

**TOWN OF SORRENTO, LOUISIANA**

**FINANCIAL STATEMENTS**

June 30, 2013

# **TOWN OF SORRENTO, LOUISIANA**

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June 30, 2013

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Sorrento (the Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, 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 *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 of 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 error or fraud. 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, as of June 30, 2013, 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 and budgetary comparison information on pages 3 through 11 and 41 through 42 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considered 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 inquires 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 any assurance on information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Reporting Requirements by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013, on our consideration of the Town of Sorrento's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

*Posttithwaite + Nettunelli*

Gonzales, Louisiana  
December 24, 2013

## **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, 2013. 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 2013, the Town of Sorrento experienced a decrease in governmental revenues of 4% and a increase in expenditures of 1%, relative to the prior year. Business-type activities of the Town experienced an operating surplus, as revenues increased by \$367,000 due to the receipt of a capital grant whereas expenditures decreased by 26%, relative to the prior year.

The major financial highlights for 2013 are as follows:

#### **Government-wide financial statements**

- Assets of the Town's primary government exceeded its liabilities at the close of the year by approximately \$2.6 million (net position). Of this amount, approximately \$282,000 (unrestricted net position) may be used without restrictions to meet the Town's ongoing obligations to citizens and creditors.
- Governmental activities' net position decreased by approximately \$45,000, whereas business-type total net position increased by approximately \$313,000.

#### **Governmental Fund financial statements**

- As of the end of the year, the government's General Fund reported a fund balance of approximately \$604,000, a decrease of approximately \$17,000 in comparison to the prior year. Approximately 63% 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, 2013, 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 and the 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 and liabilities 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 and liabilities. 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 and sales taxes, franchise taxes and fines 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 provides water services. 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, 2013, the Town's net position were approximately \$2.6 million, of which approximately \$282,000 was unrestricted. Restricted net assets of \$381,000 are reported separately to show legal constraints from legislation that limits the Town's ability to use those net assets 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 activities and is as follows:

Town of Sorrento, Louisiana  
Statement of Net Position  
June 30, 2013 and 2012  
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 661	\$ 711	\$ 75	\$ 46	\$ 736	\$ 757
Capital assets	307	351	1,617	1,335	1,924	1,686
Total assets	<u>968</u>	<u>1,062</u>	<u>1,692</u>	<u>1,381</u>	<u>2,660</u>	<u>2,443</u>
Current and other liabilities	57	106	16	18	73	124
Net position:						
Invested in capital assets, net of related debt	307	337	1,617	1,336	1,924	1,673
Restricted	381	345	-	-	381	345
Unrestricted	<u>223</u>	<u>274</u>	<u>59</u>	<u>27</u>	<u>282</u>	<u>301</u>
Total net position	<u>\$ 911</u>	<u>\$ 956</u>	<u>\$ 1,676</u>	<u>\$ 1,363</u>	<u>\$ 2,587</u>	<u>\$ 2,319</u>

Net assets of the Town's governmental activities decreased by approximately \$45,000 during 2013. Unrestricted net position represents the part of net assets that can be used to finance day-to-day operations without constraints established by legislation or other legal requirements. The \$223,000 in unrestricted net assets of governmental activities represents the accumulated results of operations. The changes in net assets are discussed later in this analysis.



The net position of the Town's business activities increased by approximately \$313,000 during 2013. The Town operates sewer and garbage services and leases a water distribution system to a private contractor which pays the Town franchise fees.

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, 2013 and 2012						
(in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 177	\$ 231	\$ 160	\$ 143	\$ 337	\$ 374
Operating grants and contributions	7	8	-	-	7	8
Capital grants and contributions	-	55	350	-	350	55
General revenues:						
Ad valorem taxes	58	44	-	-	58	44
Sales taxes	590	538	-	-	590	538
Franchise taxes	79	80	-	-	79	80
Other general revenues	7	2	-	-	7	2
Total revenues	918	960	510	143	1,428	1,103
Functions/Program expenses:						
General government	262	239	-	-	262	239
Public safety	495	521	-	-	495	521
Highway and streets	178	160	-	-	178	160
Culture and recreation	28	30	-	-	28	30
Utility operations	-	-	197	266	197	266
Total expenses	963	950	197	266	1,160	1,216
Change in net position	(45)	10	313	(123)	268	(113)
Beginning net position	956	946	1,363	1,486	2,319	2,432
Ending net position	\$ 911	\$ 956	\$ 1,676	\$ 1,363	\$ 2,587	\$ 2,319

For the year, the Town's net position, or net worth, increased by approximately \$268,000, although operating cash position decreased by approximately \$113,000.

## **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 concerning original and final budgetary comparisons to actual results for the year for the Town's major governmental fund, which is the General Fund.

### **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	
	2013	2012
Revenues	\$ 918	\$ 961
Expenditures	<u>935</u>	<u>930</u>
Excess (deficiency) of revenues over expenditures	(17)	31
Other financing sources	<u>-</u>	<u>8</u>
Net change in fund balance	(17)	39
Beginning fund balance	<u>621</u>	<u>582</u>
Ending fund balance	<u>\$ 604</u>	<u>\$ 621</u>

The Town's General Fund experienced an decrease in fund balance of approximately \$17,000 during 2013, which is primarily related to a decrease in revenues of approximately \$43,000, relative to the prior year. At year end, fund balance was approximately \$604,000, of which approximately \$223,000 is unassigned and available for utilization at the Town's discretion. Of the remaining balance, approximately \$381,000 relates to restricted fund balances where constraints have been established by parties outside the Town by enabling legislation.

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

<u>Source of Revenue</u>	(In thousands)			
	2013		2012	
Taxes	\$	730 80%	\$	664 69%
Fines		75 8%		146 15%
Licenses and permits		89 10%		75 8%
Intergovernmental		7 1%		62 6%
Other revenues		17 1%		14 2%
Total	\$	918 100%	\$	961 100%

Revenues of the primary government for general governmental fund types for 2013 were approximately \$918,000, compared to approximately \$961,000 for the previous year. The Town's tax revenue decreased by \$43,000, or 4% due to decrease in fines, license and permit and grants revenue although tax revenues did increase by \$66,000, or 10%, in 2013. As noted above, the Town's activities are largely supported by tax revenues, which represent 80% of total governmental resources.

<u>Function</u>	(In thousands)			
	2013		2012	
General government	\$	248 26%	\$	226 24%
Public safety		467 50%		488 52%
Highways and streets		176 19%		158 17%
Culture and recreation		27 3%		30 3%
Debt service		16 2%		16 2%
Capital outlay		1 -		12 2%
Total	\$	935 100%	\$	930 100%

Expenditures of the primary government increased in 2013 by \$5,000 or less than 1%. The change is attributable to a decrease in public safety and capital outlay.. Additionally, expenditures increased in the general government and highways and streets due to increased professional service fees and street repairs, respectively.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the Town's General Fund's budget was amended. The amendment of the operating budget is a customary practice of the Town for changes that occur with financial related matters throughout the fiscal year. The most significant changes during 2013 were as follows:

- An increase in ad valorem and sales and use tax of \$13,000 and \$18,000, respectively,
- A decrease in fines revenue, net of related court cost, of approximately \$95,000,
- A decrease in capital grants and related capital outlay expenditure of \$500,000 related to the construction of the new community center,
- An increase of approximately \$112,000 in police expenditures related to decreases in various operational expenditures and settlement of ongoing litigation, and
- An increase of approximately \$97,000 in highway and streets expenditures related to street maintenance and repairs and equipment capital outlay purchases.

Overall, the decreases to appropriations (expenditures) were approximately \$286,000 that resulted in the final budget appropriation of approximately \$1,084,000.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2013, the Town had approximately \$1,924,000 invested in a range of capital assets, including vehicles, fire equipment, computer equipment, office furniture, land, buildings, water distribution systems, and sewer treatment systems. This amount represents a net increase of \$238,000, or 14%, over last year.

	(in thousands)					
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 128	\$ 128	\$ 60	\$ 60	\$ 188	\$ 188
Construction in progress	-	-	60	-	60	-
Infrastructure	87	96	-	-	87	96
Buildings	28	29	-	-	28	29
Improvements other than buildings	23	24	-	-	23	24
Equipment and vehicles	41	75	11	15	52	90
Sewer system	-	-	991	736	991	736
Water distribution system	-	-	495	523	495	523
Total assets, net of depreciation	<u>\$ 307</u>	<u>\$ 352</u>	<u>\$ 1,617</u>	<u>\$ 1,334</u>	<u>\$ 1,924</u>	<u>\$ 1,686</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.

### **Debt**

In 2010, the Town entered into a capital lease of \$43,793 to purchase two police vehicles. During the year the Town retired \$14,574 of the obligation, leaving no outstanding long-term debt at year end.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2013 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 budget is the Town's sales tax collections that approximate 55% of budgeted revenue. The Town budgeted an decrease in overall revenue of approximately \$406,000 for 2014 due to a nonrecurring capital grant received in 2013 of \$350,000. Additionally, the Town is projecting a increase in expenditures of \$9,000. If these estimates are realized during 2014, fund balance for the Town's General Fund will decrease by approximately \$74,000 due to funds expended on the construction of the community center, as compared to an increase of approximately \$17,000 decrease during 2013.

### **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, 2013

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 84,696	\$ 89,983	\$ 174,679
Accounts receivable, net	31,406	12,692	44,098
Internal balances	112,826	(112,826)	-
Due from other governments	51,719	-	51,719
Restricted assets	379,653	7,100	386,753
Prepaid expenses	-	77,500	77,500
Capital assets:			
Non-depreciable	127,750	120,366	248,116
Depreciable, net	<u>179,935</u>	<u>1,496,922</u>	<u>1,676,857</u>
 Total assets	 <u>\$ 967,985</u>	 <u>\$ 1,691,737</u>	 <u>\$ 2,659,722</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 30,866	\$ 8,456	\$ 39,322
Payable from restricted assets	<u>25,952</u>	<u>7,100</u>	<u>33,052</u>
 Total liabilities	 <u>56,818</u>	 <u>15,556</u>	 <u>72,374</u>
<b>NET POSITION</b>			
Investment in capital assets	307,685	1,617,288	1,924,973
Restricted for:			
Recreational services	261,927	-	261,927
Public safety	67,352	-	67,352
Senior citizen assistance	41,537	-	41,537
Other purposes	9,500	-	9,500
Unrestricted	<u>223,166</u>	<u>58,893</u>	<u>282,059</u>
 Total net position	 <u>911,167</u>	 <u>1,676,181</u>	 <u>2,587,348</u>
 Total liabilities and net position	 <u>\$ 967,985</u>	 <u>\$ 1,691,737</u>	 <u>\$ 2,659,722</u>

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



# TOWN OF SORRENTO, LOUISIANA

## STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

	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
<b>Functions/Programs</b>						
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 261,881	\$ 99,784	\$ 6,603	-	\$ (155,494)	\$ -
Public safety:						
Police	454,685	77,491	718	-	(376,476)	-
Fire	40,661	-	-	-	(40,661)	-
Highway and streets	178,517	-	-	-	(178,517)	-
Culture and recreation	27,635	-	-	-	(27,635)	-
Total governmental activities	963,379	177,275	7,321	-	(778,783)	-
Business-type activities:						
Utility operations	196,853	160,756	-	350,000	-	313,903
Total primary government	\$ 1,160,232	\$ 338,031	\$ 7,321	\$ 350,000	(778,783)	313,903
						(464,880)
General revenues:						
Taxes:						
Property					58,068	-
Sales					589,774	-
Franchise					78,903	-
Other					2,466	-
Grants and contributions not restricted to specific programs					3,946	-
Investment earnings					370	11
Total general revenues					733,527	11
Change in net position					(45,256)	313,914
Net position - beginning of year					956,423	1,362,267
Net position - end of year					\$ 911,167	\$ 1,676,181
						\$ 2,587,348

## TOWN OF SORRENTO, LOUISIANA

BALANCE SHEET  
GOVERNMENTAL FUND

June 30, 2013

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 84,696
Accounts receivable, net	31,406
Due from Utility Fund	112,826
Due from other governmental units	51,719
Restricted cash	<u>379,653</u>
Total assets	<u>\$ 660,300</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 30,866
Payable from restricted assets	<u>25,952</u>
Total liabilities	<u>56,818</u>
<b>FUND BALANCE</b>	
Restricted for:	
Recreational services	261,927
Public safety	67,352
Senior citizen assistance	41,537
Other purposes	9,500
Unassigned	<u>223,166</u>
Total fund balance	<u>603,482</u>
Total liabilities and fund balance	<u>\$ 660,300</u>

**TOWN OF SORRENTO, LOUISIANA**  
**RECONCILIATION OF THE GOVERNMENTAL FUND**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**

June 30, 2013

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

Total fund balances - governmental funds (Exhibit A-2)	\$ 603,482
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds.	<u>307,685</u>
Net position of governmental activities (Exhibit A)	<u>\$ 911,167</u>

# TOWN OF SORRENTO, LOUISIANA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND

For the year ended June 30, 2013

	<b>General Fund</b>
<b>REVENUES</b>	
Taxes:	
Sales and use	\$ 589,774
Franchise	78,903
Ad valorem	58,068
Other	2,466
Fines	75,291
Licenses and permits	89,074
Charges for services	10,710
Intergovernmental	7,321
Investment income	370
Miscellaneous	6,146
	<hr/>
Total revenues	918,123
<b>EXPENDITURES</b>	
Current function:	
General government	247,848
Public safety:	
Police	426,636
Fire	40,661
Highways and streets	175,754
Culture and recreation	27,635
Debt service	15,891
Capital outlay	995
	<hr/>
Total expenditures	935,420
	<hr/>
Net change in fund balance	(17,297)
<b>FUND BALANCE</b>	
Beginning of year	620,779
	<hr/>
End of year	\$ 603,482
	<hr/>

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, 2013

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)	\$	(17,297)
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay.

Capital outlay	995	
Depreciation expense	<u>(44,563)</u>	<u>(43,568)</u>

The issuance of long-term debt (e.g. bonds, 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. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of activities.

Payments on capital lease	<u>14,574</u>
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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.

Change in accrued interest payable	<u>1,035</u>
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Change in net position of governmental activities (Exhibit A-1)	\$	<u>(45,256)</u>
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**TOWN OF SORRENTO, LOUISIANA  
PROPRIETARY FUND - UTILITY FUND**

**STATEMENT OF NET POSITION**

June 30, 2013

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 89,983
Prepaid Expenses	77,500
Accounts receivable, net	<u>12,692</u>
Total current assets	<u>180,175</u>

Restricted assets - utility deposits	<u>7,100</u>
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Capital assets:

Non-depreciable	120,366
Depreciable, net	<u>1,496,922</u>

Total noncurrent assets	<u>1,617,288</u>
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Total assets	<u><u>\$ 1,804,563</u></u>
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**LIABILITIES**

Current liabilities:

Accounts payable	\$ 8,456
Due to General Fund	112,826
Payable from restricted assets	<u>7,100</u>
Total current liabilities	<u>128,382</u>

**NET POSITION**

Investment in capital assets	1,617,288
Unrestricted	<u>58,893</u>

Total net position	<u>1,676,181</u>
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Total liabilities and net position	<u><u>\$ 1,804,563</u></u>
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**TOWN OF SORRENTO, LOUISIANA  
 PROPRIETARY FUND - UTILITY FUND  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION**

For the year ended June 30, 2013

**OPERATING REVENUES**

Charges for services:

Garbage	\$ 112,127
Sewer	45,915
Water franchise fees	<u>2,714</u>

Total operating revenues	<u>160,756</u>
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**OPERATING EXPENSES**

Garbage	98,625
Sewer	30,148
Depreciation	<u>68,080</u>

Total operating expenses	<u>196,853</u>
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Operating loss	(36,097)
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**NONOPERATING REVENUES**

Interest income	11
Capital grants	<u>350,000</u>

Total nonoperating revenues	<u>350,011</u>
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Net income	313,914
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**NET POSITION**

Beginning of year	<u>1,362,267</u>
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End of year	<u><u>\$ 1,676,181</u></u>
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**TOWN OF SORRENTO, LOUISIANA  
PROPRIETARY FUND - UTILITY FUND**

**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2013

	<b>Business-type Activities - Enterprise Fund</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 157,974
Payments to suppliers	<u>(208,662)</u>
Net cash used by operating activities	<u>(50,688)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Increase in due to other funds	<u>100,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments on construction in progress	(60,000)
Capital grants	<u>60,000</u>
Net cash provided by capital and related financing activities	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>11</u>
Net increase in cash	49,323
<b>CASH</b>	
Beginning of period	<u>40,660</u>
End of period	<u><u>\$ 89,983</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Operating loss	\$ (36,097)
Adjustments for non-cash items:	
Depreciation	68,080
Change in operating assets and liabilities:	
Prepaid expenses	(77,500)
Accounts receivable and other assets	(2,782)
Accounts payable and accrued liabilities	<u>(2,389)</u>
Net cash used by operating activities	<u><u>\$ (50,688)</u></u>
<b>NON-CASH TRANSACTIONS:</b>	
Capital asset improvements granted by Ascension Parish Government	<u><u>\$ 290,000</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.

In 2012, the Town adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement No. 63 introduced and defined deferred outflows of resources and deferred inflows of resources as consumption and an acquisition, respectively, of net assets by the government that is applicable to a future reporting period. It also identifies net position, rather than net assets, as the residual of all elements presented in a statement of net position.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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

- Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name;
- Whether the Town governing authority (the Council and/or Mayor) appoints a majority of board members of the potential component unit;
- Fiscal interdependency between the Town and the potential component unit;
- Imposition of will by the Town on the potential component unit; and
- Financial benefit/burden relationship between the Town and the potential component unit.

As required by generally accepted accounting principles, these financial statements present 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 and combined non-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. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance.

(Continued)

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

*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's sewer, water, and garbage 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 2013.

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.

## 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/expense 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 Types***

***Enterprise Funds*** - 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, traffic fines, 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, traffic fines, 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 operating cash account.

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 LAMP to invest idle funds.

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.

**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 approximately \$19,400 was recorded at June 30, 2013.

(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 \$112,826 at June 30, 2013.

**Capital Assets**

The accounting treatment of property, plant, and equipment (fixed 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, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated fixed 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 fixed 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	20 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, fixed 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 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.

**Government-wide and Proprietary Fund Net Position**

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

- Invested in capital assets, net of related debt - 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'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.



## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **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. This included the Budget Reserve Account.
- **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.

### **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 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. No interfund transfers have been made by the Town in 2013.

### **Budget Policy and Budgetary Accounting**

A proposed budget is prepared and submitted by the Mayor to the Town Council prior to the

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Budget Policy and Budgetary Accounting (continued)**

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 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.

### **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.

## **NOTE 2 - CASH AND INVESTMENTS**

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, 2013, the Town's deposits were not exposed to any custodial risk.

As of June 30, 2013 the Town had a balance of \$167,578 invested in LAMP.

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

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 that operates in conformity with Rule 2a7 of the Securities and Exchange Commission that governs the accounting practice of investment pools.

LAMP is an investment pool with the following characteristics:

- The value of the portfolio is carried at amortized cost.
- 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 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.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of the participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Investment by the Town in the LAMP pool is considered unclassified as to credit risk provided by GASB Codification Section 150.125 because the investment is in a pool of funds and therefore not evidenced by securities that exist in physical or book form.

The government's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name, or (3) uninsured and unregistered for which securities are held by the broker or dealer, or by its trust department or agent but not in the government's name.

**NOTE 3 - CONCENTRATION OF CREDIT RISK - PROPRIETARY FUNDS**

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

**NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS**

At June 30, 2013, accounts receivable for the Town's funds consisted of the following:

Franchise fees	\$ 18,401
Occupational licenses	<u>13,005</u>
Total General Fund	31,406
Utility Fund - user fees, net	<u>12,692</u>
Total	<u>\$ 44,098</u>

Due from other governments at June 30, 2013 in the General Fund totaled \$51,719, which consists of sales and use taxes receivable.

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, 2013 was as follows:

Recreation	\$ 261,927
Senior citizens	41,537
Public safety - Fire	33,770
Public safety - Police	32,919
Assurety bond	9,500
Garbage deposits	<u>7,100</u>
Total	<u>\$ 386,753</u>

**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 31<sup>st</sup>. Revenues from ad valorem taxes are budgeted in the year assessed. Ad valorem taxes attach as an enforceable lien on property as of January 1<sup>st</sup> of each year.

For the year ended June 30, 2013, taxes of 6.07 mills were levied on property with assessed valuations totaling \$9,609,010, and were dedicated to general government. Total taxes levied and collected were \$58,327 and \$58,068, respectively.

(Continued)

**NOTE 7 - CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2013, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 127,750	\$ -	\$ -	\$ 127,750
<b>Capital assets being depreciated:</b>				
Infrastructure	137,405	-	-	137,405
Buildings and improvements	202,695	995	-	203,690
Equipment and vehicles	515,495	-	-	515,495
Improvements other than buildings	34,720	-	-	34,720
Total capital assets being depreciated	<u>890,315</u>	<u>995</u>	<u>-</u>	<u>891,310</u>
Less accumulated depreciation for:				
Infrastructure	40,794	9,160	-	49,954
Buildings and improvements	173,890	1,841	-	175,731
Equipment and vehicles	441,653	32,188	-	473,841
Improvements other than buildings	10,475	1,374	-	11,849
Total accumulated depreciation	<u>666,812</u>	<u>44,563</u>	<u>-</u>	<u>711,375</u>
Total capital assets being depreciated, net	<u>223,503</u>	<u>(43,568)</u>	<u>-</u>	<u>179,935</u>
Governmental activities capital assets, net	<u>\$ 351,253</u>	<u>\$ (43,568)</u>	<u>\$ -</u>	<u>\$ 307,685</u>

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

<b>Governmental activities:</b>	
General government	\$ 13,060
Public safety	28,740
Highways and streets	<u>2,763</u>
Total depreciation expense - governmental activities	<u>\$ 44,563</u>

**NOTE 7 - CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 60,366	\$ -	\$ -	\$ 60,366
Construction in progress	-	60,000	-	60,000
Total capital assets, not being depreciated	60,366	60,000	-	120,366
<b>Capital assets being depreciated:</b>				
Sewer treatment plants	1,080,626	-	-	1,080,626
Water system, tank, & pump	773,283	-	-	773,283
Equipment	46,976	-	-	46,976
Improvements	-	290,000	-	290,000
Total capital assets being depreciated	1,900,885	290,000	-	2,190,885
Less accumulated depreciation for:				
Sewer treatment plants	344,338	33,038	-	377,376
Water well, tank, & pump	249,793	28,595	-	278,388
Equipment	31,752	4,836	-	36,588
Improvements	-	1,611	-	1,611
Total accumulated depreciation	625,883	68,080	-	693,963
Total capital assets being depreciated, net	1,275,002	221,920	-	1,496,922
Business-type activities capital assets, net	\$ 1,335,368	\$ 281,920	\$ -	\$ 1,617,288

**NOTE 8 - PENSION PLAN**

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

**Plan Description**

All full-time police department employees engaged in law enforcement are required to participate in the System, unless electing to participate in the Social Security System. Employees who retire after at least 25 years of creditable service, or at or after age 50 with at least 20 years of creditable service, or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3.33% of their final-average salary for each year of creditable service, not to exceed 100%. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average.

**NOTE 8 - PENSION PLAN (CONTINUED)**

Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana, 70809-2250, or (225)929-7411.

**Funding Policy**

Plan members are required by state statute to contribute 10 percent of their annual covered salary and the Town of Sorrento is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the Town of Sorrento are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. During the years ended June 30, 2013, 2012 and 2011, the town contributed 31%, 26.5% and 25% of the salary for the officers enrolled in the program, respectively, totaling \$13,647, \$17,821 and \$15,632, respectively.

**NOTE 9 - LONG-TERM DEBT**

**Governmental Activities - Capital Lease Obligation**

The Town had a capital lease agreement that was secured by vehicles and was due in annual installments of \$15,609, including interest of 7.1% beginning in 2011.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital leases	\$ 14,574	\$ -	\$ 14,574	\$ -	\$ -

As of June 30, 2013, the Town had no leases payable or outstanding long-term debt.

(Continued)



## **NOTE 10 - COMMITMENTS AND CONTINGENCIES**

### **Intergovernmental Agreement**

The Town entered into an agreement with Orange Grove Community Development District (the District) whereas the District and its developer, Renaissance Orange Grove, L.L.C. (Renaissance), plan to construct a planned unit development (Orange Grove) within an annexed area of the Town. The Town and Renaissance have agreed that within 45 days of completed construction and approval of the final plat of the first filing of Orange Grove subdivision, the infrastructure assets of Orange Grove, which consist of a sewer system and related facilities, internal roadway system and storm water management system, shall be transferred by the District to the Town. Upon transfer of the systems, the Town shall assume full ownership and responsibility for operation and maintenance of the systems and will be responsible for the expansion, completion, operation and maintenance of the systems for all residents of Orange Grove who may reside in subsequent filing plats of Orange Grove. Also, the Town shall have exclusive rights to all fees and revenues generated from the sewer system within Orange Grove. The term of this agreement is for 60 years unless terminated by both the Town and the District. As of June 30, 2012, 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, 2013, 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.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Suits and Claim**

Various suits and claims arising in the ordinary course of operations are pending against the Town. The majority of the cases are either covered by insurance or other defenses; however, the ultimate effect of such litigation cannot be ascertained at this time. It is the opinion of Town management that the ultimate resolution of any unrecorded litigation will not have a material effect on the financial position of the Town.

**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, 2013, there were no assets held by Nationwide on behalf of Town employees.

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

**NOTE 12 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Expenditures Exceeding Appropriations**

For the year ended June 30, 2013, the General Fund had an excess of expenditures over appropriations in general government and culture and recreation of \$11,148 and \$2,035, respectively.

**NOTE 13 - COMPENSATION OF GOVERNING BOARD**

During the year ended June 30, 2013, Council members and the Mayor received compensation, as follows:

<u>Name</u>	<u>Title</u>	<u>Amount</u>
Wilson Longanecker, Jr.	Mayor	\$ 9,180
Randy J. Anny	Mayor Pro-tem/Council Member	2,650
John Wright	Council Member	2,700
Milton J. Vicknair	Council Member	2,650
Marvin L. Martin, Sr.	Council Member	2,500
Jason R. Adams	Council Member	2,050
Chad Day	Council Member	550
	Total	<u>\$ 22,280</u>

**NOTE 14 - SUBSEQUENT EVENTS**

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which was the date the financial statements were available to be issued.

**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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes:				
Sales and use	\$ 544,500	\$ 562,500	\$ 589,774	\$ 27,274
Franchise	94,000	90,000	78,903	(11,097)
Ad valorem	45,000	58,300	58,068	(232)
Other	5,500	2,500	2,466	(34)
Fines	155,000	59,500	75,291	15,791
Licenses and permits	76,250	76,250	89,074	12,824
Charges for services	11,100	12,100	10,710	(1,390)
Intergovernmental	500,000	28,000	7,321	(20,679)
Investment income	200	325	370	45
Miscellaneous	<u>2,700</u>	<u>2,700</u>	<u>6,146</u>	<u>3,446</u>
Total revenues	<u>1,434,250</u>	<u>892,175</u>	<u>918,123</u>	<u>25,948</u>
<b>EXPENDITURES</b>				
Current function:				
General government	212,760	236,700	247,848	(11,148)
Public safety:				
Police	437,838	549,858	426,636	123,222
Fire	40,000	42,700	40,661	2,039
Highways and streets	115,386	191,750	175,754	15,996
Culture and recreation	25,000	25,600	27,635	(2,035)
Debt service	16,000	16,000	15,891	109
Capital outlay	<u>522,500</u>	<u>21,000</u>	<u>995</u>	<u>20,005</u>
Total expenditures	<u>1,369,484</u>	<u>1,083,608</u>	<u>935,420</u>	<u>148,188</u>
Net change in fund balance	<u>\$ 64,766</u>	<u>\$ (191,433)</u>	<u>(17,297)</u>	<u>\$ 174,136</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>620,779</u>	
End of year			<u>\$ 603,482</u>	

**TOWN OF SORRENTO, LOUISIANA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For the year ended June 30, 2013

**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 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 accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended June 30, 2013. The Town's basis of budgetary accounting follows generally accepted accounting principles.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Expenditures Exceeding Appropriations**

For the year ended June 30, 2013, the General Fund had an excess of expenditures over appropriations in general government and culture and recreation of \$11,148 and \$2,035, respectively.

**SPECIAL INDEPENDENT AUDITORS' REPORTS**

**For the year ended June 30, 2013**

**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**

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Sorrento, Louisiana, as of and for the year ended June 30, 2013, 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 24, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Sorrento'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 the Town of Sorrento, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. [2013-1 and 2013-2].

## **Compliance and other matters**

As part of obtaining reasonable assurance about whether the Town of Sorrento's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have had a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Town of Sorrento's Response to Findings**

The Town of Sorrento, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Sorrento, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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



Gonzales, Louisiana  
December 24, 2013



**TOWN OF SORRENTO, LOUISIANA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2013**

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal Control over Financial Reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
- Significant deficiency(ies) identified that are  
not considered to be material weaknesses?   x   yes      \_\_\_\_\_ no

Noncompliance material to financial  
statements noted? \_\_\_\_\_ yes        x   no

**B. FINDINGS- FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCIES**

**2013-1 Financial Oversight**

*Condition:* The Town has been ineffective in the collecting of unpaid balances for traffic fines and court costs issued. The Town's Police Department issued approximately \$258,000 in fines and court costs during 2013. Of the current year fines and court cost issued, approximately \$205,000 had been collected at year end. The Police Department administers collection of these funds and monitors the outstanding balances. Currently, a warrant is issued for the arrest of offenders with unpaid citations and a listing forwarded to the Department of Motor Vehicles.

*Criteria:* The Town is unable to effectively monitor the outstanding traffic fines and court costs to maximize collection of these revenues.

*Cause:* Due to the small staff, the Town is unable to achieve adequate oversight over the collection efforts of traffic fines and court costs.

*Effect:* The Town is unable to receive revenues generated from traffic fines and court costs issued throughout the year in a timely manner.

*Recommendation:* The Mayor and the Town Council should review monthly detailed traffic ticket activity logs, to include a list of tickets issued, ticket revenue collections, any other adjustment to tickets issued, and unpaid ticket balances. The Town should involve the Town attorney to assist in collection efforts. These practices may result in a higher probability of collections and increase Town resources.

*Management's Response:* Management concurs with this finding.

**TOWN OF SORRENTO, LOUISIANA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2013**

**B. FINDINGS- FINANCIAL STATEMENT AUDIT (continued)**

**SIGNIFICANT DEFICIENCIES (continued)**

**2013-2 Utility Fund Operations**

*Condition:* During the year ended June 30, 2013, delinquent accounts receivable approximated \$19,400 and an allowance for doubtful accounts has been recorded for the same amount. Additionally, proceeds received from the franchise agreement associated with water services provided were insufficient to cover direct costs. Furthermore, overall operations experienced net operating losses during 2013 and 2012 of approximately \$36,000 and \$123,000, respectively.

*Criteria:* The Town is unable to obtain positive results from their efforts to collect on past due utility balances.

*Cause:* The Town lacks the ability to economically cut-off services to delinquent users. Also, the Town has accounts in arrears relating to customers that are no longer users on the system.

*Effect:* The Town is experiencing an increase in the allowance for doubtful accounts as well as operating losses in the Utility Fund.

*Recommendation:* The Town should review the listing of delinquent accounts receivable with its legal advisor to pursue appropriate legal action, and also review its collection policies to alleviate future potential bad debts.

*Management's Response:* Management concurs with this finding.

**COMPLIANCE WITH STATE LAWS AND REGULATIONS**

**NONE**

**TOWN OF SORRENTO**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2013**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2012-1 Financial Oversight**

*Condition:* The Town has been ineffective in the collecting of unpaid balances for traffic fines and court costs issued. The Town's Police Department issued approximately \$455,000 in fines and court costs during 2012. Of the current year fines and court cost issued, approximately \$342,000 had been collected at year end. The Police Department administers collection of these funds and monitors the outstanding balances. Currently, a warrant is issued for the arrest of offenders with unpaid citations and a listing forwarded to the Department of Motor Vehicles.

*Current Years Status:* This finding has been reclassified as 2013-1.

**2012-2 Utility Fund Operations**

*Condition:* During the year ended June 30, 2012, delinquent accounts receivable approximated \$9,900 and an allowance for doubtful accounts has been recorded for the same amount. Additionally, proceeds received from the franchise agreement associated with water services provided were insufficient to cover direct costs. Furthermore, overall operations experienced net operating losses during 2012 and 2011 of approximately \$123,000 and \$99,000, respectively.

*Current Years Status:* This finding has been reclassified as 2013-2.