

Town of Chatham

Chatham, Louisiana

Annual Financial Statements
with Independent Auditor's Report

As of and For the Year Ended
June 30, 2017
with Supplemental Information Schedules

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Town of Chatham
Annual Financial Statements
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As of and For the Year Ended June 30, 2017
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Independent Auditor's Report

Town of Chatham
Chatham, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Chatham, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Chatham'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.

Auditor's 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 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 financial position of the governmental activities, the business-type activities, and each major fund of the Town of Chatham, as of June 30, 2017, 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 7-12 and pages 41 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 any 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 Chatham's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for the 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 is 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2017 on our consideration of the Town of Chatham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Chatham's internal control over financial reporting and compliance.

Kenneth D. Falden & Co., CPAs

Jonesboro, Louisiana
November 22, 2017

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART I

Town of Chatham
Chatham, Louisiana

Management's Discussion and Analysis
As of and For the Year Ended June 30, 2017

As Management of the Town of Chatham, we offer readers of the Town of Chatham's financial statements this narrative overview and analysis of the financial activities of the Town of Chatham as of and for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Chatham's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad view of the Town of Chatham's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town of Chatham assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Chatham is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements. The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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 on balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. Such information may be useful in evaluating a government's near-term financing requirements.

Town of Chatham
Chatham, Louisiana

Management's Discussion and Analysis
As of and For the Year Ended June 30, 2017

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Chatham maintains one individual governmental fund. Information as of and for the year ended June 30, 2017, is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund.

The Town of Chatham adopts an annual appropriated budget for the General Fund. A budgetary comparison statement is provided for the major funds to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds. The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses its enterprise funds to account for its sewer and water and solid waste operations.

Proprietary funds are used to account for activities that function in a manner similar to commercial enterprises. Proprietary fund financial statements typically provide a more detailed presentation of the information reported in the business-type activities portion of the government-wide financial statements. The proprietary funds financial statements provide separate information for all of the enterprise funds, which are considered to be major funds of the Town.

The proprietary fund financial statements can be found on pages 22-24 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-39 of this report.

Supplemental information. In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the Town of Chatham's compliance with budgets for its major funds. Also, other supplemental information schedules are included in the report.

FINANCIAL HIGHLIGHTS

-The assets of the Town exceeded its liabilities at June 30, 2017 by \$2,483,384 (net position).

-The Town's net position decreased by \$100,470. The net position of the governmental activities increased by \$50,453, and the net position of the business-type activities decreased by \$150,923.

-Of the total net position amount, \$97,661 is unrestricted net position. The Town's net position is comprised of \$315,633 from government activities and \$2,167,751 from business-type activities.

Town of Chatham
Chatham, Louisiana

Management's Discussion and Analysis
As of and For the Year Ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Cash and equivalents	\$ 36,132	\$ 14,971	\$ 31,868	\$ 41,623	\$ 68,000	\$ 56,594
Investments	-	-	77,929	79,214	77,929	79,214
Accounts receivable	6,180	5,682	35,054	42,728	41,234	48,410
Cash and equivalents - restricted	28,897	22,743	128,823	139,583	157,720	162,326
Capital assets (net of accumulated depreciation)	291,501	289,333	2,009,494	2,121,809	2,300,995	2,411,142
Total Assets	\$ 362,710	\$ 332,729	\$ 2,283,168	\$ 2,424,957	\$ 2,645,878	\$ 2,757,686
Liabilities						
Accounts payable	\$ 2,462	\$ 2,988	\$ 13,539	\$ 5,281	\$ 16,001	\$ 8,269
Payroll liabilities	1,615	1,564	3,049	1,727	4,664	3,291
Customer meter deposits	-	-	98,829	99,274	98,829	99,274
Long-term liabilities	43,000	63,000	-	-	43,000	63,000
Total Liabilities	\$ 47,077	\$ 67,552	\$ 115,417	\$ 106,282	\$ 162,494	\$ 173,834
Net Position						
Net investment in capital assets	\$ 248,501	\$ 226,333	\$ 2,009,494	\$ 1,996,962	\$ 2,257,995	\$ 2,223,295
Restricted	28,897	22,743	98,831	99,274	127,728	122,017
Unrestricted	38,235	16,102	59,426	222,440	97,665	238,542
Total Net Position	\$ 315,633	\$ 265,178	\$ 2,167,751	\$ 2,318,676	\$ 2,483,388	\$ 2,583,854

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, assets of the Town of Chatham exceeded liabilities by \$2,483,384. A significant portion (91%) of the Town of Chatham's net position reflects its investments in capital assets (e.g., land, building and improvements, and equipment, net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending.

Town of Chatham
Chatham, Louisiana

Management's Discussion and Analysis
As of and For the Year Ended June 30, 2017

Summary of Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Charges for services	\$ 6,465	\$ 4,203	\$ 245,807	\$ 251,071	\$ 252,272	\$ 255,274
Taxes:						
Ad valorem tax	15,357	14,054	-	-	15,357	14,054
Franchise tax	12,134	9,360	-	-	12,134	9,360
Sales tax	57,326	48,753	-	-	57,326	48,753
Other tax	881	888	-	-	881	888
Licenses and permits	36,455	35,820	-	-	36,455	35,820
Capital grant	9,237	-	22,216	303,586	31,453	303,586
Operating grant	3,663	-	9,048	-	12,711	-
Intergovernmental	9,900	2,400	-	-	9,900	2,400
Fines, forfeitures, and court costs	11,432	10,600	-	-	11,432	10,600
Rent, royalty, and commission	24,000	21,000	-	-	24,000	21,000
Miscellaneous	5,308	661	11,538	29,723	16,846	30,384
Total revenues	<u>192,158</u>	<u>147,739</u>	<u>288,609</u>	<u>584,380</u>	<u>480,767</u>	<u>732,119</u>
Expenses						
Current:						
General government	72,733	68,142	-	-	72,733	68,142
Public safety						
Police	29,758	28,383	-	-	29,758	28,383
Highways and streets	50,207	51,944	-	-	50,207	51,944
Community development	180	545	-	-	180	545
Utility	-	-	430,095	372,416	430,095	372,416
Total expenses	<u>152,878</u>	<u>149,014</u>	<u>430,095</u>	<u>372,416</u>	<u>582,973</u>	<u>521,430</u>
Excess (deficiency) of revenues over (under) expenses	<u>39,280</u>	<u>(1,275)</u>	<u>(141,486)</u>	<u>211,964</u>	<u>(102,206)</u>	<u>210,689</u>
Other financing sources (uses)						
Interest earnings	33	12	1,703	1,302	1,736	1,314
Operating transfers	11,140	-	(11,140)	-	-	-
Total other financing sources (uses)	<u>11,173</u>	<u>12</u>	<u>(9,437)</u>	<u>1,302</u>	<u>1,736</u>	<u>1,314</u>
Change in net position	<u>50,453</u>	<u>(1,263)</u>	<u>(150,923)</u>	<u>213,266</u>	<u>(100,470)</u>	<u>212,003</u>
Net position - June 30, 2016	<u>265,179</u>	<u>266,442</u>	<u>2,318,675</u>	<u>2,105,409</u>	<u>2,583,854</u>	<u>2,371,851</u>
Net position - June 30, 2017	<u>\$ 315,632</u>	<u>\$ 265,179</u>	<u>\$ 2,167,752</u>	<u>\$ 2,318,675</u>	<u>\$ 2,483,384</u>	<u>\$ 2,583,854</u>

Governmental activities. The most significant revenues of the governmental activities are sales taxes (30%), and licenses and permits (19%).

Town of Chatham
Chatham, Louisiana

Management's Discussion and Analysis
As of and For the Year Ended June 30, 2017

General government expenses are the most significant (48%) of all governmental activities expenses, followed by highways and streets expenses (33%). Depreciation expense is included in these amounts.

Governmental activities revenues increased by \$44,419 in the current year as compared to the prior year. The increase was attributable to an increase in franchise taxes, sales taxes, and grants.

Governmental activities expenses increased by \$3,864 in the current year as compared to the prior year. The increase was primarily attributable to an increase in general government expense.

Business-type activities. The business-type activities net position decreased by \$150,923. Operating activities decreased the business-type activities by \$141,486. Operating activities includes depreciation expense (a non-cash expense) in the amount of \$134,472.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental funds. As of June 30, 2017, the governmental fund balances of \$67,132 reflect an increase of \$29,285 from June 30, 2016. Of the total ending fund balance, there was \$28,897 in restricted funds and \$38,235 in unassigned funds in the General Fund.

The increases in the revenues and expenses of the governmental funds were described in the above Government-Wide Financial Analysis section.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Utility Fund's net position decreased by \$150,923 in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Due to a grant included in the budget but not realized, the General Fund final actual revenues were less than budgeted revenues by \$6,930. General Fund final budgeted expenditures were less than actual expenditures by \$36,228. Other financing sources (uses) actual amounts varied from the budgeted amounts by \$6,854.

Town of Chatham
Chatham, Louisiana

Management's Discussion and Analysis
As of and For the Year Ended June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of June 30, 2017, the Town of Chatham's net investment in capital assets for its governmental activities totals \$291,501 (net of accumulated depreciation), and its investment in capital assets for its business-type activities totals \$2,009,494 (net of accumulated depreciation). This investment includes land, buildings and improvements, furniture, and equipment. During the year ended June 30, 2017, the Town purchased and constructed assets totaling \$33,156, including completion of the sewer system improvements, pumps for the water system, and a lawn mower for the streets department.

Debt administration. At year ended June 30, 2017, the Town had \$43,000 of long-term liabilities in certificates of indebtedness.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

With the exception of grants, revenues for the upcoming fiscal year are expected to be consistent with the actual amounts for the fiscal year ended June 30, 2017. Expenditures excluding capital outlay are expected consistent with the actual amounts of the current fiscal year. Operations for the upcoming year are expected to be consistent with the year ended June 30, 2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Chatham's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Mrs. Lynette Roberts, Town Clerk, Post Office Box 7, Chatham, Louisiana 71226.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Town of Chatham
Chatham, Louisiana

Statement of Net Position
As of June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 36,132	\$ 31,868	\$ 68,000
Investments	-	77,929	77,929
Accounts receivable	6,180	35,054	41,234
Cash and equivalents - restricted	28,897	128,823	157,720
Capital assets (net of accumulated depreciation)	291,501	2,009,494	2,300,995
Total Assets	<u>362,710</u>	<u>2,283,168</u>	<u>2,645,878</u>
Liabilities			
Accounts payable	2,462	13,539	16,001
Payroll liabilities	1,615	3,049	4,664
Customer meter deposits	-	98,829	98,829
Long-term liabilities			
Due within one year	21,000	-	21,000
Due in more than one year	22,000	-	22,000
Total Liabilities	<u>47,077</u>	<u>115,417</u>	<u>162,494</u>
Net Position			
Net investment in capital assets	248,501	2,009,494	2,257,995
Restricted	28,897	98,831	127,728
Unrestricted	38,235	59,426	97,661
Total Net Position	<u>\$ 315,633</u>	<u>\$ 2,167,751</u>	<u>\$ 2,483,384</u>

The accompanying notes are an integral part of these financial statements.

Town of Chatham
Chatham, Louisiana

Statement of Activities
For the Year Ended June 30, 2017

Expenses	Major Funds			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<u>Functions/Programs</u>						
Primary government						
Governmental activities						
General government	\$ 72,733	\$ -	\$ 3,663	\$ -	\$ -	\$ (69,070)
Police	29,758	11,432	-	-	-	(18,326)
Highways and streets	50,207	6,465	-	9,237	-	(34,505)
Community development	180	-	-	-	-	(180)
Total governmental activities	<u>152,878</u>	<u>17,897</u>	<u>3,663</u>	<u>9,237</u>	<u>-</u>	<u>(122,081)</u>
Business-type activities						
Public utility services	<u>430,095</u>	<u>245,807</u>	<u>9,048</u>	<u>22,216</u>	<u>-</u>	<u>(153,024)</u>
Total primary government	<u>\$ 582,973</u>	<u>\$ 263,704</u>	<u>\$ 12,711</u>	<u>\$ 31,453</u>	<u>(122,081)</u>	<u>(153,024)</u>
<u>General Revenues</u>						
Taxes:						
Property taxes, levied for general purposes				15,357	-	15,357
Sales taxes				57,326	-	57,326
Franchise taxes				12,134	-	12,134
Other taxes				881	-	881
Licenses				36,380	-	36,380
Intergovernmental				9,900	-	9,900
Investment earnings				108	1,703	1,811
Rental income				24,000	-	24,000
Other revenue				5,308	11,538	16,846
Operating transfers				11,140	(11,140)	-
Total general revenues and transfers				<u>172,534</u>	<u>2,101</u>	<u>174,635</u>
Change in net position				50,453	(150,923)	(100,470)
Net position - June 30, 2016				<u>265,179</u>	<u>2,318,675</u>	<u>2,583,854</u>
Net position - June 30, 2017				<u>\$ 315,632</u>	<u>\$ 2,167,752</u>	<u>\$ 2,483,384</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

Town of Chatham
Chatham, Louisiana

Balance Sheet - Governmental Funds
As of June 30, 2017

		Major Funds
		General Fund
Assets		
Cash and equivalents	\$	36,132
Accounts receivable		6,180
Cash and equivalents - restricted		28,897
Total Assets	\$	71,209
Liabilities & Fund Balances		
Liabilities:		
Accounts payable	\$	2,462
Payroll liabilities		1,615
Total Liabilities		4,077
Fund balances:		
Restricted, reported in:		
General fund		28,897
Unassigned		38,235
Total Fund Balances		67,132
Total Liabilities and Fund Balances	\$	71,209

The accompanying notes are an integral part of these financial statements.

Town of Chatham
Chatham, Louisiana

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
As of June 30, 2017

Total Fund Balances at June 30, 2017 - Governmental Funds (Statement C)	\$	67,132
Total Net Position reported for governmental activities in the Statement of Net Position (Statement A) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds, net of depreciation.		291,501
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Long-term obligation		<u>(43,000)</u>
Net Position at June 30, 2017	\$	<u><u>315,633</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Chatham
Chatham, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2017

	General Fund
Revenues	
Taxes:	
Ad valorem tax	\$ 15,357
Franchise tax	12,134
Sales tax	57,326
Other tax	881
Licenses and permits	36,455
Capital grant	9,237
Operating grant	3,663
Intergovernmental	9,900
Fines, forfeitures, and court costs	11,432
Rent, royalty, and commission	24,000
Charges for services	6,465
Miscellaneous	5,308
Total revenues	192,158
Expenditures	
Current:	
General government	61,434
Public safety	
Police	29,758
Streets	49,011
Capital outlay	10,999
Total expenditures	151,202
Excess (deficiency) of revenues over (under) expenditures	40,956
Other financing sources (uses)	
Bond principal payments	(20,000)
Bond interest payments	(2,844)
Interest earnings	33
Operating transfers in (out)	11,140
Total other financing sources (uses)	(11,671)
Net changes in fund balances	29,285
Fund balances - June 30, 2016	37,845
Fund balances - June 30, 2017	\$ 67,130

The accompanying notes are an integral part of these financial statements.

Town of Chatham
Chatham, Louisiana

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Funds Balances to the Statement of Activities
For the Year Ended June 30, 2017

Total net change in Fund Balances - Governmental Funds (Statement E)	\$	29,287
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets capitalized over their estimated useful lives as depreciation expense. This is the amount by which capital outlay differs from depreciation for the period.</p>		
Depreciation		(8,831)
Capital outlay		10,999
<p>Bond principal expense, which is considered an expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balance (Statement E), is a reduction of bond payable on the Government-Wide statements.</p>		
		20,000
Miscellaneous adjustment		(1,000)
		(1,000)
Change in net position of governmental activities (Statement B)	\$	50,455

The accompanying notes are an integral part of these financial statements.

Town of Chatham
Chatham, Louisiana

Statement of Net Position - Proprietary Fund
As of June 30, 2017

	Water & Sewer Fund
Assets	
Current Assets:	
Cash and equivalents	\$ 31,868
Investments	77,929
Accounts receivable	35,054
Total Current Assets	144,851
Noncurrent Assets:	
Cash and equivalents - restricted	128,823
Capital assets (net of accumulated depreciation)	2,009,494
Total Noncurrent Assets	2,138,317
Total Assets	\$ 2,283,168
Liabilities	
Current Liabilities:	
Accounts payable	\$ 13,539
Payroll liabilities	3,049
Total Current Liabilities	16,588
Current liabilities payable from restricted assets	
Customer meter deposits	98,829
Total Liabilities	115,417
Net Position	
Net investment in capital assets	2,009,494
Restricted	98,831
Unrestricted	59,426
Total Net Position	\$ 2,167,751

The accompanying notes are an integral part of these financial statements.

Town of Chatham
Chatham, Louisiana

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2017

	Water & Sewer Fund
Operating Revenues	
Water sales	\$ 92,605
Sewer fees	66,775
Other utility fees	86,427
Operating grant	9,048
Miscellaneous income	11,538
Total operating revenues	266,393
Operating Expenses	
Personnel services	121,488
Supplies	46,385
Utilities	20,215
Repairs and maintenance	63,245
Contractual services	37,282
Miscellaneous	7,010
Depreciation	134,472
Total operating expenses	430,097
Operating Income (Loss)	(163,704)
Non-operating Revenues (Expenses)	
Interest earnings	1,703
Capital grant	22,216
Total non-operating revenues (expenses)	23,919
Income (loss) before transfers	(139,785)
Transfers in (out)	(11,140)
Change in net position	(150,925)
Total Net Position - June 30, 2016	2,318,675
Total Net Position - June 30, 2017	\$ 2,167,750

The accompanying notes are an integral part of these financial statements.

Town of Chatham
Chatham, Louisiana

Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2017

	Water & Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 264,707
Cash payments to suppliers for goods and services	(157,547)
Cash payments to employees	(128,629)
Net cash provided by (used for) operating activities	(21,469)
Cash flows from non-capital financing	
Operating grant	9,048
Transfers from (to) other funds	(11,140)
Transfer from investment	2,524
Other expense	(344)
Net cash provided by (used for) non-capital financing activities	88
Cash flows from capital and related financing activities	
Acquisition of capital assets	(22,157)
Capital grant	22,216
Net cash provided by (used for) capital and related financing activities	59
Cash flows from investing activities	
Interest earnings	807
Net cash provided by (used for) investing activities	807
Net increase (decrease) in cash and cash equivalents	(20,515)
Cash and cash equivalents - June 30, 2016	181,206
Cash and cash equivalents - June 30, 2017	\$ 160,691
Reconciliation of operating income to net provided by operating activities	
Operating income	\$ (172,750)
Adjustments	
Depreciation	134,472
Net changes in assets and liabilities	
Accounts receivable	7,674
Customers' meter deposits	(445)
Accounts payable	8,258
Payroll liabilities	1,322
Net cash provided for (used for) operating activities	\$ (21,469)

The accompanying notes are an integral part of these financial statements.

**NOTES TO THE
FINANCIAL STATEMENTS**

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

INTRODUCTION

The Town of Chatham, Louisiana (Town) was incorporated under the provisions of the Lawrason Act and has a current population of approximately 635. The Town operates under the Mayor-Town Council form of government. The Town Council consists of five council members who are elected and compensated. Services provided by the Town include public safety (police), highway and streets, gas, water, sewer, and sanitation facilities, culture and recreation, and general administrative services. The Town is located in Jackson Parish, Louisiana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town applies all relevant GASB pronouncements, as applicable to governmental entities. Also, the Town's financial statements are prepared in accordance with the requirements of Louisiana R.S. 24:513, the Louisiana Audit and Accounting Guide and to the industry guide, Audits of State and Local Government Units, published by the American Institute of Certified Public Accountants.

B. Reporting Entity

GASB Statement No. 14, The Financial Reporting Entity, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a general purpose local government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, establishes criteria for determining which, if any, component units should be considered part of the Town for financial reporting purposes. GASB Statement No. 61 provides additional criteria for classifying entities as component units. The basic criterion for including a potential component unit within the reporting entity is financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
 - i. The ability of the government to impose its will on that organization and/or
 - ii. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.
2. Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government and there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

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.

Based on the above criteria, no component units were identified for the Town of Chatham.

C. Government-Wide Financial Statements

The Town's government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements present summaries of the governmental activities and the business-type activities for the Town. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town of Chatham's governmental activities.

Program Revenues - Program revenues included in the Statement of Activities (Statement B) are derived directly from parties outside the Town's taxpayers or citizenry, including (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; program revenues reduce the cost of the function to be financed from the Town's general revenues.

Direct Expenses - The Town reports all direct expenses by function in the Statement of Activities (Statement B). Direct expenses are those that are clearly identifiable with a function. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function.

Indirect Expenses - The Town reports all indirect expenses separately on the Statement of Activities (Statement B). Indirect expenses are those expenses that are not clearly identifiable with a function. Interest on long-term debt is considered an indirect expense.

General revenues are taxes and other items that are not properly included among program revenues. The effect of interfund activity has been removed from the government-wide financial statements.

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

D. Fund Financial Statements

The accounts of the Town of Chatham are 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, expenditures or expenses, as appropriate, additions, and deductions. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements. Funds of the Town are classified into two categories: governmental and proprietary.

Governmental Funds

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The Town has presented all major funds.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheets. Amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. Long-term debts are reported as an other financing source, and repayment of long-term debt is reported as an expenditure. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. Accordingly, revenues are recorded when received in cash and when collected within 60 days after year-end. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized when due.

The Town of Chatham reports the following major governmental funds:

General Fund - The primary operating fund of the Town, the General Fund, accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to Town policy.

Revenues

The governmental funds use the following practices in recording revenues:

Those revenues susceptible to accrual are property taxes, franchise taxes, and charges for services. Fines and permit and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

Entitlements and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized when the qualifying expenditures have been incurred, all other grant requirements have been met, and the susceptible-to-accrual criteria have been met.

Interest earnings are recorded when the investments have matured and the interest is available.

Expenditures

The governmental funds use the following practices in recording expenditures:

Salaries are recorded as expenditures when earned by employees.

Purchases of various operating supplies, etc. are recorded as expenditures when the related fund liability is incurred.

Compensated absences are recognized as expenditures when leave is actually taken or when employees, or their heirs, are paid for accrued leave upon retirement or death.

Principal and interest on long-term debt are recognized when due.

Other Financing Sources (Uses)

The governmental funds use the following practices in recording other financing sources (uses):

Transfers between funds that are not expected to be repaid, sales of fixed assets, and long-term debt proceeds and payments, are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Proprietary Funds

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net total position) is segregated into three components-net investment in capital assets, restricted net position, and unrestricted net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total position. The proprietary funds use the accrual basis of accounting, where revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows.

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed through user charges: or (b) 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 purpose.

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

The Enterprise Fund of the Town of Chatham is the Public Utility Fund, which accounts for the operations of the waterworks and sewerage systems, gas system, and sanitation facility. The intent of the Town for these facilities is (a) that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Revenues and Expenses

Operating revenues in the proprietary fund are those that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

E. Equity Classifications

The Town of Chatham has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

In the Government-Wide Financial Statements and the Proprietary Fund Financial Statements, the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and reported in three components:

Net investment in capital assets: This classification consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Restricted net position: This classification consists of net position with constraints placed on its use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted net position: Any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

The Governmental Fund Financial Statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town did not have any nonspendable funds for the year ended June 30, 2017.

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town had \$28,897 in restricted funds for the year ended June 30, 2017.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Council typically establishes commitments through the adoption and amendment of the budget. The Town did not have any committed funds for the year ended June 30, 2017.

Assigned: This classification includes amounts that are constrained by the Town intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Council delegating this responsibility to a body or official (Mayor) for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town did not have any assigned funds for year ended June 30, 2017.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. The Town has \$38,235 of unassigned funds in the General Fund.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

F. Budgets

The Town Clerk prepares a proposed budget and submits it to the Town Council in accordance with the Town Charter and the Local Government Budget Act. The budget is presented to the Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the Town Council adopts the annual fiscal year budget for the General Fund. Once approved, the Town Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. The original and amended budgets for the current fiscal year are presented in the Budgetary Comparison Schedule - General Fund (Schedule 1). Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: general government, public safety, public works, and parks and recreation. Budget revisions at this level are subject to final review by the Town Council. The budget for the General Fund is prepared on the GAAP basis. Revenues are budgeted in the year receipt is expected; and expenditures, the year that the applicable purchase orders are expected to be issued. Public hearings are held to obtain public taxpayer comments.

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

The 2016-2017 general fund budget was published in the official journal and made available for public inspection. A public hearing for the proposed budget was held on June 27, 2016, and the budget was adopted by the Mayor and Town Council. The budget was legally amended on June 13, 2017.

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Chatham may deposit funds in demand deposits in stock-owned federally insured depository institutions organized under the laws of the state of Louisiana or of any other state of the United States, or under the laws of the United States. The Town may invest in certificates and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For the purposes of the statement of cash flows, cash equivalents include all highly liquid investments with a maturity date of 90 days or less when purchased.

Under state law, the Town may invest in United States bonds, treasury notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all other reported as investments.

The Town reports restricted assets on the Statement of Net Position (Statement A), which includes restricted cash (customer deposits) that is collected by the Water and Sewer Department.

H. Investments

The Town of Chatham's investments comply with Louisiana Revised Statute 33:2955. Under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, or government-backed agency securities or certificates, and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. These deposits are classified as investments if their original maturities exceed 90 days. Investments are stated at fair value except for those which are permitted under GASB Statement No. 31 to use a different valuation measurement.

In accordance with paragraph 69 of GASB Statement No. 72, the Town reports at amortized cost money market investments and participating interest-bearing investment contracts that have a remaining maturity at the time of purchase of one year or less. Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

I. Interfund Receivables and Payables

Activity between funds that is representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" on the fund financial statements balance sheets, as well as all other outstanding balances between funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

J. Inventories

Inventories of supplies in the Proprietary Fund are not material and are charged to operations as purchased.

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are recorded in the applicable governmental or business-type activities columns of the government-wide financial statements, but are not reported in the governmental fund financial statements. Acquisitions of property and equipment are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$1,000 or more for capitalizing capital assets.

Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the Statement of Activities.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Depreciation is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. The estimated useful life for classes of assets are as follows:

Description	Estimated Lives
Buildings and building improvements	40 years
Water and sewer systems	10-40 years
Furniture and fixtures	7 years
Vehicles	5 years
Equipment	5 years

In accordance with GASB Statement No. 34, general infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets.

L. Deferred Outflows of Resources

The Town reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The Town reported no deferred outflows of resources.

M. Compensated Absences

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

The employees of the Town are entitled to 10 days of compensated absences and 10 days vacation with pay. However, neither compensated absences nor vacations pay or accumulate and both are recorded as expenditures.

There is no provision to pay for accumulated sick or annual leave.

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

N. Deferred Inflows of Resources

The Town reports increases in net position that relate to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The Town will not recognize the related revenues until a future event occurs. The Town reported no deferred inflows of resources.

O. Interfund Transactions

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or enterprise funds are netted as part of the reconciliation to the government-wide financial statements.

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without the expectation of repayment, the transaction is reported as a transfer and is treated as a source of income by the recipient fund and as an expenditure by the providing fund.

Activity between funds that is representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other funds" or "due to other funds" on the Fund Financial Statements Balance Sheet (Statement C), as well as all other outstanding balances between funds.

In the process of aggregating data for the Statement of Net Position (Statement A) and the Statement of Activities (Statement B), some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. Ad Valorem Tax

All ad valorem tax receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of an allowance account. Ad valorem taxes are levied on a calendar year basis and become delinquent on December 31. The Town bills and collects its own ad valorem taxes. For the 2016 ad valorem taxes, one rate of tax was levied on property within the corporate limits, as follows:

7.81 mills for the general maintenance of the Town

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

This millage was approved by the Town Council on August 16, 2016. This millage is the maximum millage that can be assessed without the approval of the voters of the Town.

3. Sales Tax

The Town of Chatham currently has an authorized sales tax of 1% for all taxable sales and use of goods and services within the Town. The tax is to be used for the general operations of the Town as approved by the mayor and Town Council for an undefined period of time. The tax was first levied on January 8, 2008.

4. Cash, Cash Equivalents, and Investments

At June 30, 2017, the Town had cash and cash equivalents (book balances) totaling \$225,720, including interest bearing demand deposits of \$68,000 and restricted cash deposits of \$157,720. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

At June 30, 2017, the Town had \$232,022 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance.

Cash and investments are categorized to give an indication of the level of risk assumed by the Town at June 30, 2017. Deposits are considered to be exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the the pledging financial institution's trust department or agent but not in the depositor-government's name. The Town of Chatham has cash and cash equivalents that are covered by \$250,000 of federal depository insurance.

At June 30, 2017, the Town had investments of \$77,929. These deposits are covered by \$244,627 in pledged securities. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 40, Louisiana Revised Statute 30:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand. Louisiana R.S. 39:1224 requires bonds, or other such instruments furnished as security, to be deposited with the depositing authority or with an unaffiliated bank or trust company, Federal Reserve Bank, or any Federal Home Loan Bank or its successor. This security is deemed to be under the control and in the possession of the public entity and deemed to be held in its name. The Town of Chatham has complied with these requirements of state law.

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

5. Receivables

The receivables of \$41,234 at June 30, 2017, are as follows:

	Fund		Total
	General	Enterprise	
Taxes:			
Franchise fees	\$ 1,871	\$ -	\$ 1,871
Sales and use	4,309	-	4,309
Other	-	-	-
Other revenues	-	-	-
Accounts	-	37,303	37,303
Allowance for uncollectible accounts	-	(2,249)	(2,249)
Total	\$ 6,180	\$ 35,054	\$ 41,234

6. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2017, is as follows:

A. Capital Assets - Governmental Activities

	Balance, July 01, 2016	Additions	Deletions	Balance, June 30, 2017
Capital assets not depreciated				
Land	\$ 32,700	\$ -	\$ -	\$ 32,700
Total capital assets not being depreciated	<u>32,700</u>	<u>-</u>	<u>-</u>	<u>32,700</u>
Capital assets being depreciated				
Buildings	418,268	-	-	418,268
Equipment and vehicles	314,715	10,999	-	325,714
Total capital assets being depreciated	<u>732,983</u>	<u>10,999</u>	<u>-</u>	<u>743,982</u>
Less accumulated depreciation				
Buildings	168,344	8,006	-	176,350
Equipment and vehicles	308,006	826	-	308,832
Total accumulated depreciation	<u>476,350</u>	<u>8,831</u>	<u>-</u>	<u>485,182</u>
Capital assets, net	<u>256,633</u>	<u>2,168</u>	<u>-</u>	<u>258,800</u>
Governmental capital assets - net	<u>\$ 289,333</u>	<u>\$ 2,168</u>	<u>\$ -</u>	<u>\$ 291,500</u>

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

Functional Allocation of Depreciation Expense

General government	\$	7,456
Public safety		-
Public works		1,196
Culture and recreation		180
Total	\$	8,831

B. Capital Assets - Proprietary Funds

	Balance, July 01, 2016	Additions	Deletions	Balance, June 30, 2017
Capital assets not depreciated				
Land	\$ 4,064	\$	\$	\$ 4,064
Construction in progress	302,186	-	302,186	-
Total capital assets not being depreciated	<u>306,250</u>	<u>-</u>	<u>302,186</u>	<u>4,064</u>
Capital assets being depreciated				
Water System	2,322,138	5,893	-	2,328,031
Sewer System	938,949	318,450	-	1,257,399
Natural Gas System	593,399	-	-	593,399
Equipment and vehicles	264,027	-	-	264,027
Improvements	283,645	-	-	283,645
Total capital assets being depreciated	<u>4,402,158</u>	<u>324,343</u>	<u>-</u>	<u>4,726,501</u>
Less accumulated depreciation				
Water System	1,256,068	60,973	-	1,317,041
Sewer System	413,078	34,999	-	448,077
Natural Gas System	427,617	14,835	-	442,452
Equipment and vehicles	229,194	15,949	-	245,143
Improvements	260,643	7,716	-	268,360
Total accumulated depreciation	<u>2,586,600</u>	<u>134,472</u>	<u>-</u>	<u>2,721,073</u>
Capital assets, net	<u>1,815,558</u>	<u>189,871</u>	<u>-</u>	<u>2,005,428</u>
Business-type activities capital assets - net	<u>\$ 2,121,808</u>	<u>\$ 189,871</u>	<u>\$ 302,186</u>	<u>\$ 2,009,492</u>

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

7. Payables

The payables of \$20,664 at June 30, 2017, are as follows:

	Fund		Total
	General	Enterprise	
Accounts	\$ 2,462	\$ 13,539	\$ 16,000
Payroll liabilities	1,615	3,049	4,664
Total	\$ 4,076	\$ 16,588	\$ 20,664

8. Long-Term Obligations

Certificates of indebtedness dated March 19, 2009 due in annual installments of graduated amounts beginning July 1, 2009 at \$19,498 and increasing to \$23,089. The following schedule is a summary of the long-term obligations transactions for the year ended June 30, 2017.

Long-term obligation	Balance, July 01, 2016	Additions	Deletions	Balance, June 30, 2017
Certificate of indebtedness	\$ 63,000	\$ -	\$ 20,000	\$ 43,000
Total	\$ 63,000	\$ -	\$ 20,000	\$ 43,000

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2017:

Long-term obligation	Current portion	Long-term portion	Total
Certificate of indebtedness	\$ 21,000	\$ 22,000	\$ 43,000
Total	\$ 21,000	\$ 22,000	\$ 43,000

The following schedule is a summary of the maturing principal and interest of the certificates of indebtedness.

Annual Payment Dates	Annual Payment Amount	Interest	Annual Principal Paid	Remaining Balance	Accumulated Interest
Balance at July 1, 2016				\$ 63,000	
January 01, 2017	22,434	2,434	20,000	43,000	18,887
2018	22,556	1,556	21,000	22,000	20,443
2019	22,545	545	22,000	-	20,988
Total	\$ 67,534	\$ 4,534	\$ 63,000	\$ -	

Town of Chatham
Chatham, Louisiana

Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

9. Retirement Systems

The Town pays matching funds toward social security benefits for employees as required by federal law. No other retirement system is available to the employees of the Town.

10. Grants

During the year ended June 30, 2017, the Town of Chatham received a grant from the Louisiana Government Assistance Program (LGAP) for \$12,900, a grant from Louisiana Community Development Block Grant (LCDBG) for \$16,264, and a grant from Clean Water Enrichment Fund (CWEF) for \$15,000. The Town used the LGAP grant to make improvements to the sidewalks and purchase a new mower. The LCDBG grant was used to make improvements to the sewer system. In the prior years, the Town made payments of \$302,186 for a combined construction of \$318,450. The improvements to the sewer system were completed on August 31, 2016. The CWEF grant was used to purchase water supplies, a trash pump, a booster pump, and a chlorination system for the water system.

11. Risk Management

The Town is exposed to various risk of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, and injuries to employees. To handle such risk of loss, the Town maintains commercial insurance policies covering automobile liability and uninsured motorist, surety bond coverage, flood insurance, and property insurance. In addition to the above policies, the Town maintains a general liability policy and an errors and omissions policy. No claims were paid on any of the policies during the past three years, which exceeded the policies' coverage amount.

12. Litigation and Claims

At June 30, 2017, the Town was not involved in any lawsuits nor is aware of any outstanding claims, which are not covered by insurance.

13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 22, 2017, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART II

Town of Chatham
Chatham, Louisiana

Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budget - Original	Budget - Final	Actual	Variance - Favorable (Unfavorable)
Revenues				
Taxes:				
Ad valorem tax	\$ 13,500	\$ 15,357	\$ 15,357	\$ -
Franchise tax	10,200	11,200	12,134	934
Sales tax	46,500	58,000	57,326	(674)
Other tax	700	1,050	881	(169)
Licenses and permits	32,635	31,275	36,455	5,180
Capital grant	-	-	9,237	9,237
Operating grant	25,000	17,939	3,663	(14,276)
Intergovernmental	9,900	9,900	9,900	-
Fines, forfeitures, and court costs	10,000	9,030	11,432	2,402
Rent, royalty, and commission	24,000	24,000	24,000	-
Charges for services	4,525	5,985	6,465	480
Miscellaneous	1,000	15,352	5,308	(10,044)
Total revenues	<u>177,960</u>	<u>199,088</u>	<u>192,158</u>	<u>(6,930)</u>
Expenditures				
Current:				
General government	123,800	113,650	61,434	52,216
Public safety				
Police	21,635	27,227	29,758	(2,531)
Streets	45,300	46,553	49,011	(2,458)
Parks and recreation	400	-	-	-
Capital outlay	-	-	10,999	(10,999)
Total expenditures	<u>191,135</u>	<u>187,430</u>	<u>151,202</u>	<u>36,228</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,175)</u>	<u>11,658</u>	<u>40,956</u>	<u>29,298</u>
Other financing sources (uses)				
Bond principal payments	-	-	(20,000)	(20,000)
Bond interest payments	-	-	(2,844)	(2,844)
Interest earnings	15	30	33	3
Operating transfers in (out)	-	(4,846)	11,140	15,986
Total other financing sources (uses)	<u>15</u>	<u>(4,816)</u>	<u>(11,671)</u>	<u>(6,855)</u>
Net changes in fund balances	<u>(13,160)</u>	<u>6,842</u>	<u>29,285</u>	<u>22,443</u>
Fund balances - June 30, 2016	<u>37,845</u>	<u>37,845</u>	<u>37,845</u>	<u>-</u>
Fund balances - June 30, 2017	<u>\$ 24,685</u>	<u>\$ 44,687</u>	<u>\$ 67,130</u>	<u>\$ 22,443</u>

The accompanying notes are an integral part of these financial statements.

Kenneth D. Folden & Co.

Kenneth D. Folden, CPA

Certified Public Accountants

Ted W. Sanderlin, CPA

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Independent Auditor's 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

Town of Chatham
Chatham, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chatham, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Chatham's basic financial statements and have issued our report thereon dated November 22, 2017. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Chatham'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 Chatham's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Chatham'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 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 over financial reporting 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, Findings 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Chatham'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 is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as Findings 2017-001.

The Town of Chatham's Response to Findings

The Town of Chatham's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Chatham'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 result 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 Town of Chatham's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kenneth D. Felden & Co., CPAs

Jonesboro, Louisiana
November 22, 2017

SUPPLEMENTAL INFORMATION

Town of Chatham
Chatham, Louisiana

Schedule of Findings and Questioned Costs
For the year ended June 30, 2017

We have audited the basic financial statements of the Town of Chatham as of and for the year ended June 30, 2017 and have issued our report thereon dated November 22, 2017. 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 Governmental Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2017 resulted in an unqualified opinion.

A. Summary of Auditor's Report

Report on Internal Control and Compliance Material to Financial Statements

Internal Control

Material Weakness Yes No Significant Deficiencies Yes No

Compliance

Compliance Material to Financial Statements Yes No

B. Findings - Financial Statements Audit

Current Year

2017-001 Compliance with Debt Service and Sinking Funds Requirements

Criteria: According to the debt covenant for the Certificates of Indebtedness, Series 2009, the Town of Chatham is required to maintain prescribed amounts of funds in the debt service fund and the sinking fund.

Condition: During the year ended June 30, 2017, the Town of Chatham did not maintain the correct amounts in the debt service fund and the sinking fund.

Effect: The debt service and sinking funds are required to insure that the Town can continue to make the payments owed on the certificates of indebtedness.

Recommendation: Based on the schedule of payments required, the Town of Chatham insure that the debt service and sinking funds are properly funded.

Management Response: Management will make payments to the debt service and sinking funds so that the funds are in compliance with the debt covenant.

2017-002 Internal Control over Compliance with Debt Service and Sinking Funds Requirements

Criteria: Management is responsible for establishing internal control policies and procedures that provide for compliance with the debt covenant for the Certificates of Indebtedness, Series 2009.

Condition: During the year ended June 30, 2017, the Town of Chatham was not in compliance with the debt covenant.

Effect: Without an adequate system in place to insure compliance with the debt covenant, the Town could be in violation of the debt covenant.

Recommendation: The system should be modified to insure that the Town follows all provisions of the debt covenant including funding the debt service and sinking funds.

Town of Chatham
Chatham, Louisiana

Schedule of Findings and Questioned Costs
For the year ended June 30, 2017

Management Response: The Town of Chatham has modified the system to insure that the Town is in compliance with the debt covenant.

Prior Year

2016-001 Compliance with Debt Service and Sinking Funds Requirements

Criteria: According to the debt covenant for the Certificates of Indebtedness, Series 2009, the Town of Chatham is required to maintain prescribed amounts of funds in the debt service fund and the sinking fund.

Condition: During the year ended June 30, 2017, the Town of Chatham did not maintain the correct amounts in the debt service fund and the sinking fund.

Effect: The debt service and sinking funds are required to insure that the Town can continue to make the payments owed on the certificates of indebtedness.

Recommendation: Based on the schedule of payments required, the Town of Chatham will insure that the debt service and sinking funds are properly funded.

Management Response: Management will make payments to the debt service and sinking funds so that the funds are in compliance with the debt covenant.

2016-002 Internal Control over Compliance with Debt Service and Sinking Funds Requirements

Criteria: Management is responsible for establishing internal control policies and procedures that provide for compliance with the debt covenant for the Certificates of Indebtedness, Series 2009.

Condition: During the year ended June 30, 2017, the Town of Chatham was not in compliance with the debt covenant.

Effect: Without an adequate system in place to insure compliance with the debt covenant, the Town could be in violation of the debt covenant.

Recommendation: The system should be modified to insure that the Town follows all provisions of the debt covenant including funding the debt service and sinking funds.

Management Response: The Town of Chatham has modified the system to insure that the Town is in compliance with the debt covenant.

2016-003 Compliance with Local Government Budget Law

Criteria: Louisiana Revised Statute (RS 39:1311) requires that the budget be properly amended if actual revenues are less than budgeted revenues by five percent or less.

Condition: For the year ended June 30, 2017, the Town of Chatham the actual revenues were below the budgeted revenues by 17%. The Town did not receive an operating grant for \$25,000 that the Town had budgeted.

Effect: The Town of Chatham is in violation of the Local Government Budget Act.

Recommendation: The Town of Chatham should modify procedures to insure that the budget is properly amended.

Management Response: Management has adopt procedures to insure that the budget is amended as required by state law. This finding has been resolved.

Town of Chatham
Chatham, Louisiana

Schedule of Findings and Questioned Costs
For the year ended June 30, 2017

2016-004 Internal Control over Compliance with Local Government Budget Law

Criteria: Management is responsible for establishing internal control policies and procedures that provide for compliance with applicable state laws including the Local Government Budget Law.

Condition: During the year ended June 30, 2017, the Town of Chatham was not in compliance with the Local Government Budget Law.

Effect: Without an adequate system in place to insure compliance with the state law, the Town is in violation of the state law.

Recommendation: The system should be modified to insure that the Town follows the law regarding budgets for local governments.

Management Response: The Town of Chatham has modified the system to insure that the Town is in compliance with the state law regarding budgets for local governments. This finding has been resolved.

Town of Chatham
Chatham, LouisianaSchedule of Compensation Paid Council
For the year ended June 30, 2017

	2017
Greg Harris	\$ 600
Frank Horrell	600
Toni Malone	600
Laverne Mixon	600
Sue Ann Proffer	600
	\$ 3,000

Town of Chatham
Chatham, LouisianaSchedule of Compensation, Benefits and Other Payments to Agency Head
For the year ended June 30, 2017

Herman Lenard	
Mayor	
Salary	\$ 3,000
Benefits - Insurance	159
Telephone	240
	<u>\$ 3,399</u>

Dwight Cooper	
Mayor	
Salary	\$ 3,000
Benefits - Insurance	159
Telephone	240
	<u>\$ 3,399</u>

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Town Council of Town of Chatham
Chatham, Louisiana
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Town of Chatham and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 01, 2016 through June 30, 2017. The Village's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a. Budgeting, including preparing, adopting, monitoring, and amending the budget,
 - b. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c. Disbursements, including processing, reviewing, and approving,
 - d. Receipts, including receiving, recording, and preparing deposits,
 - e. Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked,
 - f. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process,
 - g. Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage,
 - h. Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers,

i. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy, and

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

Exception: The Town has written policies and procedures on all required topics above except receipts and debt service. The policy and procedures on purchasing does not include how vendors are added to the vendor list.

Management's Response: The Town will develop written policies and procedures on receipts and debt service, and the Town will add the process for adding vendors to the vendor list.

Board

2. Obtain and review the board/committee minutes for the fiscal period, and

a. Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Response: The Town Council meets monthly.

b. Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Response: The Town Council approves bills monthly and reviews budget to actual comparison.

c. Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Response: Non-budgetary information is reported in minutes.

Exception: There are no exceptions in relation to the Board.

Management's Response: None.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Response: Management provided us with a list of bank accounts and representation that the list is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

a. Bank reconciliations have been prepared;

Response: Reviewed all 14 bank accounts held by the Town. Of the 168 bank reconciliation required for the year, the Town did not complete 17 bank reconciliations. Of the 17 missed reconciliations, seven of the statements had no activity for the period the bank reconciliation was missed.

b. Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Response: There is no indication that a member of management of a Town Councilman has reviewed the reconciliation.

c. If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.

Response: There are eight transactions that are over six months old that are still listed on the reconciliations. There is no documentation that the transactions have been researched to be removed from the reconciliation.

Exception: See above responses.

Management's Response: The Town will insure that all bank accounts have reconciliation for every month of the fiscal year no matter the amount of transactions, and each of the reconciliations will be reviewed by a Town Councilman as indicated by initials and a date of review. The Town Clerk will research the transactions over six months old, and the Town Clerk will monitor the reconciliation each month for any items that become more than six months old.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Response: Collection location is Chatham Town Hall.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

a. Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Response: (1) Covered under liability insurance.

(2) Clerk, Assistant Clerk and one other office employee receives cash. The Clerk is responsible for recording transactions and for reconciling bank statement.

(3) There is only one cash drawer that employees use.

b. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Response: No written policy or procedure for reconciling cash collections to the general ledger. Daily sheets showing amounts received each day are used to reconcile the general ledger to the cash collections.

c. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

i. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Response: There were five out of 155 deposits that were not made within one day of collection. No collection was deposited more than four days from collection.

ii. Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Response: There were 67 out of 155 deposits that were not supported by some form of documentation. Almost all, 65 collections, were from customers for utility fees.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Response: There is no written policy or procedure to determine completeness of all collections.

Exception: See above responses.

Management's Response: The Town will develop a written policy and procedures for reconciling cash collections to the general ledger and for determining the completeness of all collections. The Town will maintain copies of receipts for the utility fees from customers, either by retaining the pay stub or by printing a receipt from the billing system. Because the Town employs only a Clerk and an Assistant Clerk, there are limited segregation of duties; however, the Town will develop written policies and procedures to insure that the Mayor and the Town Council are monitoring the collections on a periodic basis.

Disbursements - General

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Response: Management provided a listing of disbursements.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

a. Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Response: There were no transactions that were initiated using the purchase order.

b. Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Response: There was no indication of a purchase order.

c. Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Response: All transactions reviewed were processed without an approved purchase order. All transactions were processed with a receiving report (if applicable) and an approved invoice.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Response: There is no policy on adding vendors to the entity's purchasing/disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Response: Mayor has signatory authority and makes final authorizations for disbursements. The Mayor, Clerk, and Assistant Clerk can initiate and approve purchase orders and can sign checks.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Response: Supply of unused checks kept in file cabinets that can be accessed by the Clerk and the Mayor, who have signatory authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Response: No signature stamp or machine is used.

Exception: See above responses.

Management's Response: The Town will amend its written policy and procedures on disbursements to include information on adding vendors. Management will review the procedures on those who maintain the supply of unused checks and have signatory authority to determine better segregation of duties.

Credit Cards

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

Response: Management provided a listing of credit cards, bank debit cards, fuel cards, and P-cards.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

a. Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Response: The Town has two cards, and there was no review or approval in writing by someone other than the authorized card holder on either card.

b. Report whether finance charges and/or late fees were assessed on the selected statements.

Response: There were no finance charges or late fees on any of the selected statements.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

a. For each transaction, report whether the transaction is supported by:

i. An original itemized receipt (i.e., identifies precisely what was purchased)

Response: On one card, there was one missing invoice.

ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Response: For both credit cards, there was no indication for the business purpose. For meals, individual names were not provided.

iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Response: No other documentation is required.

b. For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Response: No exceptions to the policy or the Louisiana Public Bid Law.

c. For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Response: No payments were made that would violate Article 7, Section 14 of the Louisiana Constitution.

Exception: See above responses.

Management's Response: The Town will amend its written policy and procedures on credit card purchases to insure that all purchases follow the disbursements policy, and there will be approval by someone other than the card holder. Any charges for meals will include all individuals participating. The policy will include provisions for any missing or lost receipts.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Response: Management provided a listing of travel and related expense reimbursements.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Response: A written policy on travel and expense reimbursement was available.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

a. Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Response: One employee was reimbursed for travel expenses based on the written policies and procedures. Four employees are reimbursed for their phone use, but the Town does not have a policy or provide documentation on the reimbursement.

b. Report whether each expense is supported by:

i. An original itemized receipt that identifies precisely what was purchased.

Response: An original itemized receipt or voucher was available for each expense.

ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Response: The business purpose was noted for each expense.

iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Response: No other documentation is required.

c. Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Response: No indication of a violation of Article 7, Section 14 of the Louisiana Constitution.

d. Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Response: There was no indication of the review of the expense reimbursement.

Exception: See above responses.

Management's Response: The Town will review and amend the travel and expense policy and procedures to include reimbursements for phone use, and the Town will amend its policy and procedures to include approval before expenses are reimbursed.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Response: The Town did not have any contracts during the audit period.

21. Using the listing above, select the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a. Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Response: Not applicable.

b. Compare each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

Response: Not applicable.

i. If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Response: Not applicable.

ii. If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Response: Not applicable.

c. Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Response: Not applicable.

d. Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Response: Not applicable.

e. Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Response: Not applicable.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management’s representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

a. Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Response: The Town provided a list of employees and related salaries/hourly rate. There is no formal pay structure or employment contract.

b. Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Response: Pay rate changes are adjusted in the budget by recommendation of the Mayor that the Town Council approves annually. There are no other changes throughout the year.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

Response: The Town had timesheets documenting daily attendance and leave for all hourly employees. There was no timesheet for the Maintenance Supervisor.

a. Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

Response: We reviewed six employee timesheets, and five employees documented their daily attendance.

b. Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Response: We reviewed six employee timesheets, and five timesheets were approved by the supervisor in writing.

c. Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Response: The Town maintained written leave records for all employees who earn leave.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Response: Per discussion with management and review of payroll records, there were no termination payments.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Response: All payroll taxes and retirement contributions and reporting forms were submitted to the applicable agencies in a timely manner.

Exception: See above responses.

Management's Response: The Town will require the Maintenance Supervisor to complete a timesheet daily.

Ethics

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Response: Ethics training was completed by all employees and elected officials.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Response: Per discussion with management, there were no alleged ethics violations reported.

Debt Service

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Response: No new debt was issued.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Response: Debt service payments were made timely; however, debt reserves were not maintained adequately according to the bond covenant.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Response: Not applicable.

Exception: See above responses.

Management's Response: The Town will increase the amounts in the debt reserve restricted cash accounts to satisfy the bond covenant requirements.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Response: Per discussion with management, there were no misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Response: We observed the notice posted in the Town Hall.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Response: We did not observe any other exceptions regarding management's representations in the procedures above.

We were not engaged to and did not perform an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Kenneth D. Felden & Co., CPAs

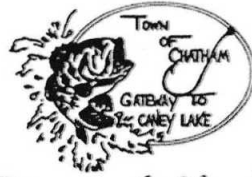
Jonesboro, Louisiana
November 22, 2017

Mayor
Dwight Cooper

Chief of Police
Brandon Myers

Clerk
Lynette Roberts

Attorney
Gary Nunn



Town of Chatham

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Board of Aldermen

Greg Harris
Frank Horrell
Toni Malone
Laverne Mixon
Sue Ann Proffer

November 22, 2017

Kenneth D. Folden & Co., CPAs
302 Eighth Street
Jonesboro, Louisiana

In connection with your engagement to apply agreed-upon procedures to certain control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs), for the fiscal period July 1, 2016 through June 30, 2017, we confirm to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We are responsible for the C/C areas identified in the SAUPs, including written policies and procedures; board or finance committee; bank reconciliations; collections; disbursements; credit/debit/fuel/purchasing cards; travel and expense reimbursement; contracts; payroll and personnel; ethics; debt service; and other areas as applicable.

Yes No
2. For the fiscal period July 1, 2016 through June 30, 2017, the C/C areas were administered in accordance with the best practice criteria presented in the SAUPs.

Yes No
3. We are responsible for selecting the criteria and procedures and for determining that such criteria and procedures are appropriate for our purposes.

Yes No
4. We have disclosed to you all known matters contradicting the results of the procedures performed in C/C areas.

Yes No

5. We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others affecting the C/C areas, including communications received between June 30, 2017, and October 20, 2017.
- Yes No
6. We have provided you with access to all records that we believe are relevant to the C/C areas and the agreed-upon procedures.
- Yes No
7. We represent that the listing of bank accounts provided to you is complete.
- Yes No
8. We represent that the listing of cash/check/money order (cash) collection locations provided to you is complete.
- Yes No
9. We represent that the listing of entity disbursements or the general ledger population of entity disbursements provided to you is complete.
- Yes No
10. We represent that the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards, provided to you is complete.
- Yes No
11. We represent that the listing of all travel and related expense reimbursements, by person, during the fiscal period or the general ledger population of travel and related expense reimbursements provided to you is complete.
- Yes No
12. We represent that the listing of all contracts in effect during the fiscal period or the general ledger population of contract payments provided to you is complete.
- Yes No
13. We represent that the listing of employees (and elected officials, if applicable) with their related salaries provided to you is complete.
- Yes No

14. We represent that the listing of employees (and elected officials, if applicable) that terminated during the fiscal period provided to you is complete.
Yes No
15. We have disclosed to you other data you deemed necessary to complete SAUPs.
Yes No
16. We have responded fully to all inquiries made by you during the engagement.
Yes No
17. We are not aware of any events that have occurred subsequent to June 30, 2017, that would require adjustment to or modification of the results of the agreed-upon procedures.
Yes No

The previous responses have been made to the best of our belief and knowledge.

Signature _____ Date 11/22/2017

Title Mayor *Dwight Cooper*

Signature *Synette Roberts* _____ Date 11/22/2017

Title Clerk