Total capital assets not being depreciated	<u>183,185</u>	<u>-</u>	<u>(55,435)</u>	<u>127,750</u>
Capital assets being depreciated:				
Infrastructure	137,405	-	-	137,405
Buildings and improvements	888,190	44,754	-	932,944
Equipment and vehicles	407,418	27,047	(29,512)	404,953
Improvements other than buildings	<u>31,082</u>	<u>505,971</u>	<u>-</u>	<u>537,053</u>
Total capital assets being depreciated	<u>1,464,095</u>	<u>577,772</u>	<u>(29,512)</u>	<u>2,012,355</u>
Less accumulated depreciation for:				
Infrastructure	114,077	9,160	-	123,237
Buildings and improvements	268,761	19,814	-	288,575
Equipment and vehicles	281,732	47,401	(27,962)	301,171
Improvements other than buildings	<u>14,246</u>	<u>5,919</u>	<u>-</u>	<u>20,165</u>
Total accumulated depreciation	<u>678,816</u>	<u>82,294</u>	<u>(27,962)</u>	<u>733,148</u>
Total capital assets being depreciated, net	<u>785,279</u>	<u>495,478</u>	<u>(1,550)</u>	<u>1,279,207</u>
Governmental activities capital assets, net	<u>\$ 968,464</u>	<u>\$ 495,478</u>	<u>\$ (56,985)</u>	<u>\$ 1,406,957</u>

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

Governmental activities:

General government	\$ 29,058
Recreation	22,052
Highways and streets	<u>31,184</u>
Total depreciation expense - governmental activities	<u>\$ 82,294</u>

NOTE 7 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 60,366	\$ -	\$ -	\$ 60,366
Construction in progress	-	-	-	-
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	1,097,623	30,204	-	1,127,827
Water system, tank, & pump	773,284	-	-	773,284
Equipment	46,976	-	-	46,976
Total capital assets being depreciated	<u>1,917,883</u>	<u>30,204</u>	<u>-</u>	<u>1,948,087</u>
Less accumulated depreciation for:				
Sewer treatment plants	501,822	34,555	-	536,377
Water well, tank, & pump	478,552	28,594	-	507,146
Equipment	46,976	-	-	46,976
Total accumulated depreciation	<u>1,027,350</u>	<u>63,149</u>	<u>-</u>	<u>1,090,499</u>
Total capital assets being depreciated, net	<u>890,533</u>	<u>(32,945)</u>	<u>-</u>	<u>857,588</u>
Business-type activities capital assets, net	<u>\$ 950,899</u>	<u>\$ (32,945)</u>	<u>\$ -</u>	<u>\$ 917,954</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, 2021:

	Outstanding July 1, 2020	Additions	Reductions	Outstanding June 30, 2021	Due Within One Year
Installment purchase agreement	\$ 37,234	\$ -	\$ 37,234	\$ -	\$ -
Net pension liability	<u>11,012</u>	<u>2,781</u>	<u>1,222</u>	<u>12,571</u>	<u>-</u>
	<u>\$ 48,246</u>	<u>\$ 2,781</u>	<u>\$ 38,456</u>	<u>\$ 12,571</u>	<u>\$ -</u>

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, 2020. 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).

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, 2021, for the Town and covered employees were as follows:

	Contribution Rates	
	Town	Employees
Louisiana State Employees' Retirement System		
Judges hired before 1/1/2011	42.50%	11.50%
Judges hired on or after 1/1/2011	43.60%	13.00%
Judges hired on or after 7/1/2015	43.60%	13.00%

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy (Continued)

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

Plan	2021	2020	2019
Louisiana State Employees' Retirement System	\$ 1,268	\$ 1,222	\$ 1,158

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, 2021, 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, 2020	Current Measurement Rate	Previous Measurement Rate	Increase (Decrease)
LASERS	\$ 12,571	0.00015%	0.00015%	0.00000%

At June 30, 2021, 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	\$ -	\$ (121)
Changes of assumptions	40	-
Net difference between projected and actual earnings on pension plan investments	1,838	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	-
Differences between allocated and actual contributions	52	-
Employer contributions subsequent to the measurement date	1,268	-
	<u>\$ 3,198</u>	<u>\$ (121)</u>

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Town reported a total of \$1,268 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, 2021.

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
2021	\$ 241
2022	546
2023	585
2024	437
	\$ 1,809

Actuarial Assumptions

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

A summary of the actuarial methods and assumptions used in determining the total pension liability for the plan as of June 30, 2020:

	Measurement/ Valuation Date	Expected Remaining Service Lives	Investment Rate of Return
LASERS	June 30, 2020	2 years	7.55%; net of investment expense

Mortality

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Termination, Disability, and Retirement

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

Salary Increases

Salary increases were projected based on a 2014-2018 experience study of the System's members. The salary increase range applicable to the Town's employees has a lower range of 2.6% and upper range of 13.8%.

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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.3% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.25% for 2020. 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, 2020, are summarized in the following table:

Expected Long Term Real Rates of Return	
Asset Class	2020
Cash	-0.59%
Domestic Equity	4.79%
International Equity	5.83%
Domestic Fixed Income	1.76%
International Fixed Income	3.98%
Alternative Investments	6.69%
Risk Parity	4.20%
Inflation	2.30%
Expected Arithmetic Nominal Return	8.25%

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

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

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

	1.0% Decrease	Current Discount Rate	1.0% Increase
LASERS			
Discount Rates	6.55%	7.55%	8.55%
Shares of Net Pension Liability	\$ 15,448	\$ 12,571	\$ 10,130

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Intergovernmental Agreement

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of June 30, 2021, 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, 2021, the Town has received \$50,000 as part of this intergovernmental agreement; the remaining \$100,000 was the basis for a provision for uncollectible debt as disclosed in Note 4.

Risk Management

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

Suits and Claim

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

NOTE 11 - DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Nationwide Retirement Solutions, Inc. (Nationwide). The Plan, available to all Town employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with the amended provisions of the Internal Revenue Code, all amounts deferred under the Plan, including income attributable to those amounts, are solely the property and rights of the participants and their beneficiaries. As required, the Town established an agreement with a third party administrator who will hold the assets and income of the Plan. At June 30, 2021, there were no assets held by Nationwide on behalf of Town employees.

NOTE 11 - DEFERRED COMPENSATION PLAN (CONTINUED)

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

NOTE 12 - COMPENSATION OF GOVERNING BOARD

During the year ended June 30, 2021, Council members received compensation, as follows:

<u>Name</u>	<u>Amount</u>
Mike Lambert	\$ 12,000
Wanda LeBlanc Bourgeois	3,600
Randy J. Army	3,600
Chris Guidry	3,600
Patti Melancon Poche	3,600
Donald Schexnaydre	<u>3,600</u>
Total	<u>\$ 30,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF SORRENTO, LOUISIANA
GENERAL FUND**

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

For the year ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance - favorable (unfavorable)
REVENUES				
Taxes:				
Sales and use	\$ 657,500	\$ 657,500	\$ 740,591	\$ 83,091
Franchise	90,000	90,000	104,138	14,138
Ad valorem	66,600	66,600	84,406	17,806
Beer	3,000	3,000	3,037	37
Charges for services:				
Licenses and permits	101,300	101,300	104,221	2,921
Rental and service fees	26,500	26,500	35,489	8,989
Fines	4,600	4,600	3,355	(1,245)
Grants and contributions	8,000	8,000	423,270	415,270
Investment income	3,500	3,500	183	(3,317)
Miscellaneous	900	900	374	(526)
Total revenues	961,900	961,900	1,499,064	537,164
EXPENDITURES				
Current function:				
General government	259,100	259,100	285,580	(26,480)
Public safety:				
Police	366,500	366,500	368,899	(2,399)
Fire	32,500	32,500	58,833	(26,333)
Highways and streets	229,200	229,200	270,516	(41,316)
Culture and recreation	56,300	56,300	71,543	(15,243)
Debt service	38,000	38,000	37,717	283
Capital outlay	40,000	40,000	522,337	(482,337)
Total expenditures	1,021,600	1,021,600	1,615,425	(593,825)
Deficiency of revenues over expenditures	(59,700)	(59,700)	(116,361)	(56,661)
OTHER FINANCING SOURCES				
Transfer from Utility Fund	20,800	20,800	20,800	-
Proceeds from sale of capital assets	50,000	50,000	28,840	(21,160)
Total expenditures	70,800	70,800	49,640	(21,160)
Net change in fund balance	11,100	11,100	(66,721)	\$ (77,821)
FUND BALANCE				
Beginning of year, per budget	734,172	734,172	779,054	
End of year, per budget	\$ 745,272	\$ 745,272	\$ 712,333	

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, 2021

Louisiana State Employees' Retirement System (LASERS):

As of the fiscal year ended (2):	<u>2021</u>	<u>2020</u>	<u>2019</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.0002%	0.0002%	0.0002%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,571	\$ 11,012	\$ 10,912
Employer's Covered-Employee Payroll	2,927	2,927	2,927
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	429.48%	376.22%	372.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.00%	62.90%	64.30%
As of the fiscal year ended (2):	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.0002%	0.0002%	0.0002%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,684	\$ 12,957	\$ 10,746
Employer's Covered-Employee Payroll	2,927	2,927	2,927
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	399.18%	442.67%	367.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.50%	57.70%	62.70%
As of the fiscal year ended (2):	<u>2015</u>		
Employer's Proportion of the Net Pension Liability (Asset)	0.0002%		
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 10,192		
Employer's Covered-Employee Payroll	2,927		
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	348.21%		
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.00%		

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

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

TOWN OF SORRENTO, LOUISIANA
SCHEDULE OF PENSION CONTRIBUTIONS

LAST TEN FISCAL YEARS (1)

For the year ended June 30, 2021

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)		
6/30/2021	\$ 1,215	\$ 1,268	\$ 53	\$ 2,927	43.32%
6/30/2020	1,215	1,222	7	2,927	41.75%
6/30/2019	1,215	1,158	(57)	2,927	39.56%
6/30/2018	1,215	1,169	(46)	2,927	39.94%
6/30/2017	1,215	1,020	(195)	2,927	34.85%
6/30/2016	1,215	1,132	(83)	2,927	38.67%
6/30/2015	1,215	1,189	(26)	2,927	40.62%

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

TOWN OF SORRENTO, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2021

NOTE 1 - BUDGETS

Budget Policy and Budgetary Accounting

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

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

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

Basis of Accounting

All of the Town's funds budgets are prepared on the modified-accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended June 30, 2021. The Town's basis of budgetary accounting follows generally accepted accounting principles.

NOTE 2 - DEFINED BENEFIT PENSION PLAN

Changes of Benefit Terms

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

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

NOTE 2 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes of Assumptions

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

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

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

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

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

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

For the year ended June 30, 2021

Agency Head: Michael Lambert, Mayor

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

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

For the year ended June 30, 2021

	First Six Month Period Ending, December 31, 2020	Second Six Month Period Ending, June 30, 2021
COLLECTIONS:		
Ascension Parish Sheriff, Criminal Court Costs/Fees	\$ 438	\$ 396
Ascension Parish Sheriff, Criminal Fines - Other	<u>1,787</u>	<u>708</u>
TOTAL COLLECTIONS:	<u>2,225</u>	<u>1,104</u>
TOTAL ENDING BALANCE OF AMOUNTS COLLECTED AND ASSESSED BUT NOT RECEIVED	<u>\$ -</u>	<u>\$ -</u>

**INDEPENDENT AUDITORS' REPORTS
REQUIRED BY *GOVERNMENTAL AUDITING STANDARDS***



**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
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, 2021, 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 thereon dated December 17, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Sorrento, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Sorrento, Louisiana's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sorrento, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned cost as item 2021-001.

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.

A handwritten signature in blue ink, appearing to read "Deiz, Dupuy + Ruiz".

Gonzales, Louisiana
December 17, 2021

TOWN OF SORRENTO, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Town of Sorrento were prepared in accordance with GAAP.
2. No significant deficiencies relating to 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*.
3. One instance of noncompliance material to the financial statements of the Town of Sorrento which is 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

2021-001 Budget Law

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

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

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

Cause: The General Fund budget was not amended when actual expenditures exceeded budgeted expenditures and other uses by more than 5%. The Town's May and June 2021 meeting agendas included the introduction of the 2021-2022 proposed budget and 2020-2021 budget amendment, however, due to lack of quorum for both meetings, the Town was unable to introduce and adopt the budgets in a public meeting.

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

Management's corrective action plan: The Town has consistently monitored and amended its budget on an annual basis, although due to lack of a quorum at meetings of the Town Council mentioned above, the Town was unable to properly introduce, advertise, and adopt an amended budget as required by R.S. 38:224 before the Town's fiscal year end of June 30, 2021. The Town plans to continue the practice of monitoring and amending its budget as required by R.S. 38:224, as it had during previous fiscal years.

TOWN OF SORRENTO, LOUISIANA
SUMMARY OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2021

A. FINDINGS – FINANCIAL STATEMENTS

None noted

B. FINDINGS – COMPLIANCE

None noted