

TOWN OF CHATHAM
Chatham, Louisiana

Report On Audit
Of
Basic Financial Statements
For The Year Ended
June 30, 2010

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 Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/2/11

Jimmie Self, CPA
A Professional Accounting Corporation
2908 Cameron Street, Suite C
Monroe, Louisiana 71201
Phone 318/323-4656 • FAX 318/388-0724

TOWN OF CHATHAM

Chatham, Louisiana

Report On The Audit
Of The
Basic Financial Statements
For The Year Ended
June 30, 2010

Jimmie Self, CPA
A Professional Accounting Corporation
2908 Cameron Street, Suite C
Monroe, Louisiana 71201
Phone 318/323-4656 • FAX 318/388-0724

TOWN OF CHATHAM, LOUISIANA
Table of Contents
As of and for the Year Ended June 30, 2010

	<u>Exhibit</u>	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report			1-2
Required Supplemental Information (Part I)			
Management Discussion and Analysis			4-7
Basic Financial Statements			
Government-Wide Financial Statements:			
Statement of Net Assets	A		9
Statement of Activities	B		10
Fund Financial Statements			
Governmental Funds Balance Sheet	C		12
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Financial Statement of Net Assets	C-1		13
Statement of Revenues, Expenditures, and Changes in Fund Balances	D		14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	D-1		15
Proprietary Funds:			
Statement of Net Assets	E		16
Statement of Revenues, Expenses, and Changes in Fund Net Assets	F		17
Statement of Cash Flows	G		18
Notes to the Financial Statements			20-32
Required Supplementary Information (Part II):			
Budget Comparison Schedules and Notes to Budget Comparison Schedules		1	34

TOWN OF CHATHAM, LOUISIANA
Table of Contents
As of and for the Year Ended June 30, 2010

Other Supplemental Schedules		
Schedule of Compensation Paid Elected Officials	2	36
Other Independent Auditor's Reports		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		38-39
Summary Schedule of Findings		40
Schedule of Findings and Responses		41-42

Jimmie Self, CPA
A Professional Accounting Corporation
2908 Cameron Street, Suite C
Monroe, Louisiana 71201
Phone 318-323-4656 Fax 318-388-0724

Independent Auditor's Report

To the Honorable Mayor and the
Board of Directors
Town of Chatham
Chatham, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of The Town of Chatham, Louisiana, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Chatham'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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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.

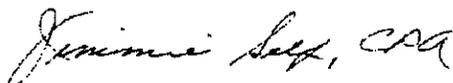
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Chatham, as of June 30, 2010, and the respective changes in financial 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 19, 2010, on my consideration of the Town of Chatham's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My 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 other supplemental information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I express no opinion on them.



Jimmie Self, CPA
Monroe, Louisiana
November 19, 2010

Required Supplementary Information
(Part I)

Management Discussion and Analysis

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Management Discussion and Analysis
June 30, 2010

The Management's Discussion and Analysis is an element of the reporting model adopted by the *Governmental Accounting Standards Board (GASB)* in their Statement No. 34. Certain comparative information is presented to provide an overview of the operations of the Town of Chatham.

Financial Highlights

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. These statements tell how these services were financed in the short term as well as what remains for future spending. The Town maintains two funds: governmental funds, the general fund for daily operations, and a proprietary fund, the utility fund which includes provision for public safety, highways and streets, gas, water, sewer, and sanitation facilities.

A summary of the basic government-wide financial statements is as follows:

TOWN OF CHATHAM
Summary of the Statement of Net Assets
June 30, 2010

	Governmental Activities		Business-type Activities		Totals	
	2009	2010	2009	2010	2009	2010
Current and other assets	60,605	60,880	322,686	119,959	383,291	223,941
Capital Assets	384,930	434,402	1,750,418	1,719,633	2,135,348	2,154,035
Total Assets	445,535	495,282	2,073,105	2,063,533	2,518,639	2,558,815
Long-Term Liabilities	179,000	164,000	-	-	179,000	164,000
Other Liabilities	8,916	7,960	95,211	80,812	104,127	88,772
Total Liabilities	187,916	171,960	95,211	80,812	283,127	252,772
Net Assets						
Invested in Capital Assets net of Related Debt	384,930	270,402	1,750,418	1,719,633	2,135,348	1,990,035
Restricted	-	-	94,197	79,375	94,197	79,375
Unrestricted	(127,311)	52,920	133,279	183,713	5,968	236,633
Total Net Assets	257,619	323,322	1,977,894	1,982,712	2,235,513	2,306,043

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Management Discussion and Analysis
June 30, 2010

TOWN OF CHATHAM
Summary of the Statement of Activities
For the Year Ended December 31, 2010

	Governmental Activities		Business-Type Activities		Totals	
	2009	2010	2009	2010	2009	2010
Charges for Services	\$ 8,323	\$ 10,620	\$ 287,913	\$ 259,004	\$ 296,236	\$ 269,624
Operating Grants & Contributions	-	-	-	-	-	-
Capital Grants	85,625	65,000	472,344	52,858	557,969	117,858
GENERAL REVENUES:						
Property Taxes	13,506	10,130	-	-	13,506	10,130
Beer and Tobacco Taxes	412	523	-	-	412	523
Sales Taxes	33,329	41,360	786	1,910	34,115	43,270
Occupational Licenses	27,956	16,328	-	-	27,956	16,328
Franchise Fees	12,603	9,663	-	-	12,603	9,663
Investment Earnings	-	-	-	-	-	-
Fines and Forfeitures	22,886	14,544	-	-	22,886	14,544
Miscellaneous	14,618	33,541	-	6,229	14,618	39,770
Other General Revenues	-	-	-	-	-	-
Reimbursement for Entergy	31,343	28,392	-	-	31,343	28,392
Rental Income	2,850	35,175	-	-	2,850	35,175
Interest	-	-	4,735	4,176	4,735	4,176
Transfers	10,000	4	(10,000)	-	-	4
Total Revenues	<u>263,451</u>	<u>265,280</u>	<u>755,778</u>	<u>324,177</u>	<u>1,019,229</u>	<u>589,457</u>
EXPENSES:						
General Administration	(133,134)	(160,929)	-	-	(133,134)	(160,929)
Public Works	(47,616)	(14,461)	-	-	(47,616)	(14,461)
Public Safety	(2,240)	(24,187)	-	-	(2,240)	(24,187)
Water	-	-	(280,193)	223,513	(280,193)	(223,513)
Other	-	-	(93,608)	95,837	(93,608)	(95,837)
Total Expenses	<u>(182,990)</u>	<u>(199,577)</u>	<u>(373,801)</u>	<u>(319,350)</u>	<u>(556,791)</u>	<u>(518,927)</u>
Change in Net Assets	80,461	65,703	381,977	4,827	462,438	70,530
Net Assets, Beginning	<u>177,158</u>	<u>257,619</u>	<u>1,595,917</u>	<u>1,977,894</u>	<u>1,773,075</u>	<u>2,235,513</u>
Prior Period Adjustment	-	-	-	-	-	-
Net Assets, Ending	<u>\$ 257,619</u>	<u>\$ 323,322</u>	<u>\$ 1,977,894</u>	<u>\$ 1,982,721</u>	<u>\$ 2,235,513</u>	<u>\$ 2,306,043</u>

Governmental Activities

The Town's assets exceeded its liabilities by \$323,332 (Net Assets) for the current year ended June 30, 2010. This is an increase of \$65,703 from the prior year ended June 30, 2009.

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Management Discussion and Analysis
June 30, 2010

Business Type Activities

The Proprietary Fund, the utility system, experienced a net increase of \$4,827 for the current year ending June 30, 2010. This compares to a gain of \$381,977, for the year ended June 30, 2009 which for the year 2009 was due to two grants received from the State of Louisiana totaling \$472,344, which proceeds were utilized to upgrade and repair the utility systems. Similar grants were not received in fiscal year 2010.

General Fund Budgetary Highlights

The Town amended its General Fund Budget during the current year ended June 30, 2010. Actual revenues were less than budgeted revenues by \$58,291, and actual expenditures were more than budgeted expenditures by \$47,402.

Capital Assets and Debt Administration

1. Capital Assets

For the current year ended June 30, 2010, the Town's investment in capital assets, net of accumulated depreciation in its governmental activities is \$65,000 and in business-type activities is \$52,858 which totals \$117,859 for the town. This investment in governmental activities includes land, buildings, and systems, and machinery and equipment. The investment in assets for business-type activities includes the water and sewer system and treatment plants. Additions to governmental assets within the year included \$81,322 while increases to business-type activities included \$65,050.

For the prior year ended June 30, 2009, the Town's investment in capital assets, net of accumulated depreciation in its governmental activities was \$384,930 and in business-type activities is \$1,379,942 which totals \$2,135,348 for the town. This investment in governmental activities assets includes land, buildings, and systems, and machinery and equipment. The investment in assets for business-type activities includes the water and sewer system and treatment plants. Additions to governmental assets within the year included a health clinic while increases to business-type activities included sewer system updates.

2. Long-Term Debt

At the close of the current fiscal year ended June 30, 2010, the Town had long-term debt in the amount of \$164,000 which is to be paid in full by January 1, 2019.

At the close of the prior fiscal year ended June 30, 2009, the Town had long-term debt in the amount of \$179,000 which was to be paid in full by January 1, 2019.

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Management Discussion and Analysis
June 30, 2010

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

Economic Factors and Next Year's Budget

The Town has prepared its FYE June 30, 2010 budget for the General Fund on the assumption that revenues and expenditures will remain fairly constant next year. Revenues and expenditures for the Utility Enterprise Fund should also remain constant during the next year.

Contacting the Town of Chatham

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, 2010

EXHIBIT A

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash and Cash Equivalents	\$ 60,839	\$ 72,430	\$ 133,269
Receivables, Net	41	47,529	47,570
Total Current Assets	<u>60,880</u>	<u>119,959</u>	<u>180,839</u>
Non Current Assets:			
Restricted Assets	-	79,375	79,375
Investments	-	144,566	144,566
Total Non Current Assets	<u>-</u>	<u>223,941</u>	<u>223,941</u>
Capital Assets:			
Land	32,700	4,064	36,764
Other Capital Assets, Net of Accumulated Depreciation	401,702	1,715,569	2,117,271
Total Capital Assets	<u>434,402</u>	<u>1,719,633</u>	<u>2,154,035</u>
Total Assets	<u>495,282</u>	<u>2,063,533</u>	<u>2,558,815</u>
LIABILITIES:			
Liabilities:			
Accounts and Other Payables	7,960	1,437	9,397
Customer deposits	-	79,375	79,375
Total current liabilities	<u>7,960</u>	<u>80,812</u>	<u>88,772</u>
Non-Current Liabilities			
Notes Payable	164,000	-	164,000
Total Non-Current Liabilities	<u>164,000</u>	<u>-</u>	<u>164,000</u>
Net Assets			
Invested in Capital Assets	270,402	1,719,633	1,990,035
Restricted	-	79,375	79,375
Unrestricted	52,920	183,713	236,633
Total net assets	<u>\$ 323,322</u>	<u>\$ 1,982,721</u>	<u>\$ 2,306,043</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

TOWN OF CHATHAM, LOUISIANA
Statement of Activities
For the Year ended June 30, 2010

EXHIBIT B

Functions/Programs	Program Revenue			Net (Expenses) Revenue:		Total
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
General Government	\$ (160,929)	\$ 10,620	\$ 65,000	\$ (85,309)	\$ -	\$ (85,309)
Public Safety	(24,187)	-	-	(24,187)	-	(24,187)
Public Works	(14,461)	-	-	(14,461)	-	(14,461)
Activities	(199,577)	10,620	65,000	(123,957)	-	(123,957)
Business-Type Activities:						
Service	(223,513)	271,319	52,858	-	100,664	100,664
Other - Depreciation	(95,837)	-	-	-	(95,837)	(95,837)
Total B-T Activities	(319,350)	271,319	52,858	-	4,827	4,827
Total Government	\$ (518,927)	\$ 281,939	\$ 117,858	\$ (123,957)	\$ 4,827	\$ (119,130)
Changes in Net Assets						
Net Expense(Revenue)				\$ (123,957)	\$ 4,827	\$ (119,130)
General Revenues:						
Property taxes				10,130	-	10,130
Occupational License				16,328	-	16,328
Franchise Fees				9,663	-	9,663
Beer and Tobacco Taxes				523	-	523
Sales Taxes				41,360	-	41,360
Reimbursement for Entergy				28,392	-	28,392
Fines and Forfeitures				14,544	-	14,544
Miscellaneous				33,541	-	33,541
Rental income				35,175	-	35,175
Interest				4	-	4
Total General Revenues and Transfers				189,660	-	189,660
Changes in Net Asset				65,703	4,827	70,530
Net Assets - Beginning of Yea				257,619	1,977,894	2,235,513
Net assets - End of yea				\$ 323,322	\$ 1,982,721	\$ 2,306,043

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REP

Fund Financial Statements

**TOWN OF CHATHAM
BALANCE SHEET
Governmental Funds
June 30, 2010**

EXHIBIT C

	<u>General Fund</u>
ASSETS	
Cash	\$ 60,839
Receivables-(net, where applicable, of allowance for doubtful accounts)	41
Total Assets	<u>\$ 60,880</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts and Other Payables	<u>\$ 7,960</u>
	7,960
Fund Balance:	
Unreserved-reported in General Fund	<u>52,920</u>
Total Fund Balance	52,920
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 60,880</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF CHATHAM
Reconciliation of the Balance Sheet
to the Statement of Net Assets
Governmental Funds
For the Year Ended June 30, 2010

EXHIBIT C-1

Fund Balances - Total Governmental Funds	\$ 52,920
--	-----------

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

Capital Assets of \$740,230 net of accumulated depreciation of 305,827 are not financial resources, and therefore, are not reported in the governmental funds. See Note 1-H and Note 5 for additional details.	434,402
--	---------

Long-term liabilities consisting of Certificates are not due and payable in the current period and therefore are not reported in the funds	(164,000)
--	-----------

Net Assets of Governmental Activities	<u><u>\$ 323,322</u></u>
---------------------------------------	--------------------------

Note: There were no other adjustments to the general fund.

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, 2010

EXHIBIT D

	General Fund
Revenues:	
Property Taxes	\$ 10,130
Occupational Licenses	16,328
Intergovernmental Funds - Grants	65,000
Franchise Fees	9,663
Beer Taxes	523
1% Sales Tax	41,360
Reimbursement for Entergy	28,392
Fines and Forfeitures	14,544
Miscellaneous	33,541
Rental Income	35,175
Interest	4
Charges for Services	10,620
Total Revenues	<u>265,280</u>
Expenditures:	
General Government	225,400
Public Safety-Police	24,187
Public Works	14,461
Total Expenditures	<u>264,048</u>
Excess (Deficiency) of Revenues over expenditures	<u>1,232</u>
Net Change in Fund Balance	1,232
Fund Balance - Beginning of Year	51,688
Fund Balance - End of Year	<u>\$ 52,920</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

TOWN OF CHATHAM

EXHIBIT D-1

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010**

Net Change in Fund Balances - Governmental Funds	\$ 1,232
Governmental Funds report Capital Outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. The cost of capital assets recorded in the current period are \$81,321.	81,321
Depreciation expense on capital assets is reported in the government- wide financial statements, but they do not require the use of current financial resources and are not reported in the Fund Financial Statements. Current year depreciation expenses are \$31,850.	(31,850)
Bond proceeds The issuance of long-term debt provides current financial resources of governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. No proceeds were received; however the long-term indebtedness was reduced by \$15,000. - Beginning balance @ 06/30/09 \$179,000-\$15,000 reduced the balance due @ 06-31-2010 to \$164,000.	15,000
Change in Net Assets of Governmental Activities	<u>\$ 65,703</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF CHATHAM, LOUISIANA
Statement of Fund Net Assets
Proprietary Funds
June 30, 2010

EXHIBIT E

ASSETS	<u>Business-Type Activities</u> <u>Enterprise Funds</u>
Current Assets:	
Cash and Cash Equivalents	\$ 72,430
Accounts Receivable, Net	47,530
Total Current Assets	<u>119,960</u>
Non-Current Assets:	
Restricted Assets	79,375
Investments-Non Current	144,566
Total Non-Current Assets	<u>223,941</u>
Capital Assets:	
Land	4,064
Property, Plant, and Equipment, at cost	3,617,319
Less Accumulated Depreciation	<u>(1,901,751)</u>
Total Capital Assets	<u>1,719,632</u>
TOTAL ASSETS	<u>2,063,533</u>
 LIABILITIES	
Current Liabilities:	
Accounts and Other Payables	1,437
Customer Deposits	79,375
Total Current Liabilities	<u>80,812</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,719,633
Restricted	79,375
Unrestricted	183,713
Total Net Assets	<u><u>\$ 1,982,721</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, 2010

EXHIBIT F

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>
Operating Revenues:	
Charges for Services	
Sales Tax Receivable	\$ 1,910
Water Sales	86,432
Sewer Sales	106,880
Gas Sales	35,156
Sanitation Fees	22,818
Penalties	6,943
Tap Fees	775
Miscellaneous	6,229
Interest Income	4,176
Total Operating Revenues	<u>271,319</u>
Operating Expenses:	
Personal Services	122,017
Utilities	29,270
Maintenance, Operations, and Contractual Services	17,159
Materials and Supplies	55,067
Depreciation	95,837
Total Operating Expenses	<u>319,350</u>
Operating Income (Loss)	<u>(48,031)</u>
Non-Operating Revenue (Expenses):	
Investment Income	-
Government Grants	52,858
Total Non-Operating Revenues (Expenses)	<u>52,858</u>
Net Income	4,827
Total Net Assets Beginning	<u>1,977,894</u>
Total Net Assets Ending	<u>\$ 1,982,721</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, 2010

EXHIBIT G

	Business-Type Activities Enterprise Funds <u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 271,319
Payments to Suppliers	(170,914)
Payments to Employees	(83,350)
Net Cash Provided (Used) by Operating Activities	<u>\$ 17,055</u>
Cash Flows from Non-Capital Financing	\$ 52,822
LCDBG Grant	<u>52,822</u>
Cash Flows used in Investing activities:	
Purchases of fixed assets	(65,050)
Net Cash Used by Investing	<u>(65,050)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,827
Cash and Cash Equivalents - Beginning of Year	67,602
Cash and Cash Equivalents - End of Year	<u>\$ 72,429</u>
Reconciliation of Operating Income (Loss) to Net Cash:	
Provided (Used) by Operating Activities:	
Operating Income, (Loss)	\$ 4,827
Purchase of Fixed Assets	65,050
LCDBG Grant Proceeds	(52,822)
Net Cash Provided by Operating Activities	<u>\$ 17,055</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, 2010**

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 Note I. The remainder of the Notes is organized to provide explanations, including required disclosures of the Town's financial activities.

Governmental Organization

The Town of Chatham, Louisiana, was incorporated under the provisions of the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Town provides the following services to its 621 residents (census figures, January, 2006): 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.

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.

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

**TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2010**

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.

The Town of Chatham has no component units.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information all of the non-fiduciary activities of the primary Government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds (Public Utilities Fund). Major individual governmental and major individual proprietary (enterprise) funds are reported as separate columns in the fund financial statements.

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2010

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund (Public Utilities Fund). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims are judgments are recorded only when payments is due.

Property taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues for the current fiscal period. Only the portion of the special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and, (3) capital grants and contributions, including special assessments. Internally dedicated

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2010

resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds (Public Utilities Fund) distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Income is derived from fees collected in providing water and sewerage services for the homes and businesses within the Town. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund financial statements are provided for governmental and proprietary funds (Public Utilities Fund). Major individual governmental and enterprise funds (proprietary funds) are reported in separate columns.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The Town reports the following major proprietary funds (i.e. enterprise funds or business-type activities):

Public Utilities Fund – Water and Sewer Fund

C. Deposits and Cash Equivalents

The Town maintains and controls cash and investments. The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition.

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

TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2010

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 maturities are 90 days or less, they are classified as cash equivalents.

D. Investments

State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the Town are reported at fair value.

E. Receivables and Payables

Accounts Receivable – Taxes - Property taxes are levied by the town in September and are actually billed on October 1, and are mailed to taxpayers in November. The Town bills and collects its own taxes using assessed values determined by the tax assessor of Jackson Parish. Billed taxes become delinquent on January 1 of the following year. Property taxes attach as an enforceable lien on property as of January 1. Revenues from the ad valorem taxes are budgeted in the year billed. Sales taxes collected are also on an accrual basis.

All trade and property tax receivables are shown net of an allowance for uncollectibles. No allowance is used for property tax receivables, since the collection rate is very high.

Allowance for uncollectible accounts in the Proprietary Fund (Enterprise Fund - water and sewer) is charged at 6% of gross receivables in the Public Utilities Fund.

F. Inventory and Prepaid Items

The Town does not maintain an inventory of supplies and materials for use in project and repairs. Most items are purchased as needed and expensed at the time of purchase. Office supplies are maintained for the convenience of personnel, but the stores are utilized in a short time and are replaced as needed.

G. Restricted Net Assets

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

H. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type columns in the government-

**TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2010**

wide financial statements. Capital assets are capitalized at historical cost or estimated cost. 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 \$700 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets, on the other hand, are depreciated using the straight-line method over the following useful lives:

<u>Description of Capital Assets</u>	<u>Estimated Lives</u>
Buildings and building improvements	40 years
Furniture and fixtures	7 years
Vehicles	5 years
Equipment	5 years

I. Compensated Absences

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

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

J. Long Term Obligations

In the government-wide financial statements and the proprietary fund types (Public Utilities Fund) in the fund financial statements, long-term debt and other long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

K. Fund Equity and Fund Financial Statements

Designation of fund balances represents tentative management plans that are subject to change.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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

**TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2010**

the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

M. Reservations of Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specific purposes beyond the restrictions applicable to the fund.

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget Policy and Practice

The Town Clerk submits an annual budget to the Town council in accordance with the Town Charter and the Chatham 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 budget for the Town operating 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 ended were presented in the Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (GAAP Basis) and Actual General Fund, Statement I.

B. 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 budget for the operating 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.

C. Excess of Expenditures Over Appropriations

The following individual funds had actual expenditures which exceeded budgeted appropriations:

**TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2010**

GENERAL FUND	Actual Expenditures	Budgeted Expenditures	Difference
	\$ 264,048	\$ 216,646	\$ (47,402)

Depreciation of \$31,850 was not included in the budgeted expenditures.

D. Encumbrance Accounting

Encumbrance accounting is not used.

NOTE 3. CASH AND CASH EQUIVALENTS - INVESTMENTS

A. Cash and Cash Equivalents

At June 30, 2010, the Town had cash totaling \$357,210 as follows:

2010	
Demand Deposits	\$ 133,269
CD's	223,941
TOTAL	\$ 357,210

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 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 30, 2010 are secured as follows:

PLEGGED SECURITIES		
Bank Balances		\$ 357,210
FDIC		250,000
Pledged Securities	(Par Value \$200,000, Mkt Value \$200,000)	200,000
Total Insurance/Securities		450,000
Adequate Security		\$ 92,790

B. Investments

The Public Utilities Fund (Proprietary Fund) shows CD's in the amount of \$223,941. The General Fund has no investments.

**TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2010**

C. Restricted Assets

The Town often maintains various funds which are used for debt or other purposes. The only restricted assets maintained by the Town were customer utilities deposits for the enterprise fund which cannot be used for other debt payment. This total amount at June 30, 2010 was \$79,375.

NOTE 4. RECEIVABLES

A. Receivables

Receivables include amounts due from customers primarily for utility services.

The receivables of \$47,570 at June 30, 2010 are as follows:

CLASS OF RECEIVABLES	
General Fund Receivables, Net	\$ 41
Sewer/Water Receivables, Net	47,529
TOTAL	<u>\$ 47,570</u>

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

B. Annual Tax Receivables

The following is a summary of authorized and levied ad valorem taxes:

The authorized and legal millage rate for the Town was 7.86. The total assessed property of the property rolls is \$1,604,700. Property tax receivables at 6/30/2009 were \$40.

THIS PORTION OF THIS PAGE WAS INTENTIONALLY LEFT BLANK

**TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2010**

NOTE 5. Capital Assets

The following two tables show the capital assets and the depreciation of the capital assets in the Governmental Activities (General Fund) and the Business-type Activities (Public Utilities Fund – Proprietary Fund) respectively

GOVERNMENTAL ACTIVITIES

Depreciation of Capital Assets
June 30, 2010

Item	Basis 06/30/09	2010 Additions	2010 Deletions	Basis Before Deprec	Prior Accum Deprec	Current Deprec	Total Accum Deprec	Net Capital Assets 06/30/10
Land	27,700	5,000	-	32,700	-	-	-	32,700
Buildings	121,011	-	-	121,011	63,659	2,556	66,215	54,796
Clinic	240,498	42,441	-	282,939	-	7,076	7,076	275,863
Equipment	269,699	33,881	-	303,580	210,310	22,218	232,537	71,043
	<u>658,909</u>	<u>81,322</u>	<u>-</u>	<u>740,230</u>	<u>273,978</u>	<u>31,850</u>	<u>305,827</u>	<u>434,403</u>

Depreciation Expenses of the Governmental Activities as Allocated

General Government (Code 1505)	27,709
Public Service	2,932
Public Works	1,209
Total Allocated Depreciation	<u>31,850</u>

Land (\$32,700) is not depreciated

THIS PORTION OF THIS PAGE WAS INTENTIONALLY LEFT BLANK

**TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2010**

BUSINESS-TYPE ACTIVITIES

Depreciation of Fixed Assets
June 30, 2010

Item	2009 Balance	Prior Deprec	Net Assets 06/30/09	Current Deprec	Accum Deprec	Net Capital Assets 2010
Land	4,063	-	4,063	-	-	4,063
Natural Gas Syst	593,399	323,772	269,627	14,835	338,607	254,792
Water System	1,581,134	851,822	729,312	38,745	890,567	690,567
Streets	258,648	202,617	56,031	6,721	209,338	49,310
Sewer System	449,004	256,310	192,694	11,225	267,535	181,469
Lake Improvement	24,999	4,999	20,000	1,000	5,999	19,001
Equipment **	114,847	128,135	(13,288)	-	128,135	(13,288)
Addns 06-Eqpt	1,015	387	628	36	423	592
Addns 06-Software	995	885	110	110	995	-
Addns 06-Dump Trk	12,816	5,128	7,666	1,282	6,410	6,406
Addns 06-Tractor	10,000	4,000	6,000	1,000	5,000	5,000
Addns 06-Repairs	6,003	6,062	(60)	1,470	7,532	(1,530)
Addns 07-Repairs	1,941	1,573	368	738	2,311	(370)
Addns 08-Repairs						
Water System	28,105	5,620	22,485	2,810	8,430	19,675
Addns 08-Repairs						
Equipment	5,280	2,112	3,168	1,056	3,168	2,112
Addns 09 Repairs						
Water Syst	10,495	1,050	9,445	1,050	2,100	8,395
Sewer Syst	1,364	136	1,228	136	272	1,092
Sewer - Grant	452,225	11,306	440,919	11,306	22,612	429,613
Addns 10						
Water Line	52,858	-	52,858	1,321	1,321	51,357
Equipment	4,980	-	4,980	4,980	996	3,984
Sewer Repairs	7,212	-	7,212	-	-	7,212
Total At 6/30/2010	<u>3,621,382</u>	<u>1,805,914</u>	<u>1,815,468</u>	<u>95,837</u>	<u>1,901,751</u>	<u>1,719,632</u>

Current Depreciation of \$95,837 charged to Operating Expenses.

Land (\$4,063) is not depreciated.

**TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2010**

NOTE 6. 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.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS

The Town does not provide for other post-employment benefits.

NOTE 8. ACCOUNTS, SALARIES, AND OTHER PAYABLES

Accounts, salaries and other payables as of June 30, 2010 are as follows:

	General Fund	Prop Fund	Total
Withholdings	\$ 1,451	\$ 339	\$ 1,790
Other Payables	6,510	1,097	7,607
Total	\$ 7,960	\$ 1,437	\$ 9,397

NOTE 9. DEBT

Certificate of Indebtedness dated March 19, 2009 due in annual installments of graduated amounts beginning July 1, 2009 at \$19,497.51 and increasing to \$23,089.00.

Beginning Balance	\$ 179,000
Current Portion Principal	10,000
Total Long Term Debt	\$ 169,000

No installments were due for the fiscal year ended 6/30/2009.

Annual Payments Dates	Annual Payment Amount	Interest	Annual Principal Paid	Remaining Balance	Accum Interest
Balance @ 06/30/09				179,000	
January 2010	15,627	5,627	10,000	169,000	5,627
2011	15,382	5,382	10,000	159,000	11,009
2012	16,094	5,094	11,000	148,000	16,103
2013	15,765	4,765	11,000	137,000	20,868
2014	15,407	4,407	11,000	126,000	25,275
2015	15,407	4,407	11,000	115,000	29,628
2016-2019	139,269	13,269	126,000	-	38,544
TOTALS	217,544	38,544	179,000		

**TOWN OF CHATHAM
CHATHAM, LOUISIANA
Notes to the Financial Statements
June 30, 2010**

NOTE 10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, and injuries to employees. To handle such risk of loss, the Town carries insurance coverage with the Lincoln Agency in Ruston, LA. The policies cover property, liability, crime and fidelity, employee liability, and others. No claims have been paid on any of the policies during the past three years that exceed the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended June 30, 2010.

NOTE 11. LITIGATION AND CLAIMS

According to the attorney acting on behalf of the Town, there were no pending cases or threatened litigations against the Town of Chatham as of June 30, 2010 through the date of this report excepting a pending case involving an automobile accident wherein the Town of Chatham was made a defendant. Said case is being handled by the Town's insurance company and the insurance company's attorney.

NOTE 12. SUBSEQUENT EVENTS

Subsequent events were evaluated by management up to and including the issue date of this report, November 19, 2010. There were no subsequent events noted which would affect the financial statements for the year ended June 30, 2010.

NOTE 13. CONTINGENCIES

None noted

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, 2010

Schedule 1

	Original Budget	Final Budget	General Fund Actual	Variance Favorable (Unfavorable)
Revenues:				
Property Taxes	\$ 13,500	\$ 13,160	\$ 10,130	\$ (3,030)
Occupational Taxes	-	7,000	16,328	9,328
Beer Taxes/Licenses	362	523	523	-
Insurance Occupational Licenses	21,425	14,500	-	(14,500)
Intergovernmental Funds-Grants	-	-	65,000	65,000
Charges for Services	-	-	10,620	10,620
Fines and Forfeitures	23,000	25,000	14,544	(10,456)
Franchise Fees	12,600	12,500	9,663	(2,837)
Sales Tax 1 %	33,328	35,000	41,360	6,360
Reimbursement for Entergy	31,350	-	28,392	28,392
Rental Income	3,000	22,500	35,175	12,675
Tobacco Tax	-	-	-	-
Mowing	4,300	5,000	-	(5,000)
Miscellaneous	42,890	71,802	33,541	(38,261)
Interest	-	-	4	4
Total Revenues	185,755	206,985	265,280	58,295
Expenditures				
General Government	145,086	201,484	225,400	23,916
Public Safety-Police	8,800	12,301	24,187	11,886
Public Works	1,100	2,861	14,461	11,600
Total Expenditures	154,986	216,646	264,048	47,402
Excess (Deficiency) of				
Revenues over Expenditures	30,769	(9,661)	1,232	10,893
Other Financing Sources (Uses)				
Transfers from other funds-Enterprise Fund	10,000	-	-	-
Net change in Fund Balance	40,769	(9,661)	1,232	10,893
Fund Balance - Beginning of Year	(22,729)	18,040	93,818	75,778
Fund Balance - End of Year	\$ 18,040	\$ 8,379	\$ 95,050	\$ 86,671

See Independent Accountant's Report

Notes to Schedule 1

- The Town uses the accrual method of accounting (GAAP Basis) for budgetary purposes.
- The major variance occurred in the intergovernmental funds - grants; which were not budgeted
- Major changes from original budget to final budget:
 - Miscellaneous revenues. This occurred due to an insurance refund, which was unexpected.
 - Fines and forfeitures decreased substantially, due to lack of issued tickets.

Other Supplemental Schedules

**TOWN OF CHATHAM
CHATHAM, LA**

SCHEDULE 2

Schedule of Compensation Paid Elected Officials – For the Year Ended June 30, 2010

<u>Name and Address</u>	<u>Position</u>	<u>Salary</u>
Herman Lenard P. O. Box 159, 1911 Oak Street Chatham, LA 71226 318/249-4619	Mayor	\$6000/Yr
Toni Malone P. O. Box 86, 615 Wilder Avenue Chatham, LA 71226 318/249-3693	Council Member	\$600/Yr
Frances Womack P. O. Box 314, 620 Wilder Avenue Chatham, LA 71226 318/249-2327	Council Member	\$600/Yr
Laverne Mixon P. O. Box 252, 1056 Jasper Road Chatham, LA 71226 318/249-2796	Council Member	\$600/Yr
Sue Proffler P. O. Box 394, 614 Wilder Avenue Chatham, LA 71226 318/249-2667	Council Member	\$600/Yr
Claudine Cartwright 12398 Hwy 4 Chatham, LA 71226 318/249-4751	Council Member	\$600/Yr

Other Independent Auditor's Reports

Jimmie Self, CPA
A Professional Accounting Corporation
2908 Cameron St, Suite C
Monroe, LA 71201
Phone (318)-323-4656 • Fax (318)388-0724

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

To the Honorable Mayor
And the Board of Directors
Town of Chatham
Chatham, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chatham, Louisiana, as of and for the year ended June 30, 2010, which collectively comprise the Town of Chatham, Louisiana's basic financial statements and have issued my report thereon dated November 19, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Chatham, Louisiana's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 reasonable possibility that a material misstatement to the Town of Chatham's financial statements will not be prevented, or detected and corrected on a timely basis.

My 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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in

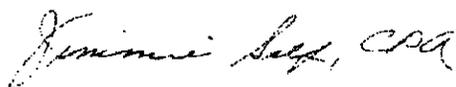
internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies on internal control over financial reporting, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies in internal control over financial reporting. The results of my tests disclosed instances of noncompliance or other such matters that are required to be reported, which is described in the accompanying schedule of findings and responses as items # 2010-01 and 2010-02. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Chatham's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other such matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as items # 2010-01 and 2010-02.

Town of Chatham, Louisiana's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit Town of Chatham, Louisiana's response, and accordingly, I express no opinion on it.

This report is intended solely for the information and use of management of the Town of Chatham, others within the Town of Chatham, and the Louisiana Legislative Auditor 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Jimmie Self, CPA
Monroe, Louisiana
November 17, 2010

Jimmie Self, CPA
A Professional Accounting Corporation
2908 Cameron Street, Suite C
Monroe, Louisiana 71201
Phone (318) 323-4656 Fax (318) 388-0724

SUMMARY SCHEDULE OF FINDINGS
TOWN OF CHATHAM
Chatham, Louisiana
For the Year Ended June 30, 2010

I have audited the financial statements of Town of Chatham as of and for the year ended June 30, 2010 and have issued my report dated November 19, 2010. 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. My audit of the financial statements as of June 30, 2010 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 Internal Control Deficiencies yes no

Compliance

Compliance material to Financial Statements yes no

b. Federal Awards: None

c. Identification of Inmajor Programs:

None.

JIMMIE SELF, CPA
A Professional Accounting Corporation
2908 Cameron Street, Suite C
Monroe, Louisiana 71201
Phone (318) 323-4656 • Fax (318) 388-0724

SCHEDULE OF FINDINGS AND RESPONSES
TOWN OF CHATHAM
Chatham, Louisiana

Findings for the Current Year Ended June 30, 2010

Finding 2010-01

There were several bank accounts which were not included in the General Ledger, causing some incorrect beginning balances. There were still some coding errors as in 2009, but much improved in 2010.

Recommendation:

Personnel should carefully check coding to avoid errors, and also be sure to include all accounts on the General Ledger,

Management response:

Management agrees to check coding more thoroughly, and to review coding, adding all new accounts and beginning balances, which has subsequently been accomplished to date for the current period.

Finding 2010-02

The actual expenditures exceeded the budgeted expenditures by 17.94% which was largely due to not budgeting for depreciation of \$31,850.

Recommendation:

Management should endeavor to include all expenditures including depreciation in the budget.

Management's Response:

Management will include all expenditures in future budgets.

Findings for the Prior Year Ended June 30, 2009

Finding 2009-01

There were some coding errors causing some of the beginning balances to be incorrect. The coding errors were a result of human error. Those errors were corrected.

Recommendation:

Personnel should carefully check coding to avoid errors.

Management response:

Management agrees to check coding more thoroughly.