

TOWN OF CHATHAM
Chatham, Louisiana

Report On Audit
Of
Basic Financial Statements
For The Year Ended
June 30, 2004

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

Release Date 1-26-05

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TOWN OF CHATHAM, LOUISIANA
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Independent Auditor's Report

To the Honorable Mayor and
The City Council
Town of Chatham
Chatham, Louisiana

I have audited the accompanying financial statements of the governmental activities and the business-type activities, as of and for the year ended June 30, 2004 which collectively comprise the Town's *basic financial statements as listed in the table of contents*. These *financial statements are the responsibility of Town of Chatham, Louisiana's management*. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Chatham, Louisiana as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I.B.2., the Town has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments, as of June 30, 2004.

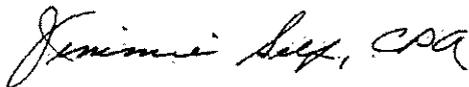
The Management Discussion and Analysis and budgetary comparison information on pages 3 through 8 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, I have also issued my report dated November 30, 2004, on my consideration of the Town of Chatham, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chatham, Louisiana's basic financial statements. The introductory section, individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents under Supplemental information is presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Jimmie Self, CPA
Monroe, Louisiana
November 30, 2004

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Management Discussion and Analysis
June 30, 2004

As management of the Town of Chatham, Louisiana (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities on the Town for the fiscal year ended June 30, 2004. This Management Discussion and Analysis ("MD&A") is designed to provide an objective and easy to read *analysis of the Town's financial activities based on currently known facts, decisions, and conditions*. It is intended to provide readers with a broad overview of the Town's finances. It is also intended to provide readers with and analysis of short-term and long-term activities of the Town based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify fund issues or concerns.

This will be the first year the Town has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement Number 34. This reporting model will significantly change the presentation of financial data and also the manner in which the data is recorded. Prior year comparative information for this reporting period has been omitted from the MD&A which is allowable for the first year of GASB Statement No. 34 presentation. Beginning next year, our second year of GASB Statement No. 34 implementation, prior year comparative information will be included.

As with other sections of the financial report, the information contained within the MD&A should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information ("RSI") that is provided in addition to this Management Discussion and Analysis.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the Town's financial statements. The Town's basic financial statements consist of the following components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. *Notes to the Financial Statements*
4. Other Supplementary Information, which is in addition to the basic financial statements themselves.

1. Government-Wide Financial Statements

Government-Wide Financial Statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the

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CHATHAM, LOUISIANA
Management Discussion and Analysis
June 30, 2004

Town's financial position and results of operations in a manner similar to a private-sector business.

A. The *Statement of Net Assets* presents information on all the city's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or weakening.

B. The *Statement of Activities* presents information showing how government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the Town into:

A. *Governmental activities* that are principally supported by taxes and intergovernmental revenues, and

B. *Business-type activities* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded its liabilities at the close of the most recent fiscal year by \$1,924,920. Of that total amount, \$134,262 are unrestricted net assets. The Town's net assets are comprised of \$154,284 from Governmental Activities and \$1,770,636 from Business-Type Activities as shown on page 9.

By far, the largest portion of the Town's net assets (86.2 percent) reflects its investment in capital assets (e.g., land, buildings, machinery & equipment, vehicles, etc.), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the city's net assets (8.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance (5.2 percent) in unrestricted assets may be used to meet the government's ongoing obligations to citizens and creditors.

TOWN OF CHATHAM
CHATHAM, LOUISIANA
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June 30, 2004

At the end of the current fiscal year, the Town is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

The Governmental Activities of the city include General Government, Public Safety, Public Works, Community Development, and Miscellaneous Programs. Sales taxes, property taxes, as well as licenses, permits, and fines fund most of these governmental activities.

Here we show the Town's expenditures related to those functions typically associated with governments. In the chart below, General government includes the following departments: Legislative (Town Council), Executive, Financial, Building, and other General Administration. Public Safety encompasses the police and fire protection departments. Public Works is made up of Water, Sewerage, and street departments.

| Governmental Activities Expenditures: | Amount | Percentage |
|---------------------------------------|------------|------------|
| General Government | \$ 108,362 | 83.7 % |
| Public Safety | 17,717 | 13.7 % |
| Public Works | 3,309 | 2.6 % |
| Paid on Long-Term Debt | 0 | 0 % |
| Total Governmental Activities | \$ 129,388 | 100.0% |

General revenues are those available for the city to use to pay for the governmental activities as described above.

| General Revenues: | Amount | Percentage |
|--------------------------------------|-----------|------------|
| Taxes: | | |
| Property Taxes | \$ 12,831 | 14.0 % |
| Other Taxes | 538 | 0.5 % |
| Licenses & Permits | 23,273 | 25.5 % |
| Franchise Fees | 10,883 | 11.8 % |
| Fines and Forfeitures | 35,927 | 39.3 % |
| Miscellaneous | 8,104 | 8.9 % |
| Total General Revenues and Transfers | \$ 91,556 | 100.00 % |

Fines and forfeitures are the largest revenue source for the Town comprising

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CHATHAM, LOUISIANA
Management Discussion and Analysis
June 30, 2004

39.3 % of total governmental revenue. Licenses and permits are the second largest revenue source for the Town comprising 25.5 % of the total governmental revenue. For the year ended June 30, 2004 the total revenue from fines was in the amount of \$35,927 and the total revenue from licenses and permits was \$23,273.

Business-Type Activities

The Business-Type Activities of the Town are those fees to customers that help cover all or most of the cost of the services it provides. The Town water and sewer departments are reported here.

| BUSINESS TYPE ACTIVITIES (Water and Sewer Fund) | Operating Revenues |
|--|--------------------|
| Fiscal Year Ended June 30, 2004 | \$ 318,822 |
| | Operating Expenses |
| Fiscal Year Ended June 30, 2004 | \$ 297,027 |

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like any other state or local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

- A. Governmental funds are used to account for most of the Town's basic services as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Those funds are reported using modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Management Discussion and Analysis
June 30, 2004

understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on pages 12 and 14.

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund. The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

Financial Analysis of Government Funds

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of (\$134,262). In the General Fund, the unreserved fund balance is (\$10,740).

There is no reserved fund balance in governmental funds at June 30, 2004.

Changes in fund balances for the Town's funds:

| Fund Balance Date | <u>General Fund</u> | <u>Water and Sewer Fund</u> |
|-------------------|---------------------|-----------------------------|
| June 30, 2004 | <u>\$ (10,740)</u> | <u>\$ (123,522)</u> |

- B. **Proprietary Funds** – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The town uses enterprise funds to account for its Water and Sewer Department. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Department, which is considered to be major funds of the Town. The basic proprietary fund financial statements can be found in the “Basic Financial Statements” section of this report.

3. Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the government-wide and financial statements. The notes to the financial statements can be found immediately following the section entitled “Basic Financial Statements.”

4. Other Supplementary Information

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Management Discussion and Analysis
June 30, 2004

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found beginning with a section entitled "Required Supplementary Information – Part I and Part II."

A. *Budgetary Comparison Schedule* – The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the adopted budget and state laws.

B. Analysis of Significant Budget Variances in the General Fund.

| | |
|-----------------|------------|
| 1. Revenues | \$3,131 |
| 2. Expenditures | (\$16,746) |

Supplemental Information

1. Combining Statements for the non-major Governmental Funds are not applicable..
2. Other Supplementary Schedules are included in this report.

Capital Assets and Debt Administration

1. Capital Assets

The Town's investment in capital assets, net of accumulated depreciation, as of June 30, 2004 in its governmental activities is \$149,054 and in business-type activities is \$1,592,645 which totals \$1,741,699 for the Town. This investment in governmental activities assets includes land, buildings and systems, machinery and equipment, parks and landscaping. The investment in assets for business-type activities includes the water and sewer system and treatment plants. Additions to governmental activities assets within the year include landscaping while increases to business-type activities assets include new equipment purchases and creation of the walking trail.

2. Long-Term Debt

At the end of the current fiscal year the Town had a certificate of indebtedness of \$18,000.

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

Basic Financial Statements

TOWN OF CHATHAM, LOUISIANA
STATEMENT OF NET ASSETS
June 30, 2004

Exhibit A

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL (MEMORANDUM ONLY) 2,004 |
|--|----------------------------|-----------------------------|-------------------------------------|
| Assets: | | | |
| Cash and Cash Equivalents | \$ 11,575 | \$ 63,373 | \$ 74,948 |
| Investments | - | - | - |
| Receivables, Net | 31 | 29,327 | 29,358 |
| Restricted Cash and Cash Equivalents | - | 174,375 | 174,375 |
| Capital Assets, Net | 149,054 | 1,592,645 | 1,741,699 |
| Total Assets: | \$ 160,660 | \$ 1,859,720 | \$ 2,020,380 |
| LIABILITIES: | | | |
| Liabilities: | | | |
| Accounts and Other Payables | \$ 6,376 | \$ 2,923 | \$ 9,299 |
| Payable from Restricted Assets: | | | |
| Customer Deposits | - | 68,792 | 68,792 |
| Accrued Liabilities | - | 368 | 368 |
| Current portion of long-term obligations | - | 17,000 | 17,000 |
| Total Liabilities: | \$ 6,376 | \$ 89,083 | \$ 95,459 |
| Net Assets | | | |
| Invested in Capital Assets | 165,024 | 1,894,158 | 2,059,182 |
| Unrestricted | (10,740) | (123,522) | (134,262) |
| Total Net Assets | \$ 154,284 | \$ 1,770,636 | \$ 1,924,920 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

TOWN OF CHATHAM, LOUISIANA
Statement of Activities
For the Year ended June 30, 2004

Exhibit B

| Functions/Programs | Expenses | Program Revenues | | Net (Expenses) Revenues and Changes in Net Assets | | Total (Memorandum Only) |
|---------------------------------------|---------------------|----------------------|-------------------------|---|---------------------|-------------------------|
| | | Charges for Services | Governmental Activities | Business-type Activities | | |
| Governmental Activities | | | | | | |
| General Government | \$ (108,362) | \$ - | \$ (108,362) | \$ - | \$ (108,362) | \$ (108,362) |
| Public Safety | (17,716) | - | (17,716) | - | (17,716) | (17,716) |
| Public Works | (3,309) | - | (3,309) | - | (3,309) | (3,309) |
| Paid on long-term debt | - | - | - | - | - | - |
| Total Governmental Activities | \$ (129,387) | \$ - | \$ (129,387) | \$ - | \$ (129,387) | \$ (129,387) |
| Business Type Activities | | | | | | |
| Water/Sewer | (297,027) | 318,822 | - | 21,795 | 21,795 | 21,795 |
| Total Business Type Activities | \$ (297,027) | \$ 318,822 | \$ - | \$ 21,795 | \$ 21,795 | \$ 21,795 |
| Total Primary Government | \$ (426,414) | \$ 318,822 | \$ (129,387) | \$ 21,795 | \$ (107,592) | \$ (107,592) |

General Revenues

Taxes

Property taxes

\$ 12,831

Franchise Fees

10,883

Other Taxes

537

Fines

35,927

Investment Earnings

3,376

Other

8,104

Licenses and Permits

23,273

Total General Revenues

\$ 94,931

\$ 94,931

Change in Net Assets

(12,661)

Net Assets, beginning of year, originally stated

2,112,283

Prior Period Adjustments

(174,699)

Net Assets, as restated

1,924,923

Net assets - end of year

\$ 1,924,923

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

Fund Financial Statements

**TOWN OF CHATHAM
BALANCE SHEET
Governmental Funds
June 30, 2004**

Exhibit C

| | General Fund | Total Governmental Funds (Memorandum Only) |
|--|-------------------|---|
| | <u> </u> | <u> </u> |
| Assets: | | |
| Cash | \$ 11,574 | \$ 11,574 |
| Receivables-(net, where applicable, of allowance for doubtful accounts) | 31 | 31 |
| Total Assets: | <u>\$ 11,605</u> | <u>\$ 11,605</u> |
| | | |
| Liabilities and Fund Balance | | |
| Liabilities: | | |
| Accounts and Other Payables | \$ 6,376 | \$ 6,376 |
| | 6,376 | 6,376 |
| | | |
| Fund Balances: | | |
| Unreserved-undesignated (deficit) | 5,229 | 5,229 |
| TOTAL LIABILITY, EQUITY AND OTHER CREDITS | <u>\$ 11,605</u> | <u>\$ 11,605</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

TOWN OF CHATHAM
Reconciliation of the Balance Sheet
to the Statement of Net Assets
Governmental Funds
For the Year ended June 30, 2004

Exhibit C-1

Fund Balances - Total Governmental Funds \$ 5,230

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, therefore are not reported in the governmental funds:

| | | |
|---------------------------------------|------------|-------------------|
| Governmental Capital Assets | \$ 338,079 | |
| Less : Accumulated Depreciation | (174,699) | 163,380 |
| Depreciation Expense 04 | (22,225) | |
| Capital Outlay | \$ 7,897 | (14,328) |
| Net Assets of Governmental Activities | | <u>\$ 154,282</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF CHATHAM
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year ended June 30, 2004

Exhibit D

| | General Fund | Total Governmental Funds (Memorandum only) |
|--|-------------------|---|
| Revenues: | | |
| Property Taxes | \$ 12,831 | \$ 12,831 |
| Beer Taxes | 537 | 537 |
| Mowing | 5,625 | 5,625 |
| Licenses and Permits | 23,273 | 23,273 |
| Fees, Charges, and Commissions | 10,883 | 10,883 |
| Fines and Forfeitures | 35,927 | 35,927 |
| Other Revenues | 2,479 | 2,479 |
| Total Revenues | <u>\$ 91,556</u> | <u>\$ 91,556</u> |
| Expenditures: | | |
| General Government | \$ 108,362 | \$ 108,362 |
| Public Safety | 17,717 | 17,717 |
| Public Works | 3,309 | 3,309 |
| Total Expenditures | <u>\$ 129,387</u> | <u>\$ 129,387</u> |
| Excess (Deficiency) of Revenues over expenditures | (37,831) | (37,831) |
| Fund Balance Beginning of Year- Originally stated | 366,812 | 366,812 |
| Prior Period Adjustment | (174,699) | (174,699) |
| Fund Balance-End of Year | <u>\$ 154,282</u> | <u>\$ 154,282</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

TOWN OF CHATHAM
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year ended June 30, 2004

Exhibit D-1

Net change in Fund Balances - Total Governmental Funds \$ 343,309

Amounts reported for governmental activities in the statement of activities are different because:

Due to pronouncement GASB-34, requirements to depreciate capital assets of Governmental funds, resulted in a prior year restatement of fund balance as follows: (174,699)
Fund Balance @6-30-03 168,610

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation charged exceed capital outlay in the current period of the governmental funds.

| | | |
|----------------------|--------------|----------|
| Current Depreciation | \$ (22,225) | |
| Capital Outlay | <u>7,897</u> | |
| | \$ (14,328) | (14,328) |

Change in Net Assets of Governmental Activities \$ 154,282

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF CHATHAM, LOUISIANA
Statement of Net Assets
Proprietary Funds
June 30, 2004

Exhibit E

| | <u>Business-Type Activities</u> <u>Enterprise Funds</u> |
|--|--|
| Assets | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 63,373 |
| Accounts Receivable, Net | 29,327 |
| Total Current Assets | <u>92,700</u> |
| Non-Current Assets: | |
| Restricted Assets: | |
| Total Restricted Assets | <u>174,375</u> |
| Capital Assets: | |
| Property, Plant, and Equipment, at cost | 2,959,774 |
| Less Accumulated Depreciation | (1,371,192) |
| Land | 4,063 |
| Total Capital Assets | <u>1,592,645</u> |
| Total Non-Current Assets | 1,767,020 |
| Total Assets | <u><u>\$ 1,859,720</u></u> |
| Liabilities and Net Assets: | |
| Current Liabilities (Payable from | |
| Current Assets) | |
| Accounts Payable | \$ 2,924 |
| Total Current Liabilities (Payable from Current Assets) | <u>2,924</u> |
| Current Liabilities (Payable from Restricted Assets): | |
| Customer Deposits | 68,792 |
| Accrued Bond Interest | 368 |
| Bonds Payable | 17,000 |
| Total Current Liabilities (Payable from Restricted Assets) | <u>86,160</u> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 1,894,158 |
| Unrestricted | (123,522) |
| Total Net Assets | <u>1,770,636</u> |
| Total Liabilities and Net Assets | <u><u>\$ 1,859,720</u></u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

TOWN OF CHATHAM, LOUISIANA
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

Exhibit F

| | Business-Type Activities Enterprise Funds |
|---|--|
| Operating Revenues: | |
| Charges for Services | \$ 229,472 |
| Connection Fees | 672 |
| Grant | <u>88,678</u> |
| Total Operating Revenues | <u>\$ 318,822</u> |
| | |
| Operating Expenses: | |
| Salary-Utility | \$ 57,208 |
| Salary-Garbage | 7,882 |
| Repairs-Gas System | 3,836 |
| Repairs-Water System | 4,967 |
| Repairs-Sewer | 21,603 |
| Gas-Annual Fee Training-etc | 240 |
| Water Annual Fee Training-etc | 1,441 |
| Sewer-Annual Fee Training | 375 |
| Miscellaneous Labor | 2,520 |
| Gas Cost | 63,003 |
| Water Chemicals | 2,184 |
| Sewer Chemicals | 941 |
| Diagnostic Lab | 1,365 |
| Telephone-Cellular | 1,413 |
| Telephone | 2,895 |
| Office Supplies | 85 |
| Drug Testing Consortium | 521 |
| Dottie System, Inc. | 49 |
| Utilities-Water | 6,890 |
| Utilities-Sewer | 9,631 |
| Utilities-Mt Mariah | 3,532 |
| Depreciation | 74,458 |
| LCDB Grant Expense | 3,558 |
| Gas-Utility truck | 1,498 |
| Repairs-Utility truck | 386 |
| Payroll Tax Expense | 4,962 |
| Insurance | 12,869 |
| Garbage Truck, Misc | 284 |
| Postage | 1,464 |
| Gas-Sanitation Truck | 1,656 |
| Legal and Audit | 2,000 |
| 3% Sales Tax Expense | 1,027 |
| Severance Tax-Annual fees | 285 |
| Total Operating Expense | <u>297,027</u> |
| Net Operating Income(Loss) | <u>\$ 21,795</u> |
| | |
| Non-Operating Revenues(Expenses) | |
| Interest Income | \$ 3,321 |
| Interest Expense | <u>(1,592)</u> |
| Total Non-Operating Revenues (Expenses) | <u>1,729</u> |
| Change in Net Assets | 23,524 |
| | |
| Net Assets-Beginning of Year | (147,045) |
| | |
| Net Assets-End of Year | <u>\$ (123,522)</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

TOWN OF CHATHAM, LOUISIANA
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2004

Exhibit G

| | Business-Type Activities |
|---|-----------------------------|
| | Enterprise Funds |
| | <u>Water and Sewer Fund</u> |
| Cash Flows from Operating Activities: | |
| Receipts from Customers | \$ 230,144 |
| Payments to Suppliers | (163,332) |
| Payments to Employees | (65,090) |
| Operating grant | 88,678 |
| Net Cash Provided by Operating Activities | <u>\$ 90,400</u> |
| Cash from Noncapital Financing Activities | |
| Net Cash Provided by Noncapital Activities | |
| from Investment in LAMP | \$ 3,321 |
| Cash Flows from Capital and Related Financing Activities: | (92,890) |
| Principal paid on Revenue Bonds | (18,000) |
| Interest paid on Revenue Bonds | (1,592) |
| Net Cash Used by Capital | |
| and Related Financing Activities | <u>\$ (109,161)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (18,761) |
| Cash - Beginning of Year | 55,288 |
| Cash - End of Year | <u><u>\$ 36,527</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash | |
| Provided (Used) by Operating Activities: | |
| Operating Income, (Loss) | \$ 23,524 |
| Adjustments to Reconcile Operating Income(Loss) to | |
| Net Cash Provided by Operating Activities | |
| Depreciation | 74,457 |
| Increase (Decrease) in Accounts Receivable | (3,561) |
| Increase (Decrease) in Accounts Payable | (2,152) |
| Increase(Decrease) in investment income | (1,868) |
| | <u><u>\$ 90,400</u></u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

Notes to Financial Statements

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I.A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Chatham are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures of the Town's financial activities for the fiscal year ended June 30, 2004.

I.B. FINANCIAL REPORTING ENTITY

The Town of Chatham, Louisiana, was incorporated under the provision of the Lawrason Act and operated under a Mayor-Board of Aldermen form of government. The Town provides the following services to its 641 (census) residents: public safety (police), highways and streets, gas, water, sewer, and sanitation facilities through the utility fund, culture/recreation and general administrative services.

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

I.B.1. Basis of Presentation

The accompanying financial statements of the Town of Chatham have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

I.B.2. Reporting Entity

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

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

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CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2004

accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the municipality to impose its will on that organization and/or
 - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent of the municipality.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the Town of Chatham, Louisiana.

The fiscal year ended 6/30/2004 will mark the first year the Town of Chatham will be presenting its annual financial audit in compliance with the Governmental Accounting Standards Board Statement Number 34. GASB 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual financial reports easier to understand and to be more useful to the people who use governmental financial information to make decisions.

I.B.3. Government-Wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2004

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

I.B.4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally include the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town's departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund statements and financial statements of the Town's component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

The Town of Chatham has no retirement system or pension plan except the social security applicable to each employee. Pension trust funds recognize employer and participant contributions are due and the Town has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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CHATHAM, LOUISIANA
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Governmental fund financial statements reports use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

I.B.5. Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental funds:

General Fund – reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Fund – The Town reports the following enterprise funds:

Water Utilities Fund – accounts for the operating activities of the Town's water utilities and sewer services. This is not a major fund.

I.C. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

I.C.1. Cash and Investments

The Town maintains and controls cash and investments, some of which are restricted. Legal restrictions and the Town's policies governing deposits and investments are discussed in Notes III.A.1. and III.A.2.

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The Town's reporting entity considers highly liquid investments (included restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value that is determined using selected bases. Short-term investments are reported at cost that approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount that reasonably estimates fair value. The composition of *pension trust investments, additional cash and investment information, and fair values* are presented in Note III.A.1.

I.C.2. Investment Income

Investment income, which includes changes in the fair value of investments, is administered by both funds as shown in Note III.A.2.

I.C.3. Capital Assets

Capital Outlays are recorded as expenditures of the General Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the town's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has not been capitalized due to an existing exception for local governments with annual revenues of less than \$10 million.

Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays for Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis and government-wide basis. All fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

I.C.4. Long-Term Debt

Long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. At June 30, 2004, the Town of Chatham had only \$178,000 in outstanding debt, which was paid in full in August 2004.

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CHATHAM, LOUISIANA
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Expenditures for principal and interest payments for long-term obligations were recognized in the governmental funds when due.

I.C.5. Fund Equity

Contributed Capital

Contributed capital is recorded in the Enterprise Fund for capital grants restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation on that portion of the assets acquired or constructed from such resources. Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

Designated Fund Balances

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

I.D. REVENUES, EXPENDITURES, AND EXPENSES

I.D.1. Property Taxes

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

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

The year ended June 30, 2004 taxes of 8.13 mills were levied on property with assessed valuations totaling \$221,500 and were deducted as follows:

General Corporate Purposes 8.13 mills

Property tax revenues are recognized when they become available. Available includes those property tax receivables elected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible and therefore an allowance for uncollectible taxes is provided.

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

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I.D.2. Expenditures

Salaries are recorded as expenditures when earned by employees.

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

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

I.D.3. Compensated Absences and Vacation Pay

Town employees are entitled to ten days of compensated absences and 10 days vacation pay. However, neither compensated absences nor vacation pay vest or accumulate and both are recorded as expenditures when they are paid.

NOTE II. BUDGETARY INFORMATION

II.A.1. Budget Policy And Practice

The Town Clerk submits an annual budget to the Town council in accordance with the Town Charter and the Wisner Municipal 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 budgets for Town operating funds. Once approved, the Town Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. The budget was not amended in the fiscal year ended June 30,2004.

II.A.2. Basis Of Budgeting

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: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Town Council.

The budgets for the operating funds and proprietary fund operations are 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.

Due to the implementation of GASB Statement 34 which requires that general fixed assets be depreciated and shown as an expense item (depreciation expenditures for general fixed assets were not included in this year's budget, this being the first year of GASB 34 compliance for the Town of Chatham), the actual expenditures for the year

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ended 6/30/2004 exceeded budgeted expenses by 14%. The depreciation of general fixed assets totaled \$22,225 and was allocated as follows:

| | |
|----------------------------|-----------|
| Allocation of Depreciation | |
| General Government | \$ 18,822 |
| Public Safety | 1,853 |
| Public Works | 1,550 |
| Total | \$ 22,225 |

II.A.3. Encumbrance Accounting

Encumbrance accounting was not used.

NOTE III. DETAILED NOTES ON FUNDS

III.A. ASSETS

III.A.1. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Chatham may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

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

The following is a summary of cash and cash equivalents (bank balances) at June 30, 2004:

At June 30, 2004, the Town had cash totaling \$249,322 as follows:

| | |
|-------------------|------------|
| 2004 | |
| Demand Deposits | \$ 64,976 |
| CD's | 9,971 |
| Restricted Assets | 174,375 |
| | \$ 249,322 |

These deposits are stated at cost, which approximates market. Under state law, these

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 CHATHAM, LOUISIANA
 Notes to the Financial Statements
 June 30, 2004

deposits, or the resulting bank balances must be secured by federal deposit insurance or the pledge of securities owned by a bank . The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

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

| 2004 | | |
|-------------------|----|---------|
| Bank Balances | \$ | 249,322 |
| FDIC | | 100,000 |
| Pledge Securities | | 200,000 |
| Adequate Security | \$ | 49,322 |

III.A.2. Investments

Investments are limited by Louisiana Revised Statute (R. S.) 33:2955 and the Town's investment policy. If the original maturities are 90 days or less, they are classified as cash equivalents.

- (1) The fair market value is based on quoted market prices.
- (2) All investments are reported at original cost and both are disclosed in the notes.

III.A.3. Receivables

Receivables include amounts due from customers primarily for utility services.

The receivables of \$29,327 at June 30, 2004 are as follows:

Class of Receivable: Sewer/Water receivable net \$29,327

These are net of allowance for Bad Debts, which are charged at 6%.

III.A.4. Restricted Assets

Certain proprietary fund assets are restricted for construction funded through long-term debt. Net assets restricted for debt service include the excess of assets over certain liabilities restricted for the debt service on revenue bonds. Restricted assets are also reported in various funds for case deposited in bank accounts legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt or mortgage loans, and certificates of deposit (CD) issued in the Town or trust name and deposited with the Town Treasurer in lieu of project retainages. Proceeds of restricted CD's on deposit with the Town Treasurer are payable as liabilities payable from

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2004

restricted assets. See Note I.B.4., paragraph 7 describing the priority for use of restricted and unrestricted assets.

III.A.5. Capital Assets

Capital outlays are recorded as expenditures of the General Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the town's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has not been capitalized due to an existing exception for local governments with annual revenues of less than \$10 million.

Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays for Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis and government-wide basis. All fixed assets are valued at historical or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations. The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2004.

| <u>GOVERNMENTAL ACTIVITIES</u> | <u>Balance</u> 6/30/2003 | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> 6/30/2004 |
|--|-----------------------------|------------------|------------------|-----------------------------|
| Capital Assets Not Depreciated: | | | | |
| Land and Land Improvements | \$ 27,700 | \$ 0 | \$ 0 | \$ 27,700 |
| Total Capital Assets not being Depreciated | 27,700 | | | 27,700 |
| Other Capital Assets: | | | | |
| Buildings | 98,487 | 0 | 0 | 98,487 |
| Improvements | 3,649 | 0 | 0 | 3,649 |
| Vehicles | 158,745 | 0 | 0 | 158,745 |
| Machinery and Equipment | 3,115 | 0 | 0 | 3,115 |
| Machinery and Equipment-addns | 46,383 | 8,142 | 0 | 54,525 |
| Total Other Capital Assets | <u>\$ 310,379</u> | <u>\$ 8,142</u> | <u>\$ 0</u> | <u>\$ 318,521</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | \$ 46,781 | \$ 0 | \$ 0 | \$ 46,781 |
| Improvements | 182 | | 0 | 182 |
| Machinery and equipment | 127,736 | | 0 | 127,736 |

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2004

| | | | | |
|--------------------------------|-------------------|------------------|-------------|-------------------|
| Total Accumulated Depreciation | 163,380 | 22,225 | 0 | 196,924 |
| Other Capital Assets, Net | 27,700 | | 0 | 27,000 |
| Total | <u>\$ 171,278</u> | <u>\$ 22,225</u> | <u>\$ 0</u> | <u>\$ 149,054</u> |

Governmental activities capital assets of accumulated depreciation at June 30, 2004 are comprised of the following:

| | |
|-----------------------------|------------|
| General Capital Assets, Net | \$ 149,054 |
| Total | \$ 149,054 |

Depreciation was charged to governmental functions as follows:

| | |
|--------------------------------|------------------|
| General Government (buildings) | \$ 18,822 |
| Public Safety (vehicles) | 1,853 |
| Public Works | 1,550 |
| Total | <u>\$ 22,225</u> |

(Differences in totals are due to rounding up or rounding down of figures.)

| BUSINESS-TYPE ACTIVITIES | Balance 6/30/2003 | Increases | Decreases | Balance 6/30/2004 |
|--------------------------------|----------------------|------------------|-----------|----------------------|
| Assets Not Depreciated-Land | \$ 4,063 | \$ 0 | \$ 0 | \$ 4,063 |
| Water/Sewer System | 2,772,208 | 92,890 | 0 | 2,865,098 |
| Equipment | 94,675 | | 0 | 94,675 |
| Totals | <u>\$ 2,870,946</u> | <u>\$ 92,890</u> | <u>0</u> | <u>\$ 2,963,836</u> |
| Less Accumulated Depreciation: | | | | |
| Land | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Water/Sewer System/Street | 1,231,906 | 62,225 | 0 | 1,294,131 |
| Equipment | 64,828 | 12,232 | 0 | 77,060 |
| Total Accumulated Depreciation | <u>1,296,734</u> | <u>74,457</u> | <u>0</u> | <u>1,371,191</u> |
| Net Assets | <u>\$ 1,574,212</u> | <u>\$ 18,433</u> | <u>0</u> | <u>\$ 1,592,645</u> |

(Differences in totals are due to rounding up or rounding down of figures.)

| | |
|-------------------------|-------------------------------|
| <u>Water Utility</u> | <u>Projected Useful Lives</u> |
| Wells | 20 years |
| Storage tanks | 40 years |
| Purification plant | 40 years |
| Lines and meters | 40 years |
| <u>Sewerage Utility</u> | |

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2004

| | |
|------------------|----------|
| Pump stations | 40 years |
| Lines | 40 years |
| Autos and trucks | 5 years |
| Other equipment | 10 years |

III.B. LIABILITIES

III.B.1. Long-Term Obligations

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

| | |
|--|---------------|
| Water Revenue-Refinancing Bond payable at July 1, 2003 | 35,000 |
| Principal Paid | 18,000 |
| Balance June 30, 2004 | <u>17,000</u> |

(See Note I.B.4.)

IV.A.4. Accounts, Salaries, and Other Payables

Accounts, salaries and other payables are as follows:

| | <u>General Fund</u> | <u>Prop Fund</u> | <u>Total</u> |
|----------------|---------------------|------------------|--------------|
| Withholdings | \$ 2,092 | \$ 1,298 | \$ 3,390 |
| Other Payables | <u>4,284</u> | <u>1,625</u> | <u>5,909</u> |
| Total | <u>6,376</u> | <u>\$ 2,923</u> | <u>9,299</u> |

IV.A.5. Inter-fund Transaction

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

IV.A.6. Contingency

The Town of Chatham, Louisiana, received funds from a government grant, which is subject to audit by the federal or state government. The ultimate determination of amounts received under these programs is generally based upon allowable costs reported to and audited by the government. Until such audits have been completed and final

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settlements reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

IV.A.7. Subsequent Events

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

IV.A.8. Prior Period Adjustments

The prior period adjustment of \$174,699 is a result of the implementation of GASB 34, which requires depreciation of the General Fixed Assets.

Required Supplementary Information
(Part II)

TOWN OF CHATHAM
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Budget (GAAP Basis) and Actual
General Fund
For the Year ended June 30, 2004

Schedule 1

| | Final Budget | General Fund | Variance with Final Budget Favorable (unfavorable) |
|--|--------------------------|--------------------------|---|
| Revenues: | | | |
| Property Taxes | \$ 11,000 | \$ 12,831 | \$ 1,831 |
| Beer Taxes | 537 | 537 | - |
| Mowing | 3,800 | 5,625 | 1,825 |
| Licenses and Permits | 23,000 | 23,273 | 273 |
| Fees, Charges, and Commissions | 10,000 | 10,883 | 883 |
| Fines and Forfeitures | 35,000 | 35,927 | 927 |
| Other Revenues | 5,088 | 2,479 | (2,609) |
| Total Revenues | <u>\$ 88,425</u> | <u>\$ 91,556</u> | <u>\$ 3,131</u> |
| Expenditures: | | | |
| General Government | \$ 98,941 | \$ 108,362 | \$ (9,421) |
| Public Safety | 12,000 | 17,717 | (5,717) |
| Public Works | 1,700 | 3,309 | (1,609) |
| Total Expenditures | <u>112,641</u> | <u>129,387</u> | <u>(16,746)</u> |
| Excess (Deficiency) of Revenues over expenditures | (24,216) | (37,831) | (13,615) |
| Fund Balance Beginning of Year- Originally stated | <u>366,812</u> | <u>366,812</u> | <u>-</u> |
| Prior Period Adjustment | (174,699) | (174,699) | - |
| Fund Balance-End of Year | <u><u>\$ 167,897</u></u> | <u><u>\$ 154,282</u></u> | <u><u>\$ (13,615)</u></u> |

See Auditor's Report

Town of Chatham
 Schedule of Federal Financial Assistance
 For the Year Ended June 30, 2004

Schedule 2

| Federal Grantor / Pass – Through Grant or / Program Title | CFDA Number | Expenditures 06-30-04 |
|---|----------------|--------------------------|
| Major Programs | | |
| U.S. Department of Housing & Urban Development – Community Development Block Grant | 14.228 | 72,678 |
| | | <u>72,678</u> |

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Chatham and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.

Compensation Paid Elected Officials

TOWN OF CHATHAM
P. O. BOX 7
CHATHAM, LOUISIANA

Schedule 3

Schedule of Compensation Paid Elected Officials

| <u>Name and Address</u> | <u>Position</u> | <u>Salary</u> |
|---|-----------------|---------------|
| Thomas Delton Spillers P. O. Box 357 Chatham, LA 71226 318/249-2818 Bus 318/249-2777 Hm | Mayor | \$6000/Yr |
| Marvin Davis P. O. Box 157 1515 Davis Street Chatham, LA 71226 318/249-2262 | Council Member | \$600/Yr |
| Shirley Henderson P. O. Box 24 127 School Drive Chatham, LA 71226 318/249-4705 | Council Member | \$600/Yr |
| Frances Womack P. O. Box 314 620 Wilder Avenue Chatham, LA 71226 318/249-2327 | Council Member | \$600/yr |
| Judy Cooper P. O. Box 422 12296 Hwy 4 Chatham, LA 71226 318/249-2050 | Council Member | \$600/Yr |
| Sue Proffer P. O. Box 394 614 Wilder Avenue Chatham, LA 71226 318/249-2667 | Council Member | \$600/Yr |

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.

Board of Directors
Town of Chatham
Chatham, Louisiana

I have audited the basic financial statements of Town of Chatham as of and for the year ended June 30, 2004, and have issued my report thereon dated November 30, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

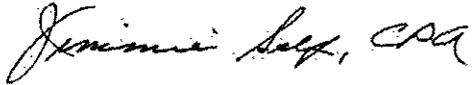
Compliance

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

Internal Control Over Financial Reporting

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

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

A handwritten signature in cursive script that reads "Jimmie Self, CPA".

Jimmie Self, CPA
Monroe, Louisiana
November 30, 2004

Jimmie Self, CPA
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2908 Cameron Street, Suite C
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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Town of Chatham
Chatham, Louisiana

Compliance

I have audited the compliance of Town of Chatham, Chatham, Louisiana, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. Town of Chatham, Chatham, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Town of Chatham, Chatham, Louisiana's management. My responsibility is to express an opinion on Town of Chatham, Chatham, Louisiana's compliance based on my audit.

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

In my opinion, Town of Chatham, Chatham, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Town of Chatham, Chatham, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I

considered Town of Chatham, Chatham, Louisiana's internal control over compliance with requirements that could have direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended for the information of the audit committee, management, and others within the organization, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jimmie Self, CPA".

Jimmie Self, CPA
Monroe, Louisiana
November 30, 2004

Findings and Recommendations

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Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

I have audited the financial statements of Town of Chatham as of and for the year ended June 30, 2004 and have issued my report dated November 30, 2004. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. [and the provisions of OMB Circular A-133.] My audit of the financial statements as of June 30, 2004 resulted in an unqualified opinion (qualified, adverse, disclaimer).

Section I Summary of Auditor's Reports

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

Internal Control

Material Weaknesses yes no Reportable Conditions yes no

Compliance

Compliance material to Financial Statements yes no

b. Federal Awards

Internal Control

Material Weaknesses yes no Reportable Conditions yes no

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

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

c. Identification of major Programs:

None.

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Findings For the Year Ended June 30, 2004

Finding 2004-1 Current Back-up files are not being stored in an off-site location.

Recommendations: A procedure should be established which provides for the back-up files to be moved daily to a location other than the place where the computer is kept. In the unlikely event of fire, theft, or destruction of Town Hall, the records would more than likely remain intact if stored at the second location. Duplicate back-ups of computer files could be made at the end of each business day. One copy could be stored at Town Hall and the clerk could simply take the second copy of the back-up files to her residence each evening.

Corrective action: The Town Clerk shall discuss with the Mayor and council an appropriate solution that will allow for the security of computer back-up files. Such procedures shall be added to the policy manual.

Prior Year Findings for the Year Ended June 30, 2003.

None

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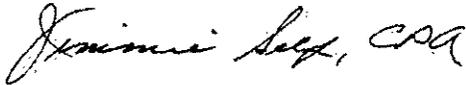
COMMUNICATION OF REPORTABLE CONDITIONS TO MANAGEMENT

To the Mayor and Council Members
Town of Chatham
Chatham, Louisiana

In planning and performing my audit of the basic financial statements of Town of Chatham for the year ended June 30, 2004, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control. However, I noted certain matters involving internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control that, in my judgement, could adversely affect the Town of Chatham's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. The matters of concern centered around the following:

Inadequate Segregation of Duties – The solution to this problem would necessitate the hiring of additional office personnel. This has been noted as not cost effective to the present size of government. An immediate solution would not therefore be forthcoming.

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



Jimmie Self, CPA
Monroe, Louisiana
November 30, 2004