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**TOWN OF CHATHAM
Chatham, Louisiana**

*With General Purpose Financial Statements
And Independent Auditor's Reports
As of and For the Year Ended June 30, 1998
With Supplemental Information Schedules*

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

Release Date **FEB 24 1999**

Jimmie Self, CPA
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TOWN OF CHATHAM
Chatham, Louisiana
General Purpose Financial Statements
For the Year Ended June 30, 1998
With Supplemental Information Schedules

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Independent Auditor's Report

Board of Directors
Town of Chatham
Chatham, Louisiana

I have audited the accompanying general purpose financial statements of the Town of Chatham, Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Chatham's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

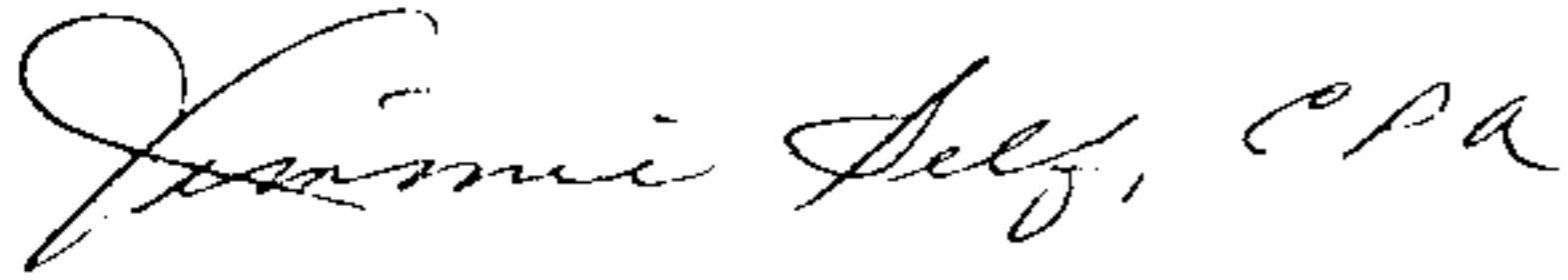
I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable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

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Chatham, Louisiana, as of June 30, 1998, and the results of its operations and the cash flow of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 15, 1998, on my consideration of the Town of Chatham's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental statements and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Town of Chatham. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the general purpose financial

statements of the Town of Chatham. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Jimmie Self, CPA". The signature is written in black ink and is positioned above the typed name.

Jimmie Self, CPA
Monroe, Louisiana
December 15, 1998

**TOWN OF CHATHAM, LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 1998**

	GOVERNMENTAL FUNDS		PROPRIETARY FUND	ACCOUNT GROUPS	Total (Memorandum Only)
	General Fund	Capital Projects Fund	Enterprise Fund	General Fixed Assets	
ASSETS AND OTHER DEBITS					
Assets:					
Cash and Cash Equivalents	25,871.21		49,956.03		75,826.24
Receivables-(net, where applicable, of allowance for doubtful accounts)	323.13		9,506.85		9,829.98
Restricted Assets		35,277.72	140,276.29		175,554.01
Other Assets:					
Land, buildings, and equipment (net, where applicable, of accumulated depreciation)			1,283,627.80	283,309.00	1,566,936.80
Other debits:					
TOTAL ASSETS AND OTHER DEBITS	26,194.34	35,277.72	1,483,365.97	283,309.00	1,828,147.03
LIABILITIES, EQUITY AND OTHER CREDITS					
Liabilities:					
Accounts and Other Payables	1,456.38	35,277.72	8,047.87		44,781.97
Payable from Restricted Assets:					
Accrued Interest Payable			1,521.00		1,521.00
Customers' Deposits			47,420.63		47,420.63
Revenue Bonds Payable-Current Portion			11,000.00		11,000.00
Revenue Bonds Payable-Long-Term Portion			90,000.00		90,000.00
Total Liabilities:	1,456.38	35,277.72	157,989.50	0.00	194,723.60
Equity and Other Credits:					
Contributed Capital			1,336,405.95		1,336,405.95
Investment in General Fixed Assets				283,309.00	283,309.00
Retained Earnings:					
Unreserved (deficit)			(11,029.48)		(11,029.48)
Fund Balances:					
Unreserved-undesignated (deficit)	24,737.96				24,737.96
Total Equity and Other Credits	24,737.96		1,325,376.47	283,309.00	1,633,423.43
TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS	26,194.34	35,277.72	1,483,365.97	283,309.00	1,828,147.03

See Accompanying Notes to Financial Statements.

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**TOWN OF CHATHAM, LOUISIANA
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES/EQUITY
FOR THE YEAR ENDED JUNE 30, 1998**

	GENERAL FUND	CAPITAL PROJECT FUND	TOTAL (Memorandum Only)
	1998	1998	1998
REVENUES			
Local Sources			
Taxes:			
Property	8,786.20		8,786.20
Tobacco	2,502.12		2,502.12
Beer	1,783.64		1,783.64
Licenses and permits	21,329.10		21,329.10
Fees, charges, and commissions	8,074.55		8,074.55
Fines and forfeitures	5,681.37		5,681.37
Other revenues	5,111.09	487,349.00	492,460.09
Total Revenues	<u>53,268.07</u>	<u>487,349.00</u>	<u>540,617.07</u>
EXPENDITURES			
General Government	60,509.22		60,509.22
Public Safety	16,362.87		16,362.87
Public Works	3,312.21	487,349.00	490,661.21
Total Expenditures	<u>80,184.30</u>	<u>487,349.00</u>	<u>567,533.30</u>
Excess (Deficiency) Of Revenues over Expenditures	(26,916.23)	0.00	(26,916.23)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	40,000.00		40,000.00
Total Other Financing Sources (Uses)	<u>40,000.00</u>	<u>0.00</u>	<u>40,000.00</u>
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	13,083.77		13,083.77
Fund Balances (Deficit) at Beginning of Year	11,654.19		11,654.19
Fund Balances (Deficit) at End of Year	<u>24,737.96</u>	<u>0.00</u>	<u>24,737.96</u>

See Accompanying Notes to Financial Statements.

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TOWN OF CHATHAM, LOUISIANA
 GOVERNMENTAL FUNDS-GENERAL FUND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES-BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 1998

	GENERAL FUND			CAPITAL PROJECT FUND		
	BUDGET	1998 ACTUAL	VARIANCE	BUDGET	1998 ACTUAL	VARIANCE
REVENUES						
Local Sources						
Taxes:						
Property	8,700.00	8,786.20	86.20			
Tobacco	3,100.00	2,502.12	(597.88)			
Beer	1,200.00	1,783.64	583.64			
Licenses and permits	5,300.00	5,681.37	381.37			
Fees, charges, and commissio			0.00			
Fines and forfeitures	17,050.00	21,329.10	4,279.10			
Other revenues	16,500.00	13,185.64	(3,314.36)	487,349.00	487,349.00	0.00
Total Revenues	51,850.00	53,268.07	1,418.07	487,349.00	487,349.00	0.00
EXPENDITURES						
General Government	67,675.00	68,509.22	7,165.78			
Public Safety	14,100.00	16,362.87	(2,262.87)			
Public Works	6,300.00	3,312.21	2,987.79	487,349.00	487,349.00	0.00
Total Expenditures	88,075.00	88,184.30	7,890.70	487,349.00	487,349.00	0.00
Excess (Deficiency) Of Revenues over Expenditures	(36,225.00)	(26,916.23)	9,308.77	0.00	0.00	0.00
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	40,000.00	40,000.00	0.00			
Total Other Financing Sources (Uses)			0.00	0.00	0.00	0.00
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	3,775.00	13,083.77	9,308.77	0.00	0.00	0.00
Fund Balances (Deficit) at Beginning of Year	11,654.19	11,654.19	0.00			0.00
Fund Balances (Deficit) at End of Year	15,429.19	24,737.96	9,308.77	0.00	0.00	0.00

Budget

See Accompanying Notes to Financial Statements.

**TOWN OF CHATHAM, LOUISIANA
 PROPRIETARY FUND TYPE
 STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 FOR THE YEAR ENDED JUNE 30, 1998**

	<u>ENTERPRISE FUND</u>
	<u>1998</u>
OPERATING REVENUES	
Charges for services	(229,405.82)
Other income	
Total Operating Revenues	<u>(229,405.82)</u>
OPERATING EXPENSES	
Personnel	44,693.80
Repairs and Maintenance	29,123.30
Operational	83,350.79
Depreciation	77,465.00
Total Operating Expenses	<u>234,632.89</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,127.07)
Nonoperating Revenues (expenses)	
Interest Income	7,721.58
Interest Expense	(7,949.25)
Operating Transfer In (Out)	<u>(40,000.00)</u>
	<u>(40,227.67)</u>
Net Income (Loss)	(45,354.74)
Retained Earnings at Beginning of year	<u>34,324.99</u>
Retained Earnings at end of year	<u>(11,029.75)</u>

See Accompanying Notes to Financial Statements.

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**TOWN OF CHATHAM, LOUISIANA
 PROPRIETARY FUND TYPE
 STATEMENTS OF CASH (AND CASH EQUIVALENTS) FLOWS
 FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Enterprise Fund 1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income	(45,354.74)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	77,465.00
Changes in assets and liabilities:	
(Increase) Decrease in accounts receivable	8,121.30
Increase (Decrease) in accounts payable	6,786.39
Total Adjustments	<u>47,017.95</u>
Net Cash Provided (Used) by Operating Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital Expenditures	(51,154.00)
Net Cash Used in Investing Activities	(51,154.00)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on long-term debt	<u>(11,000.00)</u>
Net Cash Provided by Financing Activities	(11,000.00)
Net Increase/(Decrease) in Cash and Cash Equivalents	(15,135.65)
Cash and Cash Equivalents at Beginning of Year	205,367.00
Cash and Cash Equivalents at End of Year	<u><u>190,231.35</u></u>

Supplemental disclosures of cash flow information :
 Cash paid during the year for:
 Interest - \$7949

See Accompanying Notes to Financial Statements.

CASHFLO98

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Chatham was incorporated under the provision of the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Town provides the following services to its 664 residents: public safety (police); highways and streets; gas, water, sewer, and sanitation facilities through the utility fund; culture/recreation; and general administrative services.

The accounting and reporting policies of the municipality conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the industry audit guide, Audits of State and Local Governmental Units.

The accompanying financial statements of the Town of Chatham have been prepared in conformity with generally accepted accounting principles (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.

A. Reporting Entity

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

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Chatham, Louisiana for the financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria include:

1. Appointing a voting majority of an organization's governing body.
 - A. The ability of the municipality to impose its will on that organization and /or
 - B. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
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.

No component units are included in this report, since there are none.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Fund Accounting

The Town of Chatham uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self - balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Town of Chatham are classified into two categories : governmental and proprietary. Each category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds

Governmental funds account for all or most of the Town of Chatham's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long - term debt. *Governmental funds include :*

General Fund - the general operating fund of the Town of Chatham and accounts for all financial resources, except those required to be accounted for in other funds.

Proprietary Funds

Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. *Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:*

Enterprise Fund - accounts for operations (a) that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees; 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 purposes.

C. Basis of Accounting

The Town uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

Town of Chatham
Chatham, Louisiana
Notes To The Financial Statements
June 30, 1998

Major revenue sources susceptible to accrual include: sales and use tax, property taxes, franchise fees, special assessments, intergovernmental revenues and investment income more specifically.

1. Revenues

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

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

The year ended June 30, 1998, taxes of 8.31 mills were levied on property with assessed valuations totaling 220,460 and were deducted as follows:

General corporate purposes	8.20 mills
----------------------------	------------

Property tax revenues are recognized when they become available. Available includes those property tax receivables elected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and therefore an allowance for uncollectible taxes is not provided.

Fines, bond forfeiture, and fees are recognized when collected by the Town. Interest income is recorded when it is credited to accounts by the Bank.

- B. Sales Taxes are also accrued.

2. 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.

Principal and interest on general long - term debt and installment purchase payments are recognized when due.

3. Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (and any other financing source/use) are accounted for as other financing sources (uses).

Proprietary Fund Types

Proprietary funds use the economic resources measurement focus. The accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is segregated into contributed capital and retained earnings.

Accrual Basis of Accounting

The accrual basis of accounting is used in proprietary fund types. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred.

D. Budgets

The Town of Chatham (Mayor and Council) uses the following budget practices:

- (1) Prior to June 30, the town Clerk submits to the Mayor and Council Members a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) During the month of July the budget is legally enacted through passage of an ordinance.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund and Capital Projects Fund, (when applicable).
- (5) Budgets for the General and Capital Projects Fund, are adopted on the GAAP basis.
- (6) Appropriations lapse at the end of each fiscal year.
- (7) The Mayor and Council Members authorize supplemental appropriations during the year. Supplemental appropriations were made during the fiscal year.

E. Encumbrances

Encumbrance accounting is not used.

F. 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, interest - bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States and national banks having their principal offices in Louisiana.

Under state law, the Town of Chatham may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

G. Restricted Assets

Restricted assets are comprised of cash and investments of \$ 225,509 on June 30, 1998 in the Enterprise Fund that have been set aside in special accounts to meet the provisions of the bond agreements and capital equipment acquisitions. At June 30, 1998, \$11,000 was set aside in retained earnings to be available to service the outstanding debt service requirements.

H. Fixed Assets

Fixed Assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. All fixed assets are valued at historical cost. Construction cost interest is immaterial and is not capitalized.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the funds net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by proprietary fund operations is charged as an expense against operations. No depreciation has been provided for general fixed assets. Depreciation is computed using the straight - line method, and the following estimated useful lives:

<u>Water Utility</u>	
Wells	20 years
Storage tanks	40 years
Purification plant	33 years
Lines and meters	40 years
<u>Sewerage Utility</u>	
Pump stations	40 years
Lines	40 years
Autos and trucks	5 years
Other equipment	10 years

I. Long - Term Obligations

Long - term obligations expected to be financed from governmental funds are reported in the general long - term obligations account group. Expenditures for principal and interest payments for long - term obligations are recognized in the governmental funds when due.

J. Compensated Absences

Town employees are entitled to ten days of compensated absences. However, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid.

K. Fund Equity

Contributed Capital

Contributed capital is recorded in the Enterprise Fund for capital grants restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation on that portion of the assets acquired or constructed from such resources.

Reserves

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

L. Total Columns on Combined Statements

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

NOTE 2 - EXPENDITURES/EXPENSE ACTUAL AND BUDGET

The following individual funds have actual expenditures/expense over budgeted expenditures/expense for the years ending June 30, 1998.

Fund	Budget	Actual	(Unfavorable Variance)
General	79,092	80,184	<1,092>
Total	79,092	80,184	<1,092>

NOTE 3 - LEVIED TAXES

Authorized Millage 8.4 @; Levied Millage 8.20

NOTE 4 - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at June 30, 1998.

Town of Chatham
 Chatham, Louisiana
 Notes To The Financial Statements
 June 30, 1998

At June 30, 1998, the Town had cash totaling 251,380 as follows:

	<u>1998</u>
Demand Deposits	75,826.00
Certificates	2,948.00
Restricted Assets (Cash)	<u>172,606.00</u>
Total	<u>251,380.00</u>

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 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.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 1995 are secured as follows:

	<u>1998</u>
Bank Balances	<u>249,428</u>
Federal Deposit Insurance	100,000
Pledge Securities	<u>200,000</u>
Total Pledged	<u>300,000</u>

NOTE 5 - RECEIVABLES

The receivables of 17,119.75 at June 30, 1998 are as follows:

	<u>1998</u>
General Fund	323.00
Enterprise Fund	<u>9,506.00</u>
	9,829.00

The allowances for bad debts is figured at .06 of receivables at year end.

NOTE 6 - CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

	Land and Improvements	Buildings	Equipment	Total
Balance, June 30, 1997	<u>\$27,700</u>	<u>\$98,486</u>	<u>\$157,123</u>	<u>\$283,309</u>
Additions:	-	-	-	-
Balance, June 30, 1998	<u>27,700</u>	<u>98,486</u>	<u>157,123</u>	<u>283,309</u>

Town of Chatham
Chatham, Louisiana
Notes To The Financial Statements
June 30, 1998

A summary of the changes in Proprietary - Enterprise Fund fixed assets follows :

	Balance June 30, 1997	Additions or Disposals	Current Depreciation	Accumulated Depreciation	Balance June 30, 1998
Land	4,063				4,063
Natural gas system	586,196				586,196
Waterworks system	668,818	488,897			1,157,715
Sewerage system	390,074	33,206			423,280
Equipment	31,941	16,400			48,341
Sewer System					
Total	1,681,093	538,503			2,219,596
Less Accum Depr.	858,503		77,465	935,968	935,968
Total, at cost, net of accum, depr.	822,590	538,503	(77,465)	935,968	1,283,628

NOTE 7 - ACCOUNTS, SALARIES, AND OTHER PAYABLES OF \$ 93,724 ARE AS FOLLOWS:

	General Fund	Special Revenue Fund	Proprietary Fund	6-30-98 Total
Accounts Payable	1,456	35,278	8,048	44,782
Accrued Interest Payable			1,521	1,521
Customer Deposits			47,421	47,421
Total	1,456	35,278	56,990	93,724

NOTE 8 - CHANGES IN GENERAL LONG - TERM OBLIGATIONS

The following is a summary of bond transactions for the year ended June 30, 1998

Principal Paid	11,000
Bonds payable at June 30, 1998	101,000

Revenue Bonds:

\$134,000 Water Refunding Bonds, Series 1994 due in annual installments of 11,000 to 18,000 through September 1, 2004; interest at 6.04% - Enterprise Fund

Town of Chatham
Chatham, Louisiana
Notes To The Financial Statements
June 30, 1998

Total Water Revenue Refunding:

On 8-23-94, the Town of Chatham adopted a resolution to issue \$134,000 Water revenue refunding bonds, series 1994, with an interest rate of 6.04%. The proceeds were used to refund outstanding Water Revenue Bonds dated September 21, 1983. The refunded bonds were refunded pursuant to the order of the USA Farmers Home Administration, the registered owner of the refunded bonds.

Annual requirements to amortize long-term debt (the new debt) outstanding at June 30, 1995 follows:
(Including Interest)

Year Ending June 30,	Bank Loan	1994 Revenue Refunding
1999-2000		
2001-2002		
2003-2004	01-MAR-99	2,687.80
2004-2005	01-SEP-99	14,687.80
2005-2006	01-MAR-2000	2,325.40
	01-SEP-2000	15,325.40
	01-MAR-2001	1,932.80
	01-SEP-2001	14,932.80
	01-MAR-2002	1,540.20
	01-SEP-2002	17,540.20
	01-MAR-2003	1,057.00
	01-SEP-2003	18,057.00
	01-MAR-2004	543.62
	01-SEP-2004	18,543.60
	Totals	<u>126,606.22</u>

Other Restrictions:

MONTHLY PAYMENT SCHEDULE
Town of Chatham, State of Louisiana

\$134,000 Water Revenue Refunding Bonds, Series 1994

PERIOD	SINKING FUND	RESERVE FUND	CONTINGENCY FUND
20-SEP-95 TO 20-AUG-96	1,535.77	On October 14, 1994, all moneys remaining in the existing reserve fund for the Water Revenue Bonds, dated 9-21-83 (\$4,386.03) the should be transferred to the Reserve Fund, and, thereafter, on the 20 th day	On October 14, 1994, all moneys remaining in the existing contingency fund crested in connection with the issuance of the Water Revenue Bonds, dated 9-21-83 (\$19,139.16) should be transferred
20-SEP-96 TO 20-AUG-97	1,480.40		
20-SEP-97 TO 20-AUG-98	1,508.37		
20-SEP-98 TO 20-AUG-99	1,447.97		
20SEP-99 TO 20-AUG-2000	1,470.90		
20-SEP-2000 TO 20-AUG-2001	1,405.47		
20-SEP-2001 TO 20-AUG-2002	1,590.03		
20-SEP-2002 TO 20-AUG-2003	1,592.83		

20-SEP-2003 TO 20-AUG-2004	1,590.60	on each month, commencing October, 1994, a sum at least equal to 5% of the monthly sinking fund payment is to deposited in the reserve fund until \$13,400 is on deposit.	to the Contingency Fund, and, thereafter, on the 20 th day of each month, commencing October, 1994 \$125 is to deposited therein over the life of the Bonds.
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NOTE 9- RELATED PARTY TRANSACTIONS

None

NOTE 10- LITIGATION & CLAIMS

None

NOTE 11 - RESTRICTION ON USE OF UTILITIES REVENUES

Funds provided by utilities revenue are to be used in the following manner before they are available for other lawful purposes:

1. Operating expense of utility system
2. Revenue bond debt service funds
3. Revenue bonds reserve funds
4. Revenue bond depreciation and contingencies funds

NOTE 12 - PENSION PLANS

All employees of the Town of Chatham are members of the Federal Social Security System; no other plan exists

NOTE 13 - INTERFUND TRANSACTION

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental funds financial statements generally reflect such transactions as transfers.

NOTE 14 - YEAR 2000 CONSIDERATION

The Town could be adversely affected if its computer systems and other date-sensitive equipment do not properly process date from and after January 1, 2000. The Town is currently taking steps designed to address the year 2000 issue. However, there are no assurances that these steps will be sufficient to avoid all adverse effects

NOTE 15 - SUBSEQUENT EVENTS

There were no subsequent events noted which would affect the financial statements.

Supplemental Information

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Monroe, Louisiana 71201
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Town of Chatham
Schedule of Compensation Paid to Board Members
June 30, 1998

Marvin Davis	\$600.00
Shirley Henderson	\$600.00
Frances Womack	\$600.00
Larry Mack	\$600.00
Sue Proffer	\$600.00

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Report On Compliance And On Internal Control Over Financial
Reporting Based On An Audit Of Financial Statements Performed
In Accordance With *Government Auditing Standards*.

Board of Directors
Town of Chatham
Chatham, Louisiana

I have audited the general purpose financial statements of Town of Chatham as of and for the year ended June 30, 1998, and have issued my report thereon dated December 15, 1998. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Town of Chatham's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The result of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Chatham's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and do not provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Jimmie Self, CPA

Jimmie Self, CPA
Monroe, Louisiana
December 15, 1998

TOWN OF CHATHAM
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED June 30, 1998

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR\PROGRAM TITLE	CFDA NUMBER	EXPENDITURES 06-30-98
MAJOR PROGRAMS U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT	14.228	* <u>487,349</u>

* DENOTES MAJOR PROGRAM

CHATSCHFFA98

JIMMIE SELF, CPA
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Report on Compliance With Requirements Applicable To Each Major
Program And Internal Control Over Compliance In Accordance
With OMB Circular A-133

Board of Directors
Town of Chatham
Chatham, Louisiana

Compliance

I have audited the compliance of Town of Chatham with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1998. Town of Chatham's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Chatham's management. My responsibility is to express an opinion on Town of Chatham's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Chatham's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Town of Chatham's compliance with those requirements.

In my opinion, Town of Chatham complied, in all respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

Internal Control Over Compliance

The management of Town of Chatham is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Town of Chatham's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one

or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Jimmie Self, CPA
Monroe, Louisiana
December 15, 1998

Jimmie Self, CPA
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Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998

I have audited the financial statements of Town of Chatham as of and for the year ended June 30, 1998, and have issued my report dated December 15, 1998. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. [and the provisions of OMB Circular A-133.] My audit of the financial statements as of June 30, 1998 resulted in an unqualified opinion (qualified, adverse, disclaimer).

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses yes no Reportable Conditions yes no

Compliance

Compliance material to Financial Statements yes no

b. Federal Awards

Internal Control

Material Weaknesses yes no Reportable Conditions yes no

Type of Opinion On Compliance Unqualified Qualified
For Major Programs Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section 510(a)? yes no

c. Identification of major Programs:

CFDA Number (s) 14.228 Name of Federal Program (or Cluster) US Dept of Housing & Urban Development.

Dollar threshold used to distinguish between Type A and Type B Programs:
\$ 3% of total federal awards - 100M or less - 300,000.

Is the auditee a "low-risk", as defined by OMB Circular A-133? yes no

Section II Financial Statement Findings

It is suggested that management be required to complete a management Corrective Action Plan. As an alternative, the auditor may include management's response in the finding. However, the response must detail the specific actions taken by management or those specific actions intended to be taken by management. (See attached)

98-01 The first quarter of 1998, form 941 is incorrect. Gross income of \$1,500 was not reported. The Town Clerk has advised this will be corrected when the 4th quarter 941 1998 is filed. The payroll taxes owed for this quarter are approximately \$310, which is not considered material.

Section III Federal Award Findings and Questioned Costs N/A

1997-1 (DESCRIPTIVE CAPTION) This section identifies the audit findings to be reported by Circular A-133, Section .510(a)(e.g., reportable conditions, material weaknesses, and instances of noncompliance., including questioned costs). Where practical, findings should be organized by federal agency or pass-through entity.

Identify each finding with a reference number and descriptive caption. If there are no findings, state that no matters were reported. Audit findings which relate to both the financial statements and federal awards should be reported in both Section II and Section III. However, the reporting in one section may be in summary with reference by number and caption to the other section. Each finding should fully describe the : criteria requirement, condition found, effect, cause, questioned costs, and recommendations.

It is suggested that management be required to complete a Management Corrective Section Plan. As an alternative, the auditor may include management's response in the finding. However, the response must detail the specific actions taken by management or those specific actions intended to be taken by management.

Town of Chatham
Chatham, Louisiana

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 1998

Ref. No.*	Description of Finding	Corrective Action Taken	Name (s) of Contact Person (s)**	Anticipated Completion Date
98-01	Incorrect form 941 report	To correct when 4 th qtr 941 is filed	Lynette Roberts	12-31-98

* Reference number the auditor assigns to the audit finding.

** Name (s) of contact person (s) responsible for corrective action.

Note: This schedule should be completed at the completion of the audit and include all current audit findings and management letter comments. This include internal control findings, compliance findings with federal and state laws and regulations, and questioned costs relative to federal awards.

If the municipality does not agree with the audit findings or believes corrective action is not required, then the corrective action plan should include an explanation and specific reasons.

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 1998

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

1996-1 (Descriptive Caption) A brief summary of recommendation. <p style="text-align: center;">0</p>	Resolved, Partially Resolved, Management Disagreement, Unresolved and referenced to Current year findings.
1996-2 (Descriptive Caption) A brief summary of the recommendation. <p style="text-align: center;">0</p>	Resolved, Partially Resolved, Management Disagreement, Unresolved and referenced to Current year findings.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO
FEDERAL AWARDS**

1996-3 (Descriptive Caption) A brief summary of the recommendation. <p style="text-align: center;">0</p>	Resolved, Partially Resolved, Management Disagreement, Unresolved and referenced to Current year findings. (This narrative should include whether or not a management Decision has been issued by a federal or pass-through agency.)
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SECTION III MANAGEMENT LETTER – No material findings

(Descriptive Caption) A brief summary of the recommendation. 1. Inadequate segregation of duties 2. Inadequate security deposits 3. Budget vs. Expense >5%	<u>Resolved</u> Partially Resolved, Management Disagreement, Unresolved and referenced to Current year findings. 1. As much as possible – resolved 2. Resolved 3. Resolved
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If no findings have been reported under a specific section, the schedule should so state.