

**Town of Chatham**

Chatham, Louisiana

Annual Financial Statements  
with Independent Auditor's Report

As of and For the Year Ended  
June 30, 2022  
with Supplemental Information Schedules

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**Independent Auditor's Report**

Town of Chatham  
Chatham, Louisiana

**Opinions**

We have audited the accompanying 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, 2022, 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.

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, 2022, 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.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Chatham, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibility of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Chatham's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Chatham's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Chatham's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## **Supplementary 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, the Schedule of Compensation Paid Councilpersons, and the Schedule of Justice System Funding are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head, the Schedule of Compensation Paid Councilpersons, and the Schedule of Justice System Funding are the responsibility of management and were 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, the Schedule of Compensation Paid Councilpersons, and the Schedule of Justice System Funding are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2022 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. Folden & Co., CPAs, LLC*

Jonesboro, Louisiana  
December 30, 2022

# **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**



Town of Chatham  
Chatham, Louisiana

Statement of Net Position  
As of June 30, 2022

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and equivalents	\$ 125,037	\$ 328,561	\$ 453,598
Investments	-	111,775	111,775
Accounts receivable	14,598	84,493	99,091
Cash and equivalents - restricted	-	99,139	99,139
Capital assets (net of accumulated depreciation)	276,629	2,857,153	3,133,782
<b>Total Assets</b>	<u>416,264</u>	<u>3,481,121</u>	<u>3,897,385</u>
<b>Liabilities</b>			
Accounts payable	6,750	34,000	40,750
Payroll liabilities	5,547	-	5,547
Customer meter deposits	-	100,966	100,966
Long-term liabilities			
Due within one year	-	27,000	27,000
Interest payable	-	7,283	7,283
Due in more than one year	-	207,000	207,000
<b>Total Liabilities</b>	<u>12,297</u>	<u>376,249</u>	<u>388,546</u>
<b>Net Position</b>			
Net investment in capital assets	276,629	2,813,301	3,089,930
Restricted	-	200,105	200,105
Unrestricted	127,338	91,464	218,802
<b>Total Net Position</b>	<u>\$ 403,967</u>	<u>\$ 3,104,870</u>	<u>\$ 3,508,837</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, 2022

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
<b>Functions/Programs</b>						
<b>Primary government</b>						
Governmental activities						
General government	\$ 194,726	\$ -	\$ 109,980	\$ -	\$ (84,746)	\$ (84,746)
Police	39,764	24,245	-	-	(15,519)	(15,519)
Highways and streets	44,506	4,155	-	14,613	(25,738)	(25,738)
Community development	3,083	-	-	-	(3,083)	(3,083)
Total governmental activities	<u>282,079</u>	<u>28,400</u>	<u>109,980</u>	<u>14,613</u>	<u>(129,086)</u>	<u>(129,086)</u>
Business-type activities						
Public utility services	614,959	459,319	16,800	-	(138,840)	(138,840)
Total primary government	<u>\$ 897,038</u>	<u>\$ 487,719</u>	<u>\$ 126,780</u>	<u>\$ 14,613</u>	<u>(129,086)</u>	<u>(138,840)</u>
<b>General Revenues</b>						
Taxes:						
Property taxes, levied for general purposes				207,887	-	207,887
Sales taxes				70,411	-	70,411
Franchise taxes				10,104	-	10,104
Other taxes				1,079	-	1,079
Licenses				32,356	-	32,356
Investment earnings				356	1,067	1,423
Rental income				8,000	-	8,000
Other revenue				2,643	88,340	90,983
Operating transfers				(152,397)	152,397	-
Total general revenues and transfers				<u>180,439</u>	<u>241,804</u>	<u>422,243</u>
Change in net position				51,353	102,964	154,317
Net position - June 30, 2021				352,613	3,001,905	3,354,518
Net position - June 30, 2022				<u>\$ 403,966</u>	<u>\$ 3,104,869</u>	<u>\$ 3,508,835</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, 2022

		Major Funds
		General Fund
<b>Assets</b>		
Cash and equivalents	\$	125,037
Accounts receivable		14,598
<b>Total Assets</b>	<b>\$</b>	<b>139,635</b>
<b>Liabilities &amp; Fund Balances</b>		
Liabilities:		
Accounts payable	\$	6,750
Payroll liabilities		5,547
<b>Total Liabilities</b>		<b>12,297</b>
Fund balances:		
Unassigned		127,338
<b>Total Fund Balances</b>		<b>127,338</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$</b>	<b>139,635</b>

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

Town of Chatham  
Chatham, LouisianaReconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
As of June 30, 2022

Total Fund Balances at June 30, 2022 - Governmental Funds (Statement C)	\$	127,338
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.		<u>276,629</u>
Net Position at June 30, 2022	\$	<u><u>403,967</u></u>

Town of Chatham  
Chatham, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2022

	General Fund
<b>Revenues</b>	
Taxes:	
Ad valorem tax	\$ 207,887
Franchise tax	10,104
Sales tax	70,411
Other tax	1,079
Licenses and permits	32,356
Capital grant	14,613
Operating grant	109,980
Fines, forfeitures, and court costs	24,245
Rent, royalty, and commission	8,000
Charges for services	4,155
Miscellaneous	2,643
<b>Total revenues</b>	485,473
<b>Expenditures</b>	
Current:	
General government	184,189
Public safety	
Police	32,385
Streets	42,460
Parks and recreation	3,083
Capital outlay	11,214
<b>Total expenditures</b>	273,331
<b>Excess (deficiency) of revenues over (under) expenditures</b>	212,142
<b>Other financing sources (uses)</b>	
Interest earnings	356
Operating transfers in (out)	(152,397)
<b>Total other financing sources (uses)</b>	(152,041)
<b>Net changes in fund balances</b>	60,101
<b>Fund balances - June 30, 2021</b>	67,236
<b>Fund balances - June 30, 2022</b>	\$ 127,337

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, 2022

Total net change in Fund Balances - Governmental Funds (Statement E)	\$	60,102
<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		(19,962)
Capital outlay		11,214
		11,214
Change in net position of governmental activities (Statement B)	\$	51,354

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, 2022

	Public Utility Fund
<b>Assets</b>	
Current Assets:	
Cash and equivalents	\$ 328,561
Investments	111,775
Accounts receivable	84,493
Total Current Assets	524,829
Noncurrent Assets:	
Cash and equivalents - restricted	99,139
Capital assets (net of accumulated depreciation)	2,857,153
Total Noncurrent Assets	2,956,292
<b>Total Assets</b>	<b>3,481,121</b>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	34,000
Total Current Liabilities	34,000
Current liabilities payable from restricted assets	
Customer meter deposits	100,966
Long-Term Liabilities:	
Due within one year	27,000
Interest payable	7,283
Due in more than one year	207,000
Total Long-Term Liabilities	241,283
<b>Total Liabilities</b>	<b>376,249</b>
<b>Net Position</b>	
Net investment in capital assets	2,813,301
Restricted	200,105
Unrestricted	91,464
<b>Total Net Position</b>	<b>\$ 3,104,870</b>

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, 2022

	Public Utility Fund
<b>Operating Revenues</b>	
Water sales	\$ 273,902
Sewer fees	85,775
Other utility fees	99,642
Operating grant	16,800
Miscellaneous income	88,340
Total operating revenues	564,459
<b>Operating Expenses</b>	
Personnel services	147,819
Supplies	70,891
Utilities	34,301
Repairs and maintenance	108,766
Contractual services	32,452
Miscellaneous	43,861
Depreciation	176,868
Total operating expenses	614,958
<b>Operating Income (Loss)</b>	(50,499)
<b>Non-operating Revenues (Expenses)</b>	
Interest earnings	1,067
Total non-operating revenues (expenses)	1,067
<b>Income (loss) before transfers</b>	(49,432)
<b>Transfers in (out)</b>	152,397
<b>Change in net position</b>	102,965
<b>Total Net Position - June 30, 2021</b>	3,001,905
<b>Total Net Position - June 30, 2022</b>	\$ 3,104,870

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, 2022

	Public Utility Fund
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 547,660
Cash payments to suppliers for goods and services	(271,346)
Cash payments to employees	(147,819)
Net cash provided by (used for) operating activities	128,495
<b>Cash flows from non-capital financing</b>	
Transfers from (to) other funds	152,397
Other expenses	(8,743)
Net cash provided by (used for) non-capital financing activities	143,654
<b>Cash flows from capital and related financing activities</b>	
Acquisition of capital assets	(14,212)
Bond principal payments	(26,000)
Bond interest payments	(8,142)
Net cash provided by (used for) capital and related financing activities	(48,354)
<b>Cash flows from investing activities</b>	
Interest earnings	1,067
Net cash provided by (used for) investing activities	1,067
<b>Net increase (decrease) in cash and cash equivalents</b>	224,862
<b>Cash and cash equivalents - June 30, 2021</b>	202,838
<b>Cash and cash equivalents - June 30, 2022</b>	\$ 427,700
<b>Reconciliation of operating income to net provided by operating activities</b>	
Operating income	\$ (50,499)
Adjustments	
Depreciation	176,868
Net changes in assets and liabilities	
Accounts receivable	(19,515)
Customers' meter deposits	(3,595)
Accounts payable	25,236
Net cash provided for (used for) operating activities	\$ 128,495

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, 2022

**INTRODUCTION**

The Town of Chatham, Louisiana (Town) was incorporated under the provisions of the Lawrason Act and has a current population of approximately 780. 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, 2022

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, 2022

**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, 2022

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.

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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, 2022.



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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 did not have any restricted funds for the year ended June 30, 2022.

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, 2022.

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, 2022.

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 \$127,338 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.

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The 2021-2022 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 8, 2021, and the budget was adopted by the Mayor and Town Council. The budget was legally amended on June 28, 2022.

**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 Public Utility 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.

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**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.

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**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 2021 ad valorem taxes, one rate of tax was levied on property within the corporate limits, as follows:

7.41 mills for the general maintenance of the Town

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This millage was approved by the Town Council on August 10, 2021. 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, 2022, the Town had cash and cash equivalents (book balances) totaling \$552,737, including interest bearing demand deposits of \$453,598 and restricted cash deposits of \$99,139. 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, 2022, the Town had \$667,722 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$298,116 in pledged securities.

Cash and investments are categorized to give an indication of the level of risk assumed by the Town at June 30, 2022. 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 federal depository insurance and 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.

At June 30, 2022, the Town had investments of \$111,775.

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**5. Receivables**

The receivables of \$99,089 at June 30, 2022, are as follows:

	Fund		Total
	General	Enterprise	
Taxes:			
Franchise fees	\$ 2,173	\$ -	\$ 2,173
Sales and use	4,864	-	4,864
Other	-	-	-
Other revenues	7,560	-	7,560
Grants	-	-	-
Accounts	-	87,912	87,912
Allowance for uncollectible accounts	-	(3,420)	(3,420)
<b>Total</b>	<b>\$ 14,598</b>	<b>\$ 84,493</b>	<b>\$ 99,089</b>

**6. Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2022, is as follows:

*A. Capital Assets - Governmental Activities*

	Balance, July 01, 2021	Additions	Deletions	Balance, June 30, 2022
Capital assets not depreciated				
Land	\$ 32,700	\$ -	\$ -	\$ 32,700
Total capital assets not being depreciated	32,700	-	-	32,700
Capital assets being depreciated				
Buildings	418,268	-	-	418,268
Equipment and vehicles	380,041	11,214	-	391,255
Total capital assets being depreciated	798,309	11,214	-	809,523
Less accumulated depreciation				
Buildings	208,372	8,006	-	216,378
Equipment and vehicles	337,260	11,956	-	349,216
Total accumulated depreciation	545,632	19,962	-	565,594
Capital assets, net	252,677	(8,748)	-	243,929
Governmental capital assets - net	\$ 285,377	\$ (8,748)	\$ -	\$ 276,629

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Functional Allocation of Depreciation Expense

General government	\$	10,537
Public safety		7,379
Public works		2,046
Culture and recreation		-
Total	\$	<u>19,962</u>

*B. Capital Assets - Proprietary Funds*

	Balance, July 01, 2021	Additions	Deletions	Balance, June 30, 2022
Capital assets not depreciated				
Land	\$ 4,064	\$	\$	\$ 4,064
Construction in progress	489,165	10,692	499,856	-
Total capital assets not being depreciated	<u>493,229</u>	<u>10,692</u>	<u>499,856</u>	<u>4,064</u>
Capital assets being depreciated				
Water System	2,650,146	499,856	-	3,150,002
Sewer System	1,979,569	-	-	1,979,569
Natural Gas System	593,399	-	-	593,399
Equipment and vehicles	271,575	3,520	-	275,095
Improvements	283,645	-	-	283,645
Total capital assets being depreciated	<u>5,778,334</u>	<u>503,376</u>	<u>-</u>	<u>6,281,710</u>
Less accumulated depreciation				
Water System	1,565,842	90,466	-	1,656,308
Sewer System	646,546	67,070	-	713,616
Natural Gas System	501,792	14,835	-	516,627
Equipment and vehicles	260,678	3,248	-	263,926
Improvements	276,895	1,250	-	278,145
Total accumulated depreciation	<u>3,251,753</u>	<u>176,868</u>	<u>-</u>	<u>3,428,622</u>
Capital assets, net	<u>2,526,581</u>	<u>326,508</u>	<u>-</u>	<u>2,853,088</u>
Business-type activities capital assets - net	<u>\$ 3,019,810</u>	<u>\$ 337,200</u>	<u>\$ 499,856</u>	<u>\$ 2,857,152</u>

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Notes to the Financial Statements  
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**7. Payables**

The payables of \$46,297 at June 30, 2022, are as follows:

	Fund		Total
	General	Enterprise	
Accounts	\$ 6,750	\$ 34,000	\$ 40,750
Payroll liabilities	5,547	-	5,547
<b>Total</b>	<u>\$ 12,297</u>	<u>\$ 34,000</u>	<u>\$ 46,297</u>

**8. Long-Term Obligations**

The Town of Chatham had the following long-term obligations.

*Business-Type Activities (Public Utility Fund):*

Certificates of indebtedness dated January 26, 2018 due in annual installments of graduated amounts beginning August 1, 2018 at \$15,425 and increasing to \$18,574.

Certificates of indebtedness dated July 21, 2020 due in annual installments of graduated amounts beginning August 1, 2021 at \$17,330 and increasing to \$18,640.

The following schedule is a summary of the long-term obligations transactions for the year ended June 30, 2022.

Long-term obligation	Balance, July 01, 2021	Additions	Deletions	Balance, June 30, 2022
<b><u>Business-Type Activities (Public Utility Fund):</u></b>				
Utility Revenue Bonds, Series 2017	\$ 110,000	-	\$ 14,000	\$ 96,000
Utility Revenue Bonds, Series 2020	150,000	-	12,000	138,000
<b>Total</b>	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ 26,000</u>	<u>\$ 234,000</u>

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, 2022:

Long-term obligation	Current portion	Long-term portion	Total
<b><u>Business-Type Activities (Public Utility Fund):</u></b>			
Utility Revenue Bonds, Series 2017	\$ 14,000	\$ 82,000	\$ 96,000
Utility Revenue Bonds, Series 2020	13,000	125,000	138,000
<b>Total</b>	<u>\$ 27,000</u>	<u>\$ 207,000</u>	<u>\$ 234,000</u>



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The following schedule is a summary of the maturing principal and interest of the Utility Revenue Bonds, Series 2017.

Annual Payment Dates	Annual Payment Amount	Interest	Annual Principal Paid	Remaining Balance	Accumulated Interest
Balance at August 01, 2022	17,016	3,016	14,000	82,000	17,090
2023	17,585	2,585	15,000	67,000	19,675
2024	18,118	2,118	16,000	51,000	21,793
2025	17,616	1,616	16,000	35,000	23,409
2026	18,113	1,113	17,000	18,000	24,521
2027	18,574	574	18,000	-	25,096
Total	<u>\$ 107,022</u>	<u>\$ 11,021</u>	<u>\$ 96,000</u>	<u>\$ -</u>	

The following schedule is a summary of the maturing principal and interest of the Utility Revenue Bonds, Series 2020.

Annual Payment Dates	Annual Payment Amount	Interest	Annual Principal Paid	Remaining Balance	Accumulated Interest
Balance at August 01, 2022	17,840	4,840	13,000	125,000	10,170
2023	18,380	4,380	14,000	111,000	14,550
2024	17,880	3,880	14,000	97,000	18,430
2025	18,400	3,400	15,000	82,000	21,830
2026	17,880	2,880	15,000	67,000	24,710
2027	18,360	2,360	16,000	51,000	27,070
2028	17,800	1,800	16,000	35,000	28,870
2029	18,240	1,240	17,000	17,000	30,110
2030	18,640	640	18,000	-	30,750
Total	<u>\$ 163,420</u>	<u>\$ 25,420</u>	<u>\$ 138,000</u>	<u>\$ -</u>	

**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.

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Notes to the Financial Statements  
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**10. Grants**

During the year ended June 30, 2022, the Town of Chatham received grant funds from the American Rescue Plan Act of \$101,875 for general operations, Community Water Enrichment Fund Grant of \$16,800, Local Government Assistance Program of \$7,056, and Delta Regional Grant of \$7,557 for water system improvements, Pledge 10 Grant of \$3,600, and a cooperative endeavor with the Jackson Parish Recreation Department of \$4,505 for supplies.

**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, 2022, 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, December 30, 2022, 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**

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Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2022

	Budget - Original	Budget - Final	Actual	Variance - Favorable (Unfavorable)
<b>Revenues</b>				
Taxes:				
Ad valorem tax	\$ 16,300	\$ 209,972	\$ 207,887	\$ (2,085)
Franchise tax	9,000	9,910	10,104	194
Sales tax	50,000	70,009	70,411	402
Other tax	1,100	1,079	1,079	-
Licenses and permits	26,400	31,925	32,356	431
Capital grant	-	-	14,613	14,613
Operating grant	35,000	8,105	109,980	101,875
Intergovernmental	7,500	-	-	-
Fines, forfeitures, and court costs	12,000	24,200	24,245	45
Rent, royalty, and commission	24,000	12,000	8,000	(4,000)
Charges for services	(3,200)	4,315	4,155	(160)
Miscellaneous	1,000	10,058	2,643	(7,415)
<b>Total revenues</b>	<u>179,100</u>	<u>381,573</u>	<u>485,473</u>	<u>103,900</u>
<b>Expenditures</b>				
Current:				
General government	124,480	93,808	184,189	(90,381)
Public safety				
Police	36,398	28,513	32,385	(3,872)
Streets	54,500	63,160	42,460	20,700
Parks and recreation	850	3,080	3,083	(3)
Capital outlay	-	-	11,214	(11,214)
<b>Total expenditures</b>	<u>216,228</u>	<u>188,561</u>	<u>273,331</u>	<u>(84,770)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(37,128)</u>	<u>193,012</u>	<u>212,142</u>	<u>19,130</u>
<b>Other financing sources (uses)</b>				
Interest earnings	-	38	356	318
Operating transfers in (out)	(12,500)	(188,854)	(152,397)	36,457
<b>Total other financing sources (uses)</b>	<u>(12,500)</u>	<u>(188,816)</u>	<u>(152,041)</u>	<u>36,775</u>
<b>Net changes in fund balances</b>	(49,628)	4,196	60,101	55,905
<b>Fund balances - June 30, 2021</b>	67,236	67,236	67,236	-
<b>Fund balances - June 30, 2022</b>	<u>\$ 17,608</u>	<u>\$ 71,432</u>	<u>\$ 127,337</u>	<u>\$ 55,905</u>

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



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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chatham, a component unit of the Bienville Parish Police Jury, as of and for the year ended June 30, 2022, 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 December 30, 2022.

**Report on 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) as a basis for designing 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. However, material weaknesses may exist that have not been identified.

### **Report on 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 two instances 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 Finding 2022-001 and 2022-002.

### **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 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. Folden & Co., CPAs, LLC*

Jonesboro, Louisiana  
December 30, 2022

# **SUPPLEMENTAL INFORMATION**

Town of Chatham  
Chatham, Louisiana

Schedule of Findings and Questioned Costs  
For the year ended June 30, 2022

We have audited the basic financial statements of the Town of Chatham as of and for the year ended June 30, 2022 and have issued our report thereon dated December 30, 2022. 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, 2022 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

**Finding 2022-001 Compliance with Local Government Budget Act**

Criteria: Louisiana Revised Statute 39:1311 requires that a public entity whose actual expenditures are above budgeted expenditures by 5% amend the budget in the same manner the budget was first adopted.

Condition: The Town of Chatham's actual expenditures were more than budgeted expenditures by more than 5%.

Cause: None.

Effect: The Town of Chatham is not in compliance with the state law concerning budgeting.

Recommendation: The Town of Chatham should implement procedures to ensure that state law is followed with respect to budgetary procedures.

Management Response: The Town of Chatham will implement procedures to ensure that state law is followed with respect to budgetary procedures.

**Finding 2022-002 Compliance with Fiscal Agency and Cash Management Laws**

Criteria: Louisiana Revised Statutes 39:1211-45 requires, in part, that public funds be secured one hundred percent of the amount of collected funds on deposits. These collected balances can be secured by any governmental agency insuring bank deposits (such as FDIC) or those securities outlined in RS 39:1224. The governmental agency is responsible for insuring that it's financial institution secures the collected balances with either insurance or pledged securities or some combination of the two.

Condition: The Town of Chatham had collected balances of over \$250,000 during the audit period that were not covered by insurance or other pledged securities.

Cause: None.



Town of Chatham  
Chatham, Louisiana

Schedule of Findings and Questioned Costs  
For the year ended June 30, 2022

Effect: Public funds held by the Town of Chatham were susceptible to loss because the funds were not wholly secured.

Recommendation: The Town of Chatham should develop and adopt a policy to review total collected balances periodically to ensure that the collected balances are wholly secured.

Management Response: The Town of Chatham will adopt a policy to review the total collected balances periodically to insure that balances are wholly secured by insurance and other pledged securities.

Prior Year

**No prior year findings.**

Town of Chatham  
Chatham, LouisianaSchedule of Compensation Paid Council  
For the year ended June 30, 2022

	<b>2022</b>
Marvin Davis	\$ 600
Toni Malone	600
Laverne Mixon	600
Sue Ann Proffer	600
Mike Wilson	600
	\$ 3,000

Town of Chatham  
Chatham, LouisianaSchedule of Compensation, Benefits and Other Payments to Agency Head  
For the year ended June 30, 2022

Gregory Harris Mayor	
Salary	\$ 6,000
Benefits - Insurance	471
Telephone	480
Travel reimbursements	83
	<u>\$ 7,034</u>

Town of Chatham  
Chatham, Louisiana

Justice System Funding Schedule - Collecting/Disbursing Entity  
For the year ended June 30, 2022

	First Six Month Period Ended 12/31/21	Second Six Month Period Ended 06/30/22
Beginning Balance of Amounts Collected (i.e. cash on hand)	\$ 11	\$ 11
Add: Collections (Please enter zeros if no activity within a certain collection type)		
Civil Fees (including refundable amounts such as garnishments or advance deposits)	-	-
Bond Fees	-	-
Asset Forfeiture/Sale	-	-
Pre-Trial Diversion Program Fees	-	-
Criminal Court Costs/Fees	2436	2937
Criminal Fines - Contempt	400	400
Criminal Fines - Other	7327	9524
Restitution	-	25
Probation/Parole/Supervision Fees	-	-
Service/Collection Fees (e.g. credit card fees, report fees, 3rd party service fees)	382	808
Interest Earnings on Collected Balances	-	-
Other (do not include collections that fit into more specific categories above)	-	-
Subtotal Collections	10545	13694
Less: Disbursements To Governments & Nonprofits: (Must include one agency name and one collection type on each line and may require multiple lines for the same agency if more than one collection type is applicable. Additional rows may be added as necessary.)		
LDH-THSCI Trust Fund	160	200
Louisiana Commission on Law Enforcement	72	86
Louisiana Judicial College	18	22
North Louisiana Crime Laboratory Commission	1070	1327
Treasurer, State of Louisiana - CMIS	36	43
Less: Amounts Retained by Collecting Agency		
Town of Chatham, Criminal Court Costs/Fees	1080	1270
Town of Chatham, Criminal Fines - Other	7727	9924
Amounts "Self-Disbursed" to Collecting Agency (must include a separate line for each collection type, as applicable) - Example: Criminal Fines - Other (To be reported as a separate line per collection type under this heading, multiple rows may be needed)	-	-

Town of Chatham  
Chatham, Louisiana

Justice System Funding Schedule - Collecting/Disbursing Entity  
For the year ended June 30, 2022

Less: Disbursements to Individuals/3rd Party Collection or Processing Agencies  
(Please enter zeros if no activity within a certain line item)

Civil Fee Refunds	-	-
Bond Fee Refunds	-	-
Restitution Payments to Individuals (additional detail is not required)	-	25
Other Disbursements to Individuals (additional detail is not required)	-	-
Payments to 3rd Party Collection/Processing Agencies	382	808

Subtotal Disbursements/Retainage	10295	13397
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Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)	261	308
---	-----	-----

Ending Balance of "Partial Payments" Collected but not Disbursed (only applies if collecting agency does not disburse partial payments until fully collected) - This balance is included in the Ending Balance of Amounts Collected but not Disbursed/Retained above.	-	-
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Other Information:

Ending Balance of Total Amounts Assessed but not yet Collected (i.e. receivable balance)	-	-
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Total Waivers During the Fiscal Period (i.e. non-cash reduction of receivable balances, such as time served or community service)	-	-
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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 on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 01, 2021 through June 30, 2022. Town of Chatham's management is responsible for those C/C areas identified in the SAUPs.

Town of Chatham has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 01, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

**Written Policies and Procedures**

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
  - 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/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

- e. Payroll/Personnel, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- 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) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j. Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k. Information Technology Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l. Sexual Harassment, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exception: The Town does not have a policy or procedures regarding receipts or disaster recovery/business continuity. The Town's sexual harassment policy does not address annual sexual harassment training and the sexual harassment report.

*Management's Response: The Town will adopt a receipts policy and procedures. The Town will adopt a disaster recovery/business continuity policy. The Town will amend the sexual harassment policy to address annual sexual harassment training and the annual sexual harassment report.*

## **Board**

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 

Response: The Town Council met monthly with a quorum.
  - b. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Response: The meeting minutes did not reference monthly budget-to-actual comparisons.

c. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Response: The Town did not have a negative ending unrestricted fund balance.

Exception: See above responses.

*Management's Response: The Town will present budget-to-actual comparisons monthly and will note in the meeting minutes they were reviewed.*

## **Bank Reconciliations**

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

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

a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

Response: Reconciliations did not include evidence they were completed within 2 months of statement closing date.

b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Response: Bank reconciliations did not include evidence that they have been reviewed.

c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Response: There were outstanding checks older than 12 months from the statement closing date on one of the five reviewed reconciliations.

Exception: See above responses.

*Management's Response: The Clerk will initial and date the bank reconciliations when completed. The Town will ensure that bank reconciliations include evidence they have been reviewed by a member of the council. The Town Clerk will research the transactions over 12 months old, and the Town Clerk will monitor the reconciliation each month for any items that become more than 12 months old.*

## **Collections**

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

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

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:



Response: Management provided us with a list of collection locations and representation that the list is complete. Written job duties are provided in the personnel policy.

- a. Employees that are responsible for cash collections do not share cash drawers/registers.

Response: The Town Clerk, the assistant clerk, and another employee collect cash. All three employees share a cash drawer.

- b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Response: The Town Clerk and the other employee collect most of the payments from customers. These two employees prepare the deposit slips.

- c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Response: The Assistant Clerk records the deposit to the accounting system, and the Town Clerk reconciles the bank statements to the general ledger

- d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Response: The Town Clerk is responsible for reconciling the cash collections to the general ledger. A member of the Town Council reviews the bank account reconciliations monthly.

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

Response: All employees who collect payments from customers are bonded.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- a. Observe that receipts are sequentially pre-numbered.

Response: Out of thirteen deposits traced, none of the deposits had sequentially pre-numbered receipts. Eleven of the deposits reviewed did have other collection documentation.

- b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Response: Two of the thirteen collections could not be traced from the receipts or system reports to the deposit slip. One of the two deposits was a direct deposit for a grant received.

- c. Trace the deposit slip total to the actual deposit per the bank statement.

Response: Eleven of the collections reviewed were traced from the deposit slip to the actual deposit per the bank statement. One of the two deposits not traced was a grant direct deposit.

- d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Response: Five collections of the thirteen reviewed were made within one business day of the receipt.

- e. Trace the actual deposit per the bank statement to the general ledger.

Response: All deposits from the bank statement were traced to the general ledger.

Exception: See above responses.

*Management's Response: The Town will develop a policy for collecting, depositing, and reconciling cash to achieve segregation of duties. The policy should include steps needed to ensure that all receipts or system reports can be traced to the deposit slips. In addition, the Town will retain collection documentation or sequentially pre-numbered receipts for each collection.*

### **Disbursements - General**

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Response: Management provided a listing of locations that process payments and representation that the listing is complete.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Response: All employees can make purchase requests/purchase orders. The Maintenance Supervisor, the Town Clerk, and the Assistant Clerk can make purchases.

b. At least two employees are involved in processing and approving payments to vendors.

Response: Payments to vendors are processed by the Deputy Clerk through the accounting system. The Mayor and a member of the Town Council approves the payment to vendors. The Town Council reviews and approves all payments to vendors at the monthly meetings.

c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Response: The Assistant Clerk adds vendors and processes payments; however, the Mayor and a member of the Town Council must approve the purchase and confirm by signature that the vendor has been approved.

d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Response: The other employee mails payments and does not process payments.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Response: Management provided the disbursement transaction population and representation that the population is complete.

a. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

Response: Out of 60 disbursements tested, all disbursements included a related invoice or billing statement.

b. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Response: There was no evidence that the segregation of duties process was followed.

Exception: See above responses.

*Management's Response: Management will follow its segregation of duties process for disbursements.*

## **Credit Cards**

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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 and representation that the listing is completed.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, (or electronically approved), by someone other than the authorized card holder. Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.

Response: Five cards were tested, and four of the monthly statements were not reviewed and approved, in writing, by someone other than the authorized card holder.

b. Observe that finance charges and late fees were not assessed on the selected statements.

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

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing).

a. For each transaction, observe that it is supported by:

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

Response: One of the statements reviewed did not have an original itemized receipt for each purchase.

ii. Written documentation of the business/public purpose, and

Response: One of the statements reviewed did not have written documentation of the business/public purpose.

iii. Documentation of the individuals participating in meals (for meal charges only).

Response: There were no meal charges for any of the cards.

For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Exception: See above responses.

*Management's Response: Management will follow its policy to retain original itemized receipts for each purchase and to list the business/public purposes for charges on each card.*

## Travel and Expense Reimbursement

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Response: Management provided a listing of travel and related expense reimbursements and representation that the listing is complete.

a. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

Response: There was one reimbursement, and it was not for per diem.

b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Response: The reimbursement was for mileage, and the IRS business mileage rate was used.

c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Response: The travel reimbursement was supported by documentation of the business/public purpose.

d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Response: Each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

Exception: See above responses.

*Management's Response: None.*

## Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Response: Management provided representation that no new contracts were initiated or renewed during the fiscal period.

a. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment, was approval documented).

d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Exception: None.

*Management's Response: None.*

## **Payroll and Personnel**

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Response: Management provided a listing of employees/elected officials and representation that the listing is complete. Of the five files reviewed, all the salaries listed in the personnel files agreed to the paid salaries.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

a. Observe all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Response: All employees selected documented their daily attendance and leave.

b. Observe whether supervisors approved the attendance and leave of the selected employees/officials.

Response: All employees had daily attendance and leave that was approved by a supervisor.

c. Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Response: Leave taken during the pay period was reflected in the cumulative leave records.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or official's authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Response: Employees that were terminated during the audit year did not receive any termination payments.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Response: Management provided representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid.

Exception: See above responses.

*Management's Response: None.*

## **Ethics**

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Response: Nine of the twelve employees selected completed the one hour of annual ethics training.

b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Response: The ethics policy was not changed during the audit period.

Exception: See above responses.

*Management's Response: None.*

## **Debt Service**

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.

Response: Management has provided representation that no new bond/note was issued during the fiscal period.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Response: Management has provided representation that the listing of bonds/notes outstanding is complete. Two bonds debt covenants were inspected and the actual reserve balances and payments required were underfunded.

Exception: See above responses.

*Management's Response: Management will ensure that all reserve balances are adequately funded.*

## **Fraud Notice**

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Response: Management has provided representation that there were no misappropriations of public funds and assets during the fiscal period.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

*Management's Response: None.*

## **Information Technology Disaster Recovery/Business Continuity**

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

Response: We performed the procedure and discussed the results with management.

a. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

c. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Exception: None.

*Management's Response: None.*

## **Sexual Harassment**

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Response: Six of the twelve employees selected had documentation that they obtained sexual harassment training.

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Response: There was no posting of the Town's sexual harassment policy.

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a. Number and percentage of public servants in the agency who have completed the training requirements;
- b. Number of sexual harassment complaints received by the agency;
- c. Number of complaints which resulted in a finding that sexual harassment occurred;
- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e. Amount of time it took to resolve each complaint.

Response: The Town did not complete the annual report.

Exception: See above responses.

*Management's Response: The Town will post the sexual harassment policy and ensure the annual sexual harassment report is completed by February 1st.*

We were engaged by Town of Chatham to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. We were not engaged to and did not conduct an examination or review engagement, 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.

This report is intended 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. Falden & Co., CPAs, LLC*

Jonesboro, Louisiana  
December 30, 2022





# Village of Chatham

Gregory C. Harris Mayor

## Board of Aldermen

Paula Ackley  
Toni Malone  
Laverne Mixon  
Sue Proffer  
Mike Wilson

December 30, 2022

Kenneth D. Folden & Co., CPAs, LLC  
308 8th Street  
Jonesboro, LA 71251

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 01, 2021 through June 30, 2022, we confirm to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We acknowledge that we are responsible for the C/C areas identified in the SAUPs, including written policies and procedures; board or finance committee; bank reconciliations; collections; non-payroll disbursements; credit/debit/fuel/purchasing cards; travel and travel related expense reimbursement; contracts; payroll and personnel; ethics; debt service; and other areas (as applicable).  
Yes  No
2. For the fiscal period July 01, 2021 through June 30, 2022, 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 provided you with access to all records that we believe are relevant to the C/C areas and the agreed-upon procedures.  
Yes  No
5. We have disclosed to you all known matters contradicting the results of the procedures performed in C/C areas.  
Yes  No
6. 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, 2022, and (DATE).  
Yes  No

7. We represent that the listing of bank accounts for the fiscal period that we provided to you is complete.

We also represent that we have identified and disclosed to you our main operating account.

1709 6th St.  
PO Box 7  
Chatham, LA 71226  
T (318) 249-2541  
F (318) 249-4436  
Email: townofchatham@gmail.com

- Yes  No
8. We represent that the listing of deposit sites for the fiscal period that we provided to you is complete.
- Yes  No
9. We represent that the listing of collection locations for the fiscal period that we provided to you is complete.
- Yes  No
10. We represent that the listing of locations that process payments for the fiscal period that we provided to you is complete.
- Yes  No
11. We represent that the non-payroll disbursement transaction population for each location that processes payments for the fiscal period that we provided to you is complete.
- Yes  No
12. We represent that the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards, that we provided to you is complete.
- Yes  No
13. We represent that the listing of all travel and travel-related expense reimbursements during the fiscal period that we provided to you is complete.
- Yes  No
14. We represent that the listing of all agreements/contracts (or active vendors) for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period that we provided to you is complete.
- Yes  No
15. We represent that the listing of employees/elected officials employed during the fiscal period that we provided to you is complete.
- Yes  No
16. We represent that the listing of employees/officials that received termination payments during the fiscal period that we provided to you is complete.
- Yes  No
17. We represent that the employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines during the fiscal period.
- Yes  No
18. We represent that the listing of bonds/notes issued during the fiscal period that we provided to you is complete.
- Yes  No
19. We represent that the listing of bonds/notes outstanding at the end of the fiscal period that we provided to you is complete.
- Yes  No

20. We represent that the listing of misappropriations of public funds and assets during the fiscal period that we provided to you is complete.

Yes  No

21. We are not aware of any material misstatements in the C/C areas identified in the SAUPs.

Yes  No

22. We have disclosed to you any other matters as we have deemed appropriate.

Yes  No

23. We have responded fully to all inquiries made by you during the engagement.

Yes  No

24. We have disclosed to you all known events that have occurred subsequent to June 30, 2022, that would have a material effect on the C/C areas identified in the SAUPs, or 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 Gregory C. Harris Date 12/30/22

Title Mayor

Signature Sue Proffer Date 12/30/22

Title Councilmember