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Annual Financial Report



of the
City of Ruston, Louisiana
For the Year Ended September 30, 2005

Mayor
Dan Hollingsworth

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 5-3-06

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Introductory Section

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**CITY OF RUSTON, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

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City of Ruston

Emmett Gibbs
Treasurer

Ashley Burton
Controller

Pam Womack
Administrative Assistant

January 17, 2006

Mayor Dan Hollingsworth
Members of the City Council
City of Ruston, Louisiana

Mayor and Members of the City Council:

I am pleased to submit the Comprehensive Annual Financial Report for the year ended September 30, 2005. The financial statements were prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted government auditing standards by a firm of licensed certified public accountants. I believe this report presents comprehensive information about the City's financial and operating activities during 2005 that is useful to taxpayers, citizens, and other interested persons.

This report was prepared by the Finance Department and consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

In accordance with the Lawrason Act, the City Council is required to provide for an annual independent audit of the accounts and financial transactions of the City by a firm of independent certified public accountants duly licensed to practice in the State of Louisiana. The accounting firm of Douglas A. Brewer, LLC was selected by the City to conduct its

annual audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that the City's financial statements for the fiscal year ended September 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Ruston

The City of Ruston was incorporated in 1898. It is located in North Central Louisiana at the cross roads of U.S. Highway 167, Interstate 20 and U.S. Highway 80, approximately thirty-five miles south of Arkansas. Ruston is the seat of Lincoln Parish. The current area of the City is approximately 20 square miles.

The City of Ruston has been organized under a Mayor – Board of Aldermen form of government. There is a five member board, with each member selected for four year terms from separate wards of the City. The Mayor is elected at-large for a four-year term, is not a member of the council, but has veto power over council action.

The City provides a wide range of services including public safety, highways and streets, sanitation, electric, water, and sewer services, airports, ambulance, recreational activities, general administration functions and others.

These financial statements present the City of Ruston (the primary government) and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Included as discretely presented component units is the financial data for the City Judge's Office and the City Marshal. They are reported separately within the City's financial statements to emphasize that they are legally separate from the City. Additional information on these legally separate entities can be found in the notes to the financial statements.

Budgetary Control

The annual budget serves as the foundation for the City's financial planning and control. The Treasurer's Office compiles for the Mayor estimates of revenues and requests for appropriations of the annual budget. Before August 31, the Mayor's budget is submitted to the Council for possible revision and adoption. The Council conducts a public hearing on the budget, which must be adopted by September 30 to become effective October 1. State law provides that in no event shall the total appropriations exceed total anticipated revenues taking into account the estimated surplus or deficit at the end of the current fiscal year. Budgets may be amended during the year with Council approval.

Budgetary control is exercised at the departmental object level, with the exception of salaries, regular and overtime, which are at the line item level. Formal budgetary integration and encumbrance accounting are employed as management control devices during the year.

Local economy. The City's local economy is very much reflective of the nation's economy. Building permit valuations were \$32.9 million for the fiscal year.

The City of Ruston and Lincoln Parish continue to gain in population in recent decades. The City added approximately 3,000 residents between 1970 and 2000 and the Parish grew by nearly 8,000 persons. Both have seen continued growth in the past five years.

An eight-screen state of the art movie theater was begun in Ruston this year. The project is expected to cost \$13 million for Shane Morrison, a Baton Rouge developer. The movie theater will bring with it a number of restaurants and retail businesses which are projected to create about 600 permanent local jobs. In addition to the Chili's restaurant which was opened on the I-20 service road, a Raising Cane's restaurant has opened and a new Lowe's Home Improvement store will open soon. This area consists of over 100 acres that should continue to spur additional economic development and growth.

Louisiana Tech University continues to serve as the major economic impact for the City. Louisiana Tech has completed a new set of dorms and is building a new bio-medical facility off of California Avenue. Louisiana Tech and the City continue to work on the Tech Overlay district between California and Alabama avenues and Monroe and College avenues. This will create a new retail district that will feed into the downtown area. This area has been coined the "Edge District." Goals for this district include a new conference center hotel, a sports hall of fame, and the Ideal Place (an interactive science and math facility) alone with restaurants and other retail establishments.

The City of Ruston, Lincoln Parish and Louisiana Tech University continue to enjoy economic growth and are excited about the future.

Long-term financial planning. Until the economy improves, the City cannot expect any real growth in our largest general revenue source which is sales taxes. In the General Fund, sales tax represents 49% of the revenues and transfers in. Increasing trends in retirement costs and health insurance make it difficult to balance the budget now and in the future. Rates have increased in both water and sewer services in order to provide needed improvements in the infrastructure of the systems.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, or obligations of the U.S. Treasury. The maturities of the investments range from 180 days to two years.

The City's investment policy is to exercise that judgment and care which men of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments are selected as investments, not for speculation, considering the probable safety of the capital, as well as the probable income to be derived. Accordingly, deposits are either insured by federal depository insurance or collateralized. All of the investments held by the City are classified in the category of lowest risk. State statutes require that all public funds should be insured or collateralized. The City's policy is not to have uninsured/uncollateralized funds which it controls.

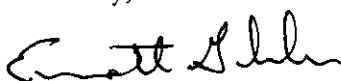
Risk management. The City partially retains the risk for property, liability, workers compensation, and general health insurance. As part of this comprehensive plan, resources are being accumulated in the General Fund to meet potential losses. In addition, various risk control techniques including an employee safety program, drug free workplace program with mandatory drug screening for new employees as well as random drug screening for current employees, and pre-employment physicals have been implemented to minimize accident-related losses. The City has third-party coverages subject to self-insured retentions which are more fully described in the notes to the financial statements.

Pension and other postemployment benefits. Substantially all employees of the City of Ruston are members of one of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana (MERS), Statewide Firefighter's Retirement System (SFRS), or Municipal Police Employees Retirement System of Louisiana (MPERS). These systems are multiple employer (cost-sharing), public employee retirement systems (PERS), controlled and administered by separate State appointed board of trustees. The City of Ruston has no obligation in connection with employee benefits offered through these plans.

Additional information on the City's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support of excellence in financial reporting and fiscal integrity.

Sincerely,

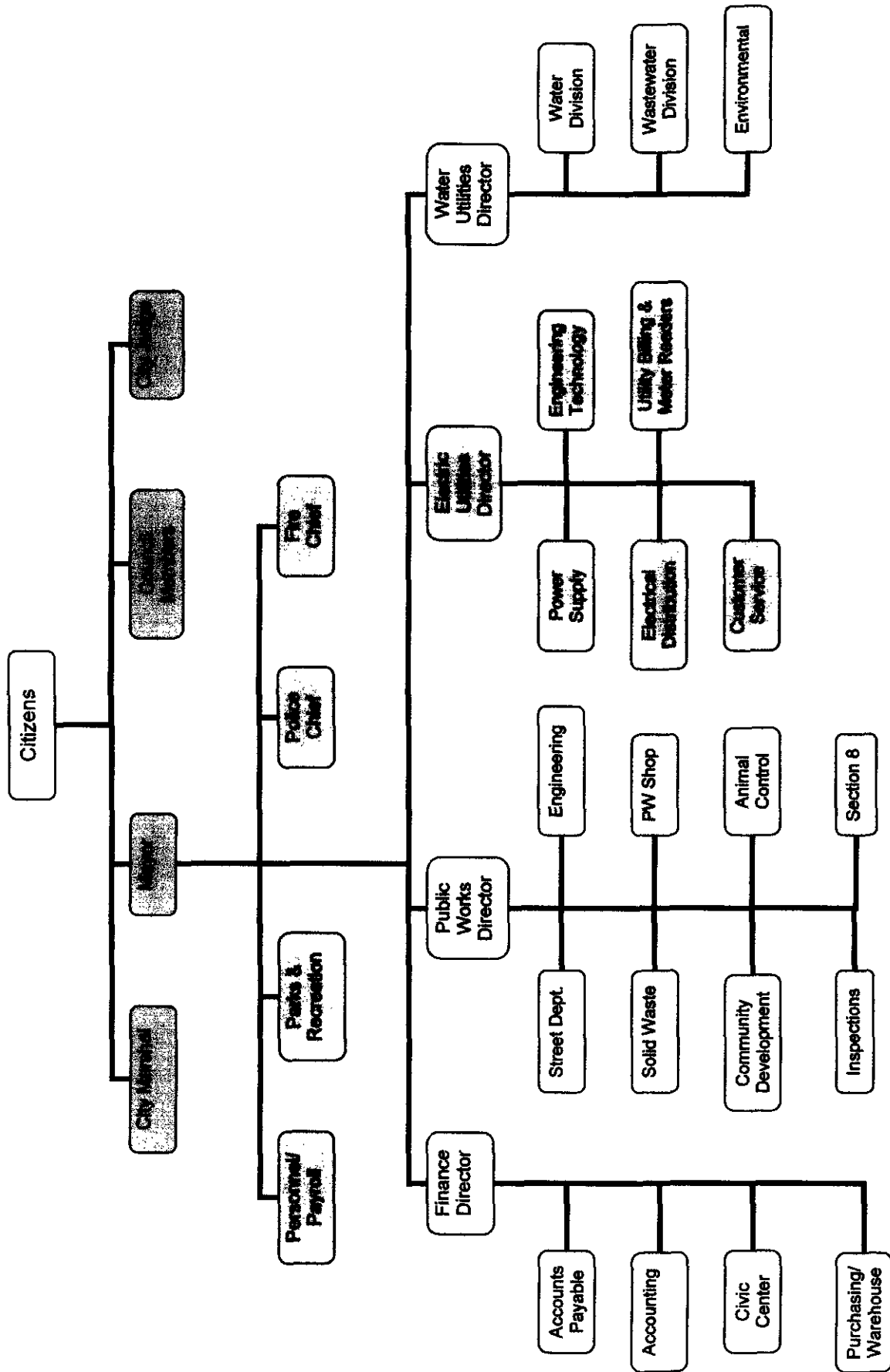


Emmett Gibbs
Treasurer



Ashley Burton
Controller

ORGANIZATIONAL CHART



CITY OF RUSTON, LOUISIANA

PRINCIPAL OFFICIALS

Dan Hollingworth
Mayor

George Byrnside
Mayor Appointee

Members of City Council

Levell Thurman	Ward 1
Elmore D. Mayfield	Ward 2
Jedd Lewis	Ward 3
Jim Pearce	Ward 4
Marie Riggs	Ward 5

Financial Section

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Douglas A. Brewer, LLC

Certified Public Accountant

105 E. Reynolds Dr. Suite A

P.O. Box 1250

Ruston, LA 71273-1250

Phone: (318) 255-8244 Fax: (318) 255-8245

Independent Auditor's Report

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ruston (the City) as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the Table of Contents. I have also audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, and internal service funds presented as supplementary information in the accompanying combining fund financial statements as of and for the year ended September 30, 2005, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to me, and my opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units is based on the reports of the other auditors.

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 and the reports of the other auditors provide a reasonable basis for my opinions.

In my opinion, based on my audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2005, 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 addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise and internal service funds of the City, as of September 30, 2005, 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 January 17, 2006, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information listed as Required Supplemental Information in the Table of Contents 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.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund schedules and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund schedules 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly I express no opinion on it.

John A. Brewer, LLC

Ruston, Louisiana
January 17, 2006

Management's Discussion and Analysis

We offer readers of the City of Ruston's financial statements this narrative overview and analysis of the financial activities of the City of Ruston for the fiscal year ended September 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. This discussion focuses on the primary government of the City.

Financial Highlights

Key financial highlights for the year ended September 30, 2005 include the following:

- The assets of the City exceeded its liabilities at September 30, 2005 by \$85,338,727 (net assets). Of this amount, \$26,848,396 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$3,196,950 for the year ended September 30, 2005. Net assets of governmental activities increased \$2,430,949 and net assets of business-type activities increased \$766,001.
- As of September 30, 2005, the City's governmental funds reported combined ending fund balances of \$18,599,933, an increase of \$1,189,017 from the prior year. Of this amount \$14,267,725 was unreserved, undesignated, and available for spending; \$2,960,141 was unreserved but designated for subsequent years' expenditures; \$866,630 was reserved for debt service; \$459,139 was reserved for encumbrances; \$42,406 was reserved for inventories; and \$3,892 was reserved for prepaid items.
- At the end of the current fiscal year, unreserved, undesignated fund balances for the General Fund was \$6,040,860 or 45.6% of total General Fund expenditures and transfers out.
- The City's total long-term liabilities decreased by \$69,896 during the current fiscal year primarily due to the payment of debt as it becomes due.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the City of Ruston's basic financial statements which are the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the City's assets less liabilities which results in net assets. The statement is designed to display the financial position of the City. Over time, increases or decreases in net assets help determine whether the City's financial position is improving or deteriorating.

The statement of activities provides information which shows how the City's net assets changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All changes in net assets are reported as soon as the underlying event giving rise to the revenue or expense occurs regardless of the timing of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities distinguish functions of the City that are financed primarily by taxes, intergovernmental revenues, and charges for services (governmental activities) from functions where user fees and charges to customers help to cover all or most of the cost of services (business-type activities). The City's governmental activities include general government, public safety, public works, and cultural and recreation. The business-type activities of the City include airports, electric, water, and sewer systems, and ambulance operations.

Not only do the government-wide financial statements include the City itself which is the primary government, but also its component units, City Judge's Office, and City Marshal. Although these component units are legally separate, their operational or financial relationship with the City makes the City financially accountable for them. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

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 City of Ruston, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, 1968 Sales Tax Special Revenue Fund, 1985 Sales Tax Special Revenue Fund, and 1990 Sales Tax Special Revenue Fund, all of which are considered to be major funds. Data for the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and certain special revenue funds. Budgetary comparison schedules have been provided elsewhere in this report to demonstrate compliance with these budgets.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, and sewer systems, airport and ambulance services. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its workmans compensation, general insurance and purchasing-warehouse services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the electric, water system, sewer system, and airport authority which are considered to be major funds of the City of Ruston. Data from the other proprietary fund is also presented although it is not considered a major fund.

Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, budgetary schedules are presented as required supplementary information. Also, the combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, and internal service funds are presented immediately following the notes to the financial statements.

Financial Analysis of Government-wide Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City's, assets exceeded liabilities by \$85,338,727 at the close of the current fiscal year.

The largest portion of the City of Ruston's net assets totaling approximately \$57.2 million (67%) reflects its investment in capital assets (e.g., land, buildings, streets, drainage, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City'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 the capital assets themselves cannot be used to liquidate these liabilities.

City of Ruston's Net Assets September 30, 2005

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$21,617,778	\$19,823,587	\$12,961,849	\$13,680,842	\$34,579,627	\$33,504,429
Capital assets	25,289,912	24,436,804	33,998,406	32,857,483	59,288,318	57,294,287
Total assets	46,907,690	44,260,391	46,960,255	46,538,325	93,867,945	90,798,716
Current and other liabilities	1,073,340	1,033,411	2,559,837	2,657,591	3,633,177	3,691,002
Long-term liabilities	1,630,952	1,454,531	3,265,089	3,511,406	4,896,041	4,965,937
Total liabilities	2,704,292	2,487,942	5,824,926	6,168,997	8,529,218	8,656,939
Net assets:						
Invested in capital assets, net of related debt	25,289,912	24,214,804	31,878,999	30,409,203	57,168,911	54,624,007
Restricted	866,630	845,953	454,790	407,912	1,321,420	1,253,865
Unrestricted	18,046,856	16,711,692	8,801,540	9,552,213	26,848,396	26,263,905
Total net assets	\$44,203,398	\$41,772,449	\$41,135,329	\$40,369,328	85,338,727	\$82,141,777

1.5% of net assets represent resources that are subject to external restriction on how they may be used. Accounts reserved for debt service account for the total of restricted net assets. The remaining balance of unrestricted net assets of \$26,848,396 may be used to meet the City of Ruston's ongoing obligations to citizens and creditors.

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

The City of Ruston's net assets increased by \$3,196,950 during the current fiscal year. Key elements of this increase are as follows:

City of Ruston's Changes in Net Assets

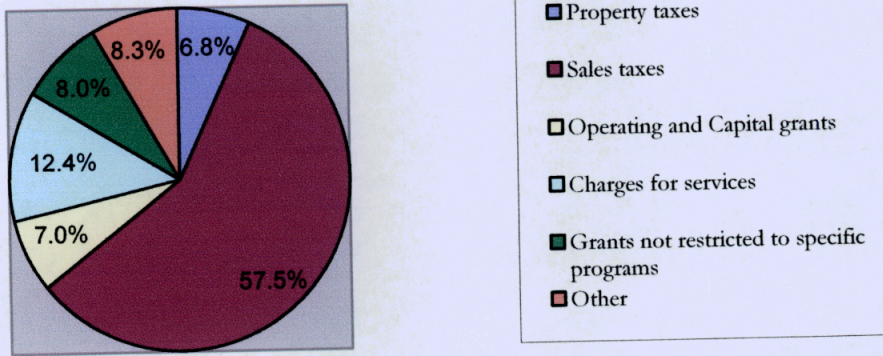
	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$1,754,004	\$1,659,361	\$22,516,260	\$23,041,499	\$24,270,264	\$24,700,860
Operating grants and contributions	992,916	1,131,818	-	-	992,916	1,131,818
Capital grants and contributions	-	10,374	250,650	173,366	250,650	183,740
General revenues:						
Property taxes	964,220	970,171	-	-	964,220	970,171
Sales taxes	8,145,391	11,230,905	-	-	8,145,391	11,230,905
Other taxes	642,578	642,080	-	-	642,578	642,080
Grants and contributions not restricted to specific programs	1,134,142	964,989	-	-	1,134,142	964,989
Other	526,445	351,676	958,783	801,704	1,485,228	1,153,380
Total revenues	14,159,696	16,961,374	23,725,693	24,016,569	37,885,389	40,977,943
Expenses:						
General government	3,076,623	2,661,330	-	-	3,076,623	2,661,330
Public safety	5,661,200	5,117,551	-	-	5,661,200	5,117,551
Public works	4,161,817	4,285,623	-	-	4,161,817	4,285,623
Cultural and recreation	762,458	726,927	-	-	762,458	726,927
City Judge's Office and Marshal	388,945	384,448	-	-	388,945	384,448
Interest on long-term debt	14,967	20,418	-	-	14,967	20,418
Electric	-	-	15,986,007	17,256,127	15,986,007	17,256,127
Water	-	-	1,618,222	2,048,063	1,618,222	2,048,063
Sewer	-	-	2,295,727	2,476,322	2,295,727	2,476,322
Regional airport	-	-	403,229	398,921	403,229	398,921
Ambulance service	-	-	319,244	270,439	319,244	270,439
Total expenses	14,066,010	13,196,297	20,622,429	22,449,872	34,688,439	35,646,169
Increase in net assets before transfers	93,686	3,765,077	3,103,264	1,566,697	3,196,950	5,331,774
Transfers	2,337,263	2,347,697	(2,337,263)	(2,347,697)	-	-
Increase (decrease) in net assets	2,430,949	6,112,774	766,001	(781,000)	3,196,950	5,331,774
Net assets at beginning of year	41,772,449	35,659,675	40,369,328	41,150,328	82,141,777	76,810,003
Net assets at end of year	\$44,203,398	\$41,772,449	\$41,135,329	\$40,369,328	\$85,338,727	\$82,141,777

Revenues for the City's governmental activities for the year ended September 30, 2005 were \$14,159,696 compared to \$16,961,374 in 2004. The decrease of \$2,801,678 was largely attributable to a decrease in general revenues, specifically sales tax. Sales tax decreased \$3,085,514.

General revenues, specifically sales tax (57.5%), are the largest component of revenues.

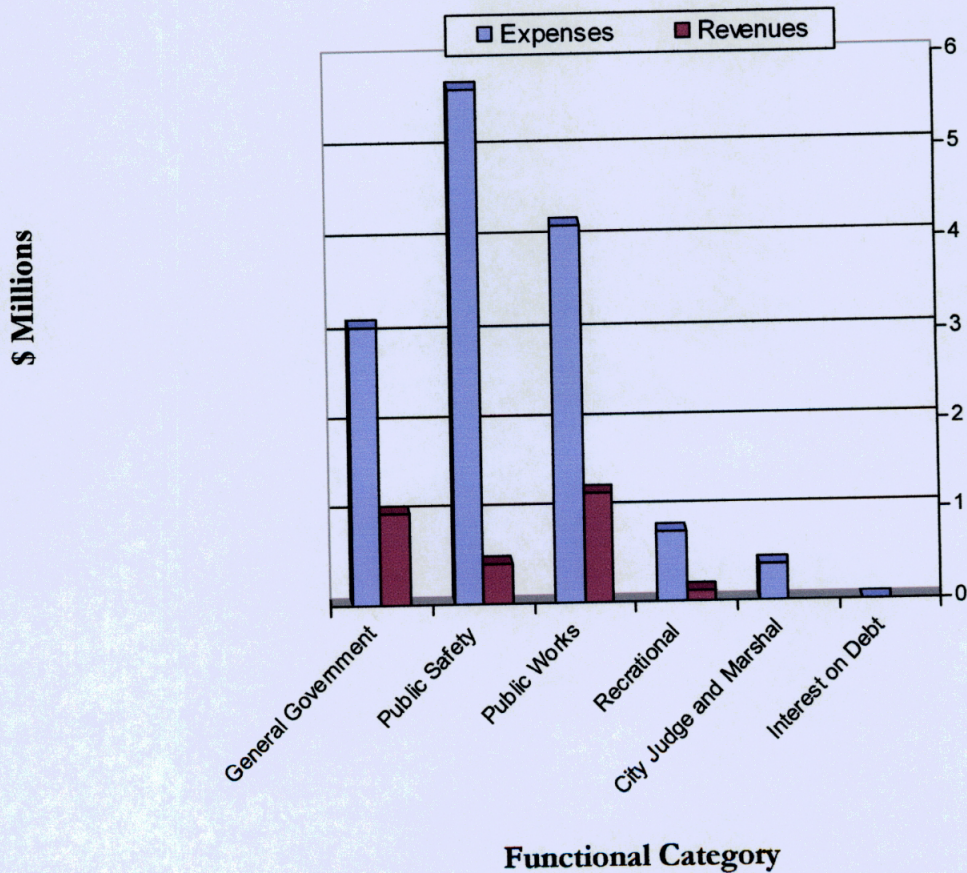
Revenues by Sources – Governmental Activities

Revenues by Sources - Governmental Activities



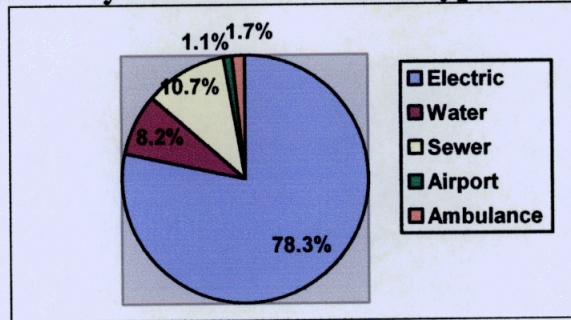
The cost of all governmental activities this year was \$14,066,010, an increase of approximately \$869,713 from 2004. The City's largest programs are general government, public safety, and public works. The graph below shows the expenses and program revenues generated by governmental activities.

Expenses and Program Revenues – Governmental Activities



Business-type Activities. Charges for services for the City of Ruston's business-type activities were \$22,516,260, a decrease of \$525,239 from 2004. The majority of this resulted from a decrease in fuel adjustment revenue of \$1,100,000. The decrease occurred because of a decrease in the consumption of energy. Also, the rates for water and sewer usage increased during the year. This increase amounted to approximately \$598,000.

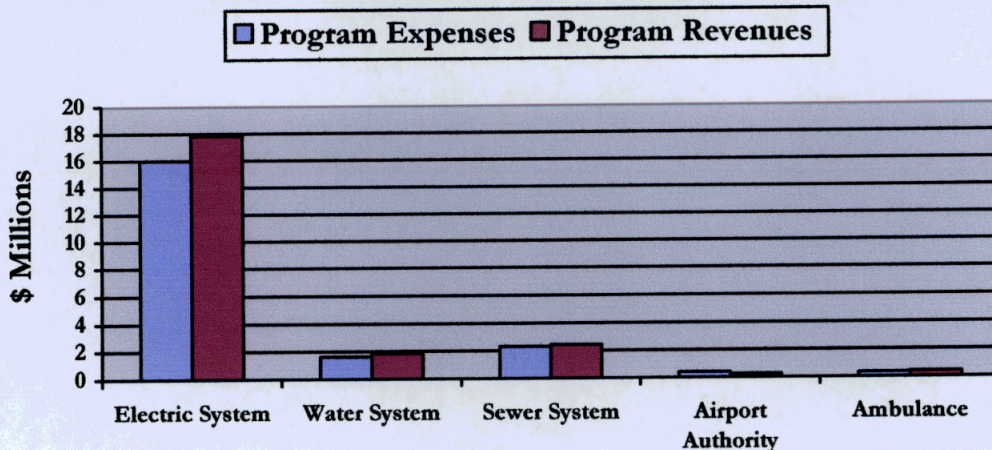
Revenue by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities

The costs of these activities were \$20,622,429, a decrease of \$1,827,443 from 2004. This decrease was due primarily to the decrease in the cost of electricity for the Electric fund of approximately \$1,247,000. This decrease occurred because the consumption of energy decreased. The Electric and Water funds also had decreases in the cost of the maintenance to the distribution system of approximately \$867,000. This decrease relates to the payable to the State of Louisiana, Department of Transportation and Development. Also, the Electric fund had an increase in personal services of approximately \$140,000 due to hiring additional personnel. The Water fund had an increase in operating services of approximately \$48,000 as the result of hiring consultants for the water rate study. The Sewer fund had an increase in operating services of approximately \$40,000 due to an increase in maintenance of right of ways and an increase in laboratory testing. For more information on this payable, see the notes to the basic financial statements.

Program Expenses and Revenues – Business-type Activities



Financial Analysis of the City of Ruston's Funds

Governmental Funds

As noted earlier, the City of Ruston uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

- As of the close of the current fiscal year, the City of Ruston's governmental funds reported a combined ending fund balance of \$18,599,933, an increase of \$1,189,017 in comparison with the prior fiscal year. Of this amount, \$14,267,725 or 76.7% was unreserved, undesignated and available for spending. \$2,960,141 is designated for subsequent years' expenditures. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the prior period (\$459,139), (2) to pay debt service (\$866,630), or (3) for other restricted purposes (\$46,298).
- The General Fund is the chief operating fund of the City of Ruston. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,040,860. The total (undesignated) is available for spending at the City Council's discretion. The fund balance of the General Fund increased by \$353,367. A key factor in this growth is an increase in transfers in from the Sales Tax funds in accordance with the sales tax proposition.
- The 1968 Sales Tax Fund has a total fund balance of \$2,479,171 all of which is unreserved, undesignated and available for spending. Fund balance increased \$96,574 as a result of an increase in sales taxes received.
- The 1985 Sales Tax Fund has a total fund balance of \$2,808,315 all of which is unreserved, undesignated and available for spending. Fund balance increased \$115,449 as a result of an increase in sales taxes received.
- The 1990 Sales Tax Fund has a total fund balance of \$2,207,716 all of which is unreserved, undesignated and available for spending. Fund balance increased \$87,021 as a result of an increase in sales taxes received.

Proprietary funds

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

- Unrestricted net assets of the Electric System at the end of the year amounted to \$7,182,749. Total net assets for the Electric System increased \$875,085 as a result of a decrease in the cost of electricity purchased.
- The unrestricted net assets for the Water System amounted to \$1,483,510. Total net assets for the Water System increased \$9,060 primarily as a result of a decrease in operating expenses.
- The unrestricted net assets for the Sewer System were (\$20,717.) Total net assets for the Sewer System decreased \$72,008 as a result of an increase in operating expenses.

General Fund Budgetary Highlights

The budget policy of the City of Ruston complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA-R.S. 39:1301 et seq.).

The original budget for the General Fund of the City of Ruston was adopted on September 7, 2004. During the year, the City Council revised the City's budget several times. Changes were made as new information indicated a need. The major difference between the original budget and the final budget was primarily the increase of \$2,880,449 to appropriate open purchase orders as of September 30, 2004. The increase for open purchase orders was spread throughout all departments. Differences between the budget and the actual results of the General Fund are as follows:

Revenues

- Licenses and permits were expected to be similar to prior year revenues. Actual revenues were more than budget by \$110,428 due to an increase in insurance taxes and franchise taxes received.
- Intergovernmental revenues were expected to be similar to prior year revenues. Actual revenues were more than budget by \$261,247 due primarily to an increase in solid waste management fees received and FEMA grant money received for Hurricanes Katrina and Rita.

Expenditures

- Inspections operating expenditures were under budget by \$70,722 as a result of lower than anticipated housing demolition expenditures.
- Police improvements and equipment were under budget by \$127,558 as a result of encumbrances open at the end of the year.
- Street department personnel expenditures were under budget by \$87,341 as a result of the postponement of hiring additional personnel.
- Street department operating expenditures were under budget by \$81,427 as a result of street maintenance expenditures being lower than projected.
- Solid waste department personnel expenditures were under budget by \$88,681 as a result of the postponement of hiring additional personnel.

Capital Assets and Debt Administration

Capital assets. The City of Ruston's investment in capital assets as of September 30, 2005 amounts to \$59,288,318, net of depreciation. This investment in capital assets includes land, buildings and improvements, streets, drainage, furniture and equipment, and construction in progress. The table below shows the value at the end of the fiscal year.

City of Ruston's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Land and land improvements	\$7,269,322	\$6,872,197	\$832,133	\$608,721	\$8,101,455	\$7,480,918
Buildings	2,481,423	2,330,935	1,059,990	1,111,001	3,541,413	3,441,936
System Improvement	-	-	18,872,037	19,615,227	18,872,037	19,615,227
Improvements other than buildings	2,786,771	2,935,783	3,501,976	3,827,536	6,288,747	6,763,319
Equipment	3,995,066	4,215,333	4,888,332	5,171,948	8,883,398	9,387,281
Infrastructure	6,463,502	6,490,412	-	-	6,463,502	6,490,412
Construction in progress	2,293,828	1,592,144	4,843,938	2,523,050	7,137,766	4,115,194
Total	\$25,289,912	\$24,436,804	\$33,998,406	\$32,857,483	\$59,288,318	\$57,294,287

Major capital asset additions during the current fiscal year included the following:

- The purchase of land to be used for a parking lot for approximately \$172,000.
- The purchase of land to be used for a new park for approximately \$104,000.
- The purchase and improvements of a building housing the Section 8, Community Development, and Inspections offices for approximately \$255,000.
- The purchase of a garbage truck for the Solid Waste department for approximately \$148,000.
- The completion of the SCADA Fiber and Upgrade project for the Electric fund for approximately \$208,000.
- The completion of the Cypress Springs Water Improvement project for the Water fund for approximately \$443,000.
- The completion of the Cypress Springs Phase II Sewer Improvements for the Sewer fund for approximately \$297,000.
- The acquisition of land for airport expansion for the Airport fund for approximately \$347,000.

Long-term debt. At the end of the current fiscal year, the City of Ruston had total debt outstanding of \$2,977,180. The following table summarizes bonds outstanding at September 30, 2005.

Outstanding Debt

	Governmental		Business-type		Total	
	2005	2004	2005	2004	2005	2004
General						
obligation bonds	\$62,000	\$122,000	-	-	\$62,000	\$122,000
Revenue bonds	100,000	100,000	\$2,119,407	\$2,448,280	2,219,407	2,548,280
Due to State	-	-	695,773	782,745	695,773	782,745
Total	<u>\$162,000</u>	<u>\$222,000</u>	<u>\$2,815,180</u>	<u>\$3,231,025</u>	<u>\$2,977,180</u>	<u>\$3,453,025</u>

For additional information regarding capital assets and long-term debt, see the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

In setting the budgets for 2005, the City dealt with a number of issues with City-wide impact. One of the factors was the national economy. Although the local economy is stable, the City is not immune to national economic trends. Sales tax collections, excluding special settlements, increased 8% from 2003 to 2004 and 3% from 2004 to 2005. Sales tax collections are expected to grow 8% in 2005. National unemployment rates for September 2005 were down to 5.1% compared to 5.3% at September 2004. Employment in services and in the retail/wholesale sectors is growing the fastest which mirror the national trend.

Spiraling health care costs nationwide continue to have an impact on City budgets, in addition to increasing retirement costs. In 2006, the budgets will be required to provide more than \$1.8 million to pay the City's portion of health care premiums.

All of these factors were considered in preparing the City's budget for the 2006 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City of Ruston's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Ruston Treasurer's Office, 401 North Trenton Street, Ruston, LA 71270.

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Basic Financial Statements

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CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
ASSETS				
Cash and cash equivalents	\$ 6,308,173	\$ 7,422,658	\$ 13,730,831	\$ 515,385
Investments	12,706,819	2,409,344	15,116,163	40,741
Receivables, net	1,679,332	1,405,157	3,084,489	1,873
Unbilled revenue	68,436	1,970,592	2,039,028	-
Due from other governments	-	15,895	15,895	8,011
Internal balances	776,284	(776,284)	-	-
Inventories	42,406	495,557	537,963	-
Prepaid items	3,892	250	4,142	3,860
Bond issue costs, net	32,436	18,680	51,116	-
Capital assets:				
Land and construction in progress	9,563,150	5,676,071	15,239,221	-
Other capital assets, net of depreciation	15,726,762	28,322,335	44,049,097	65,836
Total assets	<u>46,907,690</u>	<u>46,960,255</u>	<u>93,867,945</u>	<u>635,706</u>
LIABILITIES				
Accounts payable	471,840	1,603,932	2,075,772	1,473
Accrued liabilities	338,398	138,117	476,515	434
Accrued interest payable	1,798	146,640	148,438	-
Claims	260,854	-	260,854	-
Deposits	450	671,148	671,598	-
Non-current liabilities:				
Due within one year	92,000	456,879	548,879	-
Due in more than one year	1,538,952	2,808,210	4,347,162	-
Total liabilities	<u>2,704,292</u>	<u>5,824,926</u>	<u>8,529,218</u>	<u>1,907</u>
NET ASSETS				
Invested in capital assets, net of related debt	25,289,912	31,878,999	57,168,911	65,836
Restricted for:				
Debt service	866,630	454,790	1,321,420	-
Unrestricted	18,046,856	8,801,540	26,848,396	567,963
Total net assets	<u>\$ 44,203,398</u>	<u>\$ 41,135,329</u>	<u>\$ 85,338,727</u>	<u>\$ 633,799</u>

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

CITY OF RUSTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 3,076,623	\$ 107,350	\$ 894,930	\$ -
Public safety	5,661,200	359,337	74,476	-
Public works	4,161,817	1,171,666	23,510	-
Cultural and recreation	762,458	115,651	-	-
City Judge and Marshal	388,945	-	-	-
Interest on long-term debt	14,967	-	-	-
Total governmental activities	<u>14,066,010</u>	<u>1,754,004</u>	<u>992,916</u>	<u>-</u>
Business-type activities:				
Electric System	15,986,007	17,820,167	-	6,815
Water System	1,618,222	1,871,287	-	-
Sewer System	2,295,727	2,429,907	-	-
Ruston Airport Authority	403,229	17,097	-	230,135
Ambulance	319,244	377,802	-	13,700
Total business-type activities	<u>20,622,429</u>	<u>22,516,260</u>	<u>-</u>	<u>250,650</u>
Total primary government	<u>\$34,688,439</u>	<u>\$24,270,264</u>	<u>\$ 992,916</u>	<u>\$ 250,650</u>
Component units:				
City Judge	405,698	531,243	-	-
City Marshall	270,304	292,577	-	-
Total component units	<u>\$ 676,002</u>	<u>\$ 823,820</u>	<u>-</u>	<u>-</u>

General revenues:

Taxes:

- Property taxes levied for general purposes
- Property taxes levied for recreation facilities and programs
- Sales taxes levied for general purposes
- Sales taxes levied for recreation facilities and programs
- Sales taxes levied for street and drainage facilities
- Sales taxes levied for fire protection
- Sales taxes levied for police protection
- Sales taxes levied for drug prevention programs
- Sales taxes levied for debt service

Insurance taxes

Alcoholic beverage taxes

Franchise taxes

Intergovernmental

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in Net Assets

Net assets - beginning

Net assets - ending

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

**Net (Expenses) Revenue and
Changes in Net Assets**

Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,074,343)	-	\$ (2,074,343)	-
(5,227,387)	-	(5,227,387)	-
(2,966,641)	-	(2,966,641)	-
(646,807)	-	(646,807)	-
(388,945)	-	(388,945)	-
(14,967)	-	(14,967)	-
<u>(11,319,090)</u>	<u>-</u>	<u>(11,319,090)</u>	<u>-</u>
-	\$ 1,840,975	1,840,975	-
-	253,065	253,065	-
-	134,180	134,180	-
-	(155,997)	(155,997)	-
-	72,258	72,258	-
-	<u>2,144,481</u>	<u>2,144,481</u>	-
<u>(11,319,090)</u>	<u>2,144,481</u>	<u>(9,174,609)</u>	-
-	-	-	\$ 125,545
-	-	-	22,273
-	-	-	<u>147,818</u>
670,149	-	670,149	-
294,071	-	294,071	-
3,794,078	-	3,794,078	-
208,037	-	208,037	-
600,000	-	600,000	-
1,190,424	-	1,190,424	-
1,190,424	-	1,190,424	-
20,000	-	20,000	-
1,142,428	-	1,142,428	-
304,944	-	304,944	-
5,220	-	5,220	-
332,414	-	332,414	-
1,134,142	-	1,134,142	-
406,459	240,543	647,002	8,440
119,986	718,240	838,226	-
2,337,263	(2,337,263)	-	-
<u>13,750,039</u>	<u>(1,378,480)</u>	<u>12,371,559</u>	<u>8,440</u>
2,430,949	766,001	3,196,950	156,258
41,772,449	40,369,328	82,141,777	477,541
<u>\$ 44,203,398</u>	<u>\$ 41,135,329</u>	<u>\$85,338,727</u>	<u>\$ 633,799</u>

CITY OF RUSTON, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	<u>General</u>	<u>1968 Sales Tax</u>	<u>1985 Sales Tax</u>
ASSETS			
Cash and cash equivalents	\$ 1,833,426	\$ 1,155,473	-
Investments	3,627,680	5,649,343	-
Receivables, net	554,203	207,217	\$ 310,824
Unbilled revenues	68,436	-	-
Due from other funds	769,452	3,825	2,536,188
Inventories, at cost	42,406	-	-
Prepaid items	3,892	-	-
Total assets	<u>\$ 6,899,495</u>	<u>\$ 7,015,858</u>	<u>\$ 2,847,012</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 185,834	-	-
Accrued liabilities	320,425	-	-
Due to other funds	32,622	\$ 4,536,687	\$ 38,697
Deposits and deferred charges	-	-	-
Total liabilities	<u>538,881</u>	<u>4,536,687</u>	<u>38,697</u>
Fund Balances:			
Reserved for:			
Debt service	5,450	-	-
Encumbrances	268,006	-	-
Inventories	42,406	-	-
Prepaid items	3,892	-	-
Unreserved, undesignated	6,040,860	2,479,171	2,808,315
Unreserved, designated reported in nonmajor:			
Capital project funds	-	-	-
Unreserved, undesignated, reported in nonmajor:			
Special revenue funds	-	-	-
Total fund balances	<u>6,360,614</u>	<u>2,479,171</u>	<u>2,808,315</u>
Total liabilities and fund balances	<u>\$ 6,899,495</u>	<u>\$ 7,015,858</u>	<u>\$ 2,847,012</u>

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

<u>1990 Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	\$ 2,510,051	\$ 5,498,950
-	2,009,591	11,286,614
\$ 207,217	399,871	1,679,332
-	-	68,436
2,000,499	174,929	5,484,893
-	-	42,406
-	-	3,892
<u>\$ 2,207,716</u>	<u>\$ 5,094,442</u>	<u>\$ 24,064,523</u>

-	\$ 239,354	\$ 425,188
-	9,872	330,297
-	100,649	4,708,655
-	450	450
<u>-</u>	<u>350,325</u>	<u>5,464,590</u>

-	861,180	866,630
-	191,133	459,139
-	-	42,406
-	-	3,892
2,207,716	-	13,536,062
-	2,960,141	2,960,141
-	731,663	731,663
<u>2,207,716</u>	<u>4,744,117</u>	<u>18,599,933</u>
<u>\$ 2,207,716</u>	<u>\$ 5,094,442</u>	<u>\$ 24,064,523</u>

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CITY OF RUSTON, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Fund balances - total governmental funds		\$ 18,599,933
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	39,286,475	
Less accumulated depreciation	<u>(14,015,715)</u>	25,270,760
<p>Other assets used in governmental activities that are not financial resources and therefore are not reported in the governmental funds.</p>		
Unamortized bond issuance costs		32,436
<p>Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Accrued interest payable	(1,798)	
Compensated absences	(1,454,251)	
Bonds, notes, and loans payable	<u>(162,000)</u>	(1,618,049)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.</p>		
		<u>1,918,318</u>
Net assets of governmental activities		<u><u>\$ 44,203,398</u></u>

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

CITY OF RUSTON, LOUISIANA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>General</u>	<u>1968 Sales Tax</u>	<u>1985 Sales Tax</u>
REVENUES			
Taxes:			
Property	\$ 670,149	-	-
Sales	-	\$ 2,000,848	\$ 3,001,267
Licenses and permits	749,928	-	-
Intergovernmental	1,242,128	-	-
Charges for services	1,165,054	-	-
Fines and forfeitures	365,949	-	-
Investment earnings	147,173	59,467	56,673
Miscellaneous	101,256	-	-
Total revenues	<u>4,441,637</u>	<u>2,060,315</u>	<u>3,057,940</u>
EXPENDITURES			
Current:			
General government	3,223,986	21,241	27,555
Public safety	5,414,463	-	-
Public works	3,982,140	-	-
Culture and recreation	-	-	-
City Court and Marshal	390,718	-	-
Debt service:			
Principal	60,000	-	-
Interest and other charges	6,712	-	-
Capital outlay	-	-	-
Total expenditures	<u>13,078,019</u>	<u>21,241</u>	<u>27,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,636,382)</u>	<u>2,039,074</u>	<u>3,030,385</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	9,161,235	-	-
Transfers out	(171,486)	(1,942,500)	(2,914,936)
Total other financing sources and (uses)	<u>8,989,749</u>	<u>(1,942,500)</u>	<u>(2,914,936)</u>
Net change in fund balances	353,367	96,574	115,449
Fund balances - beginning	6,007,247	2,382,597	2,692,866
Fund balances - ending	<u>\$ 6,360,614</u>	<u>\$ 2,479,171</u>	<u>\$ 2,808,315</u>

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

<u>1990 Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	\$ 294,071	\$ 964,220
\$ 2,000,848	1,142,428	8,145,391
-	-	749,928
-	884,930	2,127,058
-	115,651	1,280,705
-	-	365,949
49,708	93,438	406,459
-	18,730	119,986
<u>2,050,556</u>	<u>2,549,248</u>	<u>14,159,696</u>
19,035	758,096	4,049,913
-	-	5,414,463
-	-	3,982,140
-	825,729	825,729
-	-	390,718
-	-	60,000
-	4,590	11,302
-	573,677	573,677
<u>19,035</u>	<u>2,162,092</u>	<u>15,307,942</u>
<u>2,031,521</u>	<u>387,156</u>	<u>(1,148,246)</u>
-	1,578,132	10,739,367
<u>(1,944,500)</u>	<u>(1,428,682)</u>	<u>(8,402,104)</u>
<u>(1,944,500)</u>	<u>149,450</u>	<u>2,337,263</u>
87,021	536,606	1,189,017
2,120,695	4,207,511	17,410,916
<u>\$ 2,207,716</u>	<u>\$ 4,744,117</u>	<u>\$ 18,599,933</u>

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CITY OF RUSTON, LOUISIANA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

Net change in fund balances - total governmental funds \$ 1,189,017

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,155,782	
Depreciation expense	<u>(1,322,124)</u>	833,658

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, write offs, and donations) is to decrease net assets. 24,937

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of these differences in the treatment of long-term debt and related items is as follows:

Principal payments		60,000
--------------------	--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of issuance costs	(5,035)	
Increase in compensated absences	(250,692)	
Decrease in accrued interest	<u>1,370</u>	(254,357)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities. 577,694

Change in net assets of governmental activities \$ 2,430,949

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2005

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Major Funds			Nonmajor Funds			
	Electric System	Water System	Sewer System	Airport Authority	Ambulance	Total	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 5,891,588	\$ 518,585	\$ 297,664	\$ 334,669	\$ 144,146	\$ 7,186,652	\$ 809,223
Investments	511,000	800,000	-	-	-	1,311,000	1,420,205
Receivables, net	1,024,600	149,469	138,020	-	93,068	1,405,157	-
Unbilled revenue	1,613,929	1,672,74	189,389	-	-	1,970,592	-
Due from other funds	-	214,966	128,582	1,068	-	344,616	46
Due from other governments	-	-	-	13,395	2,500	15,895	-
Inventories	325,345	130,897	39,315	-	-	495,557	-
Travel advances	-	-	50	-	200	250	-
Total current assets	<u>9,366,462</u>	<u>1,981,191</u>	<u>793,020</u>	<u>349,132</u>	<u>239,914</u>	<u>12,729,719</u>	<u>2,229,474</u>
Noncurrent assets:							
Restricted:							
Cash and cash equivalents	45,590	9,598	180,818	-	-	236,006	-
Investments	832,590	152,050	113,704	-	-	1,098,344	-
Capital assets:							
Land	191,611	75,070	218,801	346,651	-	832,133	-
Construction in progress	1,350,692	385,365	3,070,035	37,846	-	4,843,938	-
Buildings	2,107,038	139,934	112,384	407,215	-	2,766,571	13,080
Improvements other than buildings	-	-	-	5,580,674	-	5,580,674	-
Equipment	19,990,594	613,125	1,967,921	27,604	373,468	22,972,712	48,123
Distribution and collection systems	17,839,963	9,298,738	17,804,522	-	-	44,943,223	-
Less accumulated depreciation	<u>(29,959,598)</u>	<u>(5,703,935)</u>	<u>(9,804,479)</u>	<u>(2,149,470)</u>	<u>(323,363)</u>	<u>(47,940,845)</u>	<u>(42,051)</u>
Total capital assets (net of accumulated depreciation)	11,520,300	4,808,297	13,369,184	4,250,520	50,105	33,998,406	19,152
Deferred bond costs, at cost less amortization	-	-	18,680	-	-	18,680	-
Total noncurrent assets	<u>12,398,480</u>	<u>4,969,945</u>	<u>13,682,386</u>	<u>4,250,520</u>	<u>50,105</u>	<u>35,351,436</u>	<u>19,152</u>
Total assets	<u>\$ 21,764,942</u>	<u>\$ 6,951,136</u>	<u>\$ 14,475,406</u>	<u>\$ 4,599,652</u>	<u>\$ 290,019</u>	<u>\$ 48,081,155</u>	<u>\$ 2,248,626</u>

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Funds			
	Major Funds	Sewer System		Alport Authority	Ambulance	Total	
Electric System	Water System						
LIABILITIES							
Current liabilities							
Accounts payable	\$ 1,135,123	\$ 13,587	\$ 446,515	\$ 2,669	\$ 6,038	\$ 1,603,932	\$ 46,652
Accrued liabilities	92,866	16,862	21,463	-	6,926	138,117	8,101
Due to other funds	416,840	5,774	313,069	246,274	138,943	1,120,900	-
Claims and judgments	-	-	-	-	-	-	260,854
Compensated absences	8,000	13,000	1,500	-	3,000	25,500	-
Total current liabilities	<u>1,652,829</u>	<u>49,223</u>	<u>782,547</u>	<u>248,943</u>	<u>154,907</u>	<u>2,888,449</u>	<u>315,607</u>
Current liabilities payable from restricted assets:							
Customer deposits	669,768	-	1,380	-	-	671,148	-
Bonds payable	-	109,407	235,000	-	-	344,407	-
Due to LADOTD	37,148	49,824	-	-	-	86,972	-
Accrued interest	146,640	-	-	-	-	146,640	-
Total current liabilities payable from restricted assets	<u>853,556</u>	<u>159,231</u>	<u>236,380</u>	<u>-</u>	<u>-</u>	<u>1,249,167</u>	<u>-</u>
Noncurrent liabilities:							
Compensated absences	295,471	49,870	49,870	-	29,198	424,409	14,701
Bonds payable	-	-	1,775,000	-	-	1,775,000	-
Due to LADOTD	260,037	348,764	-	-	-	608,801	-
Total noncurrent liabilities	<u>555,508</u>	<u>398,634</u>	<u>1,824,870</u>	<u>-</u>	<u>29,198</u>	<u>2,808,210</u>	<u>14,701</u>
Total liabilities	<u>3,061,893</u>	<u>607,088</u>	<u>2,843,797</u>	<u>248,943</u>	<u>184,105</u>	<u>6,945,826</u>	<u>330,308</u>
NET ASSETS							
Invested in capital assets, net of related debt	11,520,300	4,698,890	11,359,184	4,250,520	50,105	31,878,999	19,152
Restricted for debt service	-	161,648	293,142	-	-	454,790	-
Unrestricted (deficit)	7,182,749	1,483,510	(20,717)	100,189	55,809	8,801,540	1,899,166
Total net assets (deficit)	<u>\$ 18,703,049</u>	<u>\$ 6,344,048</u>	<u>\$ 11,631,609</u>	<u>\$ 4,350,709</u>	<u>\$ 105,914</u>	<u>\$ 41,135,329</u>	<u>\$ 1,918,318</u>

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

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CITY OF RUSTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Funds			
	Major Funds	Sewer System	Airport Authority	Ambulance	Total	Total	
	Electric System	Water System	-	-	-	-	-
OPERATING REVENUES							
Charges for services	\$ 17,820,167	\$ 1,871,287	\$ 2,429,907	\$ 17,097	\$ 377,802	\$ 22,516,260	\$ 2,539,072
Charges to other funds	-	-	-	-	-	-	183,004
Premiums paid by retired employees	35,245	-	-	20,437	-	55,682	-
Rent income	585,626	54,724	20,695	1,296	217	662,558	399
Miscellaneous	18,441,038	1,926,011	2,450,602	38,830	378,019	23,234,500	2,722,475
Total operating revenues							
OPERATING EXPENSES							
Personal services	2,102,473	428,604	635,550	-	211,343	3,377,970	168,408
Operating services	1,406,998	585,234	695,498	35,898	27,369	2,750,997	14,042
Materials and supplies	10,794,486	141,274	295,744	260	49,654	11,281,418	4,673
Travel and other	32,464	4,977	7,973	543	5,388	51,345	513
Depreciation	1,568,053	427,058	569,932	366,528	25,490	2,957,061	5,487
Claims	-	-	-	-	-	-	1,632,950
Insurance premiums	-	-	-	-	-	-	367,053
Total operating expenses	15,904,474	1,587,147	2,204,697	403,229	319,244	20,418,791	2,193,126
Operating income (loss)	2,536,564	338,864	245,905	(364,399)	58,775	2,815,709	529,349
NONOPERATING REVENUES (EXPENSES)							
Investment earnings	142,115	46,565	47,257	2,556	2,050	240,543	48,345
Interest expense	(43,451)	(10,614)	(63,630)	-	-	(117,695)	-
Amortization	-	(1,127)	(2,669)	-	-	(3,796)	-
Loss on disposal of fixed assets	(38,082)	(19,334)	(24,731)	-	-	(82,147)	-
Total nonoperating revenues (expenses)	60,582	15,490	(43,773)	2,556	2,050	36,905	48,345
Income (loss) before contributions and transfers	2,597,146	354,354	202,132	(361,843)	60,825	2,852,614	577,694
Capital contributions	6,815	-	-	230,135	13,700	250,650	-
Transfers in	-	-	2,490	11,047	-	13,537	-
Transfers out	(1,728,876)	(345,294)	(276,630)	-	-	(2,350,800)	-
Change in net assets	875,085	9,060	(72,008)	(120,661)	74,525	766,001	577,694
Total net assets (deficit) - beginning	17,827,964	6,334,988	11,703,617	4,471,370	31,389	40,369,328	1,340,624
Total net assets (deficit) - ending	\$ 18,703,049	\$ 6,344,048	\$ 11,631,609	\$ 4,350,709	\$ 105,914	\$ 41,135,329	\$ 1,918,318

CITY OF RUSTON, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Business-type Activities							Governmental Activities
	Enterprise Funds							
	Major Funds			Nonmajor Funds			Total	
Electric System	Water System	Sewer System	Airport Authority	Ambulance	Internal Service Funds			
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from operations	\$ 17,922,671	\$ 1,586,588	\$ 2,221,583	\$ 49,194	\$ 405,160	\$ 22,185,196	\$ 2,798,131	
Payments to suppliers	(12,030,014)	(780,068)	(1,058,006)	195,665	(158,710)	(13,831,133)	(423,755)	
Payments to employees	(1,964,798)	(400,391)	(624,490)	-	(204,637)	(3,194,316)	(179,697)	
Claim payments	-	-	-	-	-	-	(1,597,483)	
Other receipts	620,871	54,724	20,695	1,296	217	697,803	-	
	4,548,730	460,853	559,782	246,155	42,030	5,857,550	597,196	
Net cash provided by operating activities								
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Transfers in	-	-	2,490	11,047	-	13,537	-	
Transfers out	(1,728,876)	(345,294)	(276,630)	-	-	(2,350,800)	-	
Net cash provided by (used in) noncapital financing activities	(1,728,876)	(345,294)	(274,140)	11,047	-	(2,337,263)	-	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Acquisition and construction of capital assets	(1,887,959)	(353,520)	(1,702,858)	(235,727)	(67)	(4,180,131)	-	
Capital contributions	6,815	-	-	230,135	13,700	250,650	-	
Payable to State	(37,148)	(49,824)	-	-	-	(86,972)	-	
Principal paid on debt	-	(100,000)	(230,000)	-	-	(330,000)	-	
Interest paid on debt	(37,794)	(10,614)	(63,630)	-	-	(112,038)	-	
Net cash used in capital and related financing activities	(1,956,086)	(513,958)	(1,996,488)	(5,592)	13,633	(4,458,491)	-	
CASH FLOWS FROM INVESTING ACTIVITIES:								
Proceeds from sales and maturities of investments	1,190,426	1,753,767	1,625,296	-	-	4,569,489	-	
Purchase of investments	(1,226,897)	(988,488)	(30,880)	-	-	(2,246,265)	(363,019)	
Interest and dividends received	142,115	46,565	47,257	2,556	2,050	240,543	48,345	
Net cash provided by (used in) investing activities	105,644	811,844	1,641,673	2,556	2,050	2,563,767	(314,674)	
Net increase (decrease) in cash and cash equivalents	969,412	413,445	(69,173)	254,166	57,713	1,625,563	282,522	
Cash and cash equivalents, beginning of year	4,967,766	114,738	547,655	80,503	86,433	5,797,095	526,701	
Cash and cash equivalents, end of year	\$ 5,937,178	\$ 528,183	\$ 478,482	\$ 334,669	\$ 144,146	\$ 7,422,658	\$ 809,223	
Noncash item:								
Amortization	-	1,127	2,669	-	-	3,796	-	
Loss on disposal of fixed assets	38,082	19,334	24,731	-	-	82,147	-	

	Business-type Activities						Governmental Activities
	Enterprise Funds						
	Major Funds		Nonmajor Funds		Total		
Electric System	Water System	Sewer System	Airport Authority	Ambulance		Internal Service Funds	
Operating income (loss)	\$ 2,536,564	\$ 338,864	\$ 245,905	\$ (364,399)	\$ 58,775	\$ 2,815,709	\$ 529,349
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation and amortization	1,568,053	427,058	569,932	366,528	25,490	2,957,061	5,487
(Increase) Decrease in assets:							
Receivables	(387,347)	(85,078)	(80,092)	-	27,358	(525,159)	75,205
Due from other funds	468,267	(199,621)	(128,582)	(1,068)	-	138,996	451
Due from other governments	-	-	-	12,728	-	12,728	-
Inventories	(20,363)	(21,299)	(5,334)	-	-	(46,996)	-
Prepaid items	3,800	43	550	-	(200)	4,193	-
Increase (Decrease) in liabilities:							
Accounts payable	(141,832)	(33,058)	102,776	(4,583)	(23,121)	(99,818)	(37,474)
Accrued liabilities	2,538	4,069	2,099	-	1,227	9,933	2,980
Due to other funds	366,129	5,774	(156,233)	236,949	(53,178)	399,441	-
Customers' deposits	21,584	-	350	-	-	21,934	-
Claims	-	-	-	-	-	-	35,467
Compensated absences	131,337	24,101	8,411	-	5,679	169,528	(14,269)
Total adjustments	2,012,166	121,989	313,877	610,554	(16,745)	3,041,841	67,847
Net cash provided by operating activities	\$ 4,548,730	\$ 460,853	\$ 559,782	\$ 246,155	\$ 42,030	\$ 5,857,550	\$ 597,196

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

Adjustments to reconcile operating income (loss) to net cash provided by operating activities:

 Depreciation and amortization

 (Increase) Decrease in assets:

 Receivables

 Due from other funds

 Due from other governments

 Inventories

 Prepaid items

 Increase (Decrease) in liabilities:

 Accounts payable

 Accrued liabilities

 Due to other funds

 Customers' deposits

 Claims

 Compensated absences

 Total adjustments

Net cash provided by operating activities

CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2005

	<u>Ruston City Judge's Office</u>	<u>Ruston City Marshal's Office</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 467,189	\$ 48,196	\$ 515,385
Investments	-	40,741	40,741
Receivables	-	1,873	1,873
Prepaid items	3,527	333	3,860
Due from governmental units	8,011	-	8,011
Capital assets, net of depreciation	40,241	25,595	65,836
Total assets	<u>518,968</u>	<u>116,738</u>	<u>635,706</u>
LIABILITIES			
Accounts payable	1,349	124	1,473
Accrued liabilities	434	-	434
Total liabilities	<u>1,783</u>	<u>124</u>	<u>1,907</u>
NET ASSETS			
Invested in capital assets, net of related debt	40,241	25,595	65,836
Unrestricted	476,944	91,019	567,963
Total net assets	<u>\$ 517,185</u>	<u>\$ 116,614</u>	<u>\$ 633,799</u>

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Ruston City Judge's Office</u>	<u>Ruston City Marshal's Office</u>	<u>Total</u>
City Judge Judicial	\$ 405,698	\$ 531,243	\$ 125,545	-	\$ 125,545
City Marshal Judicial	<u>270,304</u>	<u>292,577</u>	<u>-</u>	<u>\$ 22,273</u>	<u>22,273</u>
	<u>\$ 676,002</u>	<u>\$ 823,820</u>	125,545	22,273	147,818
General Revenues:					
Interest earnings			6,456	1,984	8,440
Change in net assets			<u>132,001</u>	<u>24,257</u>	<u>156,258</u>
Net assets - beginning			385,184	92,357	477,541
Net assets - ending			<u>\$ 517,185</u>	<u>\$ 116,614</u>	<u>\$ 633,799</u>

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

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CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ruston, Louisiana, (the "City") was incorporated in 1898, under the provisions of the Lawrason Act. The City operates under a Mayor-Board of Alderman form of government. The City's major operations include police and fire protection, public works, parks and recreation, utility services, and general administrative services. In addition, the City exercises sufficient control over other governmental agencies and authorities that are included as part of the City's reporting entity.

The basic criterion for determining whether another governmental organization should be included in a primary governmental unit's reporting entity for financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization, or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity.

The financial statements present the City of Ruston (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

DISCRETELY PRESENTED COMPONENT UNITS

The component units column in the government-wide financial statements includes the financial data of the City's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the City.

City Judge's Office

The Ruston City Judge's Office was created by special legislative act. Its jurisdiction includes the incorporated area of the City. The City Judge is elected and cannot be removed by City officials. The City Judge's Office is fiscally dependent on the City. The City has the ability to modify or approve its budget which comes from the General Fund. There are certain funds collected by the City Judge's Office, pursuant to state statute, which are under the control of the Court. The City Judge's Office serves the citizenry of the City. The financial statements of the City Judge's Office included in the accompanying financial statements are as of and for the fiscal year ended September 30, 2005.

City Marshal

The Ruston City Marshal is an elected official. The City Marshal is fiscally dependent on the City. The City has the ability to modify or approve the budget which comes from the General Fund. Certain funds are collected such as court costs, pursuant to state statute, which are under the control of the City Marshal. The City Marshal serves the citizenry of the City. The financial statements of the City Marshal included in the accompanying financial statements are as of and for the fiscal year ended September 30, 2005.

Complete financial statements of the individual component units may be obtained at the following addresses:

City Judge's Office
P.O. Box 1821
Ruston, Louisiana 71273-1821

City Marshal
P. O. Box 1582
Ruston, Louisiana 71273-1582

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2005

OTHER RELATED ORGANIZATIONS

Housing Authority

The Authority was created by state statutes and it is legally separate from the City. The Mayor appoints the commissioners; however, the City cannot impose its will on the Authority since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the commissioners. The Authority is fiscally independent and no financial benefit or burden relationship exists with the City. Therefore, it is not included in the City's financial statements.

Lincoln Parish Sales and Use Tax Commission

The Commission is an independent agency that collects sales taxes. It is legally separate from the City. The commission is a jointly governed organization. The City does not retain an ongoing financial interest or responsibility for its operations. It is not included in the City's financial statements.

Complete financial statements of the individual related organizations may be obtained at the following addresses:

Ruston Housing Authority
1615 North Farmerville
Ruston, Louisiana 71270

Lincoln Parish Sales and Use Tax Commission
P.O. Box 863
Ruston, Louisiana 71273-0863

The accounting policies of the City of Ruston, Louisiana, conform to generally accepted accounting principles as applicable to governmental units. The accounting policies of the discretely presented component units are consistent with those of the City. The following is a summary of the more significant policies:

a. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (GWFS) (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two 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 City is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense is identified by function and is included in the direct expense of each function. Interest on

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2005

general long-term debt of governmental activities is considered an indirect expense and is reported separately on the statement of activities. Interest on long-term debt of business-type activities is recorded as direct expenses. Program revenues include 1) fees, fines, and 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 (FFS) are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the FFS with nonmajor governmental, nonmajor enterprise and internal service funds being reported on an aggregated basis.

b. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements 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. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for franchise tax revenues which are considered available if collected within 90 days and grant revenue if collected within one year. Property taxes are recognized as revenues in the year in which final approval is received from the Louisiana Tax Commission, at which time a valid claim exists, to the extent considered available. 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 are recorded only when payment is due.

Property taxes are considered "measurable" at the time of levy whereas such items as beer taxes are considered "measurable" when in the hands of intermediary collecting agencies and are recognized as revenue at that time. Substantially all other non-intergovernmental revenues are susceptible to accrual and are recognized when earned or the underlying transaction occurs. Sales taxes are accrued in the individual funds to which they pertain. For intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met. In reimbursement type programs, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore revenues are recognized based upon the expenditures recorded. In other programs in which monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements, the resources are reflected

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as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met and all other eligibility requirements are met.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues expenditures/expenses and other changes in fund balance/net assets. The various funds are summarized by type in the financial statements. The following funds are used by the City:

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

1968 Sales Tax Fund – This special revenue fund accounts for the receipt and use of proceeds of the City's sales and use tax. A one-half cent sales tax is dedicated to general operating expenses, general capital assets, and waterworks extensions and improvements.

1985 Sales Tax Fund – This special revenue fund accounts for the receipt and use of proceeds of the City's sales and use tax. A three-fourths cent sales tax is dedicated to the recreation department, streets and drainage, fire protection and police protection.

1990 Sales Tax Fund – This special revenue fund accounts for the receipt and use of proceeds of the City's sales and use tax. A one-half cent sales tax is dedicated for police and fire departments and drug prevention.

Additionally the City reports nonmajor governmental funds in the aggregate. The funds are within the following governmental fund types:

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds – The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The debt service funds receive a portion of all property and sales taxes paid to the City.

Capital Project Funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. All proprietary funds are accounted for on a capital maintenance focus; that is, the measurement focus is upon determination of the change in net assets. The City reports the following proprietary fund types:

Enterprise Funds – Enterprise funds are used to account for activities in which established fees and charges are designed to recover its costs, including capital costs such as depreciation and debt service.

Internal Service Funds – Internal service funds are used to account for the financing of services provided by one department of the City to other departments on a cost-reimbursement basis. The City maintains three internal service funds for workmen's compensation, general insurance coverage, and purchasing/warehouse.

The City reports the following major enterprise funds:

Electric System Fund – Operated as a self-sustaining utility of the City and is responsible for providing the residents of the City of Ruston, Louisiana, with electricity.

Water System Fund – Operated as a self-sustaining utility of the City and is responsible for providing the residents of the City of Ruston, Louisiana with water.

Sewerage System Fund - Operated as a self-sustaining utility of the City and is responsible for providing the residents of the City of Ruston, Louisiana with sewer treatment.

The City applies all applicable GASB pronouncements in accounting and reporting for its government-wide and business-type activities and its enterprise funds as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins.

As a general rule the effect of interfund activity has been eliminated from the GWFS. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments's electric, water, and sewerage function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Transactions that would be treated as revenues, expenditures or expenses if they involved organizations external to the City as they are exchange transactions are accounted for as revenues and expenditures or expenses in the funds involved.

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

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Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 nonoperating revenues and expenses.

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

The reserve method is used to account for bad debt expenses on enterprise fund receivables. Unbilled service receivables of the General Fund, Electric Fund, Water Fund, and Sewer Fund are determined based on October and November billings for electric, water, sewer and refuse services. A percentage is calculated based on the read dates for each cycle and then applied to the total billings.

c. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the GWFS and the proprietary funds. Capital assets are recorded at historical cost or estimated historical cost for assets where actual historical cost is not available and depreciated over their estimated useful lives. Donated capital assets are recorded at estimated fair value at the date of donation. The City maintains a threshold level for capitalization of capital assets except land and construction in progress. All land and construction in progress is capitalized, regardless of the amount. All other capital assets are capitalized utilizing a threshold of \$5,000. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets are not reported in the governmental FFS.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Capital assets have not been assigned a salvage value because management feels that the salvage value is immaterial. Straight-line depreciation is calculated based on the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements other than buildings	10-50
Infrastructure	20-75
Distribution and collection systems	10-50
Equipment	3-20

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d. LONG-TERM LIABILITIES

In the GWFS, and proprietary funds in the FFS, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

In the FFS, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

e. INVESTMENTS

For all funds, investments are stated at fair value based on quoted market prices. The investments at September 30, 2005 were primarily Certificates of Deposit, U.S. government and U.S. government agency securities (see note 2 for the City's investment policy.)

f. PREPAID ITEMS

Prepaid items consist of items such as prepaid insurance and other prepaid expenditures. The cost is recorded as an asset at the time such items are purchased in both GWFS and FFS. The reserve for prepaid items in governmental funds is equal to the amount of prepaid items to indicate a portion of the fund balance is not available for future expenditure.

g. INVENTORIES

Inventories are valued at cost (first-in, first-out). The cost is recorded as an asset at the time individual inventory items are purchased and charged as an expenditure when used in both GWFS and FFS. Inventories in the General Fund consist of expendable supplies held for consumption. Inventories in the enterprise funds consist of repair materials and spare parts.

h. REFUNDABLE DEPOSITS

The Electric System Fund requires deposits for certain customers. These monies are restricted and are reported as assets and liabilities.

i. VACATION AND SICK LEAVE

City employees are granted vacation and sick leave in varying amounts. Employees are permitted to use sick leave toward retirement up to a maximum of six months, if they have sufficient time to qualify for retirement. Only unpaid vacation pay for the employees has been accrued, and sick leave for the employees eligible for retirement benefits has been accrued. All other sick leave is recorded as an expenditure when

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paid. The estimated liability for unused vacation for governmental funds is recorded in the GWFS. Vacation leave of governmental funds is recorded as an expenditure when paid. Accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as it is earned by the employees.

j. PENSION PLANS

The State of Louisiana has 3 pension plans which cover substantially all employees of the City who meet certain length of service requirements. See note 8 for details of these plans.

k. RESTRICTED ASSETS

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

l. FUND EQUITY

In the GWFS, governmental activities report restrictions of net assets for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Specific reservations of the net assets are summarized below:

Invested in capital assets, net of related debt – These portions were created to represent the City's interest in its capital assets, less any related debt.

Restricted for Debt Service – These portions segregate an amount of net assets for debt service. These reservations are established to satisfy restrictions imposed by various bond agreements.

In the FFS, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Specific reservations of the fund balance accounts are summarized below:

Reserve for Inventories – These reserves were created to represent the portion of the fund balance that is not available for expenditure even though inventories are a component of net current assets.

Reserve for Debt Service – These reserves segregate a portion of fund balance for debt service. These reservations are established to satisfy restrictions imposed by various bond agreements.

Reserve for Encumbrances – Encumbrances outstanding at year-end represent the estimated amount the City intends to honor as a commitment regardless of the lapse in the appropriation.

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Designated Fund Balance – The unreserved portion of fund balance designated for future years' expenditures indicates the balance has been legally authorized to make up the following years' budget.

m. INTERFUND RECEIVABLES AND PAYABLES

All outstanding balances between funds are reported as due to/from other funds in the fund financial statements. There is no activity between funds that is representative of lending/borrowing arrangements at the end of the fiscal year. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the GWFS as internal balances.

n. PROPERTY TAXES

Property taxes attach as an enforceable lien on property when the assessment is approved by the Louisiana Tax Commission. Property taxes levied are based on the assessed value of property as listed on the previous December 31. Taxes are normally levied in November of each year and are due on or before December 31. A revaluation of all real property must be made every four years. The last revaluation date was January 1, 2004.

o. GRANTS FROM OTHER GOVERNMENTAL AGENCIES

Federal and state governmental agencies represent an important source of supplementary funding to finance housing, employment and construction programs, and other activities beneficial to the community. These funds, primarily in the form of grants, are recorded in the General Fund, special revenue funds, capital projects funds, and enterprise funds. The grants normally specify the purpose for which the funds may be used and are subject to audit by the granting agency or its representative.

p. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the City considers all highly liquid debt instruments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

q. SELF-INSURANCE CLAIMS

The City is self-insured for workmen's compensation coverage and medical insurance for employees. Self-insured claims are recorded in the City's internal service funds in accordance with GASB Statement No. 10.

Incurred but not reported claims are recorded as liabilities in the Insurance Fund. An estimate for these claims is provided by a third party administrator based on historical experience.

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r. 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

All deposits of the City are held by area financial institutions. At September 30, 2005, the carrying amount of the City's deposits was \$27,168,173 and the bank balance was \$27,908,373. The difference is due to the outstanding checks and deposits in transit at September 30, 2005.

The bank balance was covered by federal depository insurance or was collateralized with securities held by the City's agent (one of its custodial banks) in the City's name. Statues require that securities pledged for deposits of the City be held by a bank other than the pledging bank.

State statutes authorize the City to invest in United States bonds, treasury notes, government agencies' securities, certificates and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana, or mutual or trust fund institutions which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. During the year ending September 30, 2005, the City invested in certificates of deposit and U.S. government and U.S. government agency securities.

The City's investments are categorized below to give an indication of the level of custodial credit risk assumed by the City at September 30, 2005. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

	<u>CATEGORY</u>			Carrying Amount & Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. government and U.S. government agency securities	<u>\$137,548</u>	<u>\$ ---</u>	<u>\$ ---</u>	\$137,548
Louisiana Asset Management Pool				<u>1,541,273</u>
Total Investments				1,678,821
Total Deposits				<u>27,168,173</u>
Total cash, cash equivalents & investments, including restricted cash and investments				<u>\$28,846,994</u>

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The investments in the Louisiana Asset Management Pool are not categorized because they are not evidenced by securities that exist in physical or book entry form. Louisiana Asset Management Pool ("LAMP"), a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2-a7, which governs registered money market funds. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. For purposes of determining participants' shares, investments are valued at amortized cost. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Discretely Presented Component Units – Deposits

All deposits of the component units are held by area financial institutions. At the respective year ends, all deposits are insured or collateralized with securities held in the component unit's name by its agent (the trust department of a bank other than the pledging bank). The securities have a fair value of \$386,054 at September 30, 2005.

3. PROPERTY TAXES

The City levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the City on property values assessed by the Lincoln Parish Assessor and approved by the State of Louisiana Tax Commission. Total assessed value was \$116,172,917 and \$112,100,777 in 2005 and 2004, respectively. The distribution of the City's levy (tax rate per \$1,000 assessed value) was as follows for 2005 and 2004:

	<u>Levy</u>
	<u>2005</u>
General Fund	6.04
Recreation Tax	<u>2.65</u>
	<u>8.69</u>

4. RECEIVABLES

Receivables as of year end for the City's individual major funds and nonmajor and internal service funds, including the applicable allowances for uncollectible accounts, are outlined below.

	<u>Customers</u>	<u>Taxes</u>	<u>Other</u>	<u>Allowance for uncollectible accounts</u>	<u>Net Receivable</u>
Governmental activities:					
General	\$104,822	-	\$503,037	(\$53,656)	\$554,203
1968 Sales Tax	-	\$207,217	-	-	207,217
1985 Sales Tax	-	310,824	-	-	310,824
1990 Sales Tax	-	207,217	-	-	207,217
Nonmajor governmental funds	-	392,638	7,233	-	399,871
Total governmental activities	<u>\$104,822</u>	<u>\$1,117,896</u>	<u>\$510,270</u>	<u>(\$53,656)</u>	<u>\$1,679,332</u>

CITY OF RUSTON, LOUISIANA
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	<u>Customers</u>	<u>Taxes</u>	<u>Other</u>	Allowance for uncollectible accounts	Net Receivable
Business-type activities:					
Electric System	\$1,623,408	-	-	(\$598,808)	\$1,024,600
Water System	242,138	-	-	(92,669)	149,469
Sewer System	256,243	-	-	(118,223)	138,020
Ambulance	524,593	-	-	(431,525)	93,068
Total business-type activities	<u>\$2,646,382</u>	<u>-</u>	<u>-</u>	<u>(\$1,241,225)</u>	<u>\$1,405,157</u>

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance September 30, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$6,872,197	\$397,431	(\$306)	\$7,269,322
Construction in progress	<u>1,592,144</u>	<u>703,799</u>	<u>(2,115)</u>	<u>2,293,828</u>
Total capital assets, not being depreciated	<u>8,464,341</u>	<u>1,101,230</u>	<u>(2,421)</u>	<u>9,563,150</u>
Capital assets, being depreciated:				
Buildings	4,165,038	254,523	-	4,419,561
Improvements other than buildings	5,548,382	-	-	5,548,382
Equipment	9,448,737	581,149	(123,428)	9,906,458
Infrastructure	<u>9,649,196</u>	<u>218,880</u>	-	<u>9,868,076</u>
Total capital assets being depreciated	28,811,353	1,054,552	(123,428)	29,742,477
Less accumulated depreciation for:				
Buildings	(1,834,103)	(104,035)	-	(1,938,138)
Improvements other than buildings	(2,612,599)	(149,012)	-	(2,761,611)
Equipment	(5,233,404)	(823,287)	145,299	(5,911,392)
Infrastructure	<u>(3,158,784)</u>	<u>(245,790)</u>	-	<u>(3,404,574)</u>
Total accumulated depreciation	<u>(12,838,890)</u>	<u>(1,322,124)</u>	<u>145,299</u>	<u>(14,015,715)</u>
Total capital assets, being depreciated, net	<u>15,972,463</u>	<u>(267,572)</u>	<u>21,871</u>	<u>15,726,762</u>
Governmental activities capital assets, net	<u>\$24,436,804</u>	<u>\$833,658</u>	<u>\$19,450</u>	<u>\$25,289,912</u>

Internal service funds predominately serve the governmental funds. Accordingly, their capital assets are included as part of the above totals for governmental activities.

Construction in progress for governmental activities consisted of \$2,074,706 for an I-20 Infrastructure project; \$76,329 for the software conversion project; \$55,000 for the downtown development project; \$53,617 for Civic Center improvement projects; and \$34,176 for the soccer field project.

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For the Year Ended September 30, 2005

	Balance September 30, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2005</u>
Business-type activities:				
Electric System				
Capital assets, not being depreciated:				
Land	\$191,611	-	-	\$191,611
Construction in progress	<u>224,700</u>	<u>\$1,125,992</u>	-	<u>1,350,692</u>
Total capital assets, not being depreciated	<u>416,311</u>	<u>1,125,992</u>	-	<u>1,542,303</u>
Capital assets, being depreciated:				
Buildings	2,087,046	19,992	-	2,107,038
System Improvement	17,414,638	428,677	(\$3,352)	17,839,963
Equipment	<u>19,718,114</u>	<u>310,232</u>	<u>(37,752)</u>	<u>19,990,594</u>
Total capital assets being depreciated	39,219,798	758,901	(41,104)	39,937,595
Less accumulated depreciation for:				
Buildings	(1,491,840)	(37,631)	-	(1,529,471)
System Improvement	(11,056,890)	(916,158)	1,732	(11,971,316)
Equipment	<u>(15,848,903)</u>	<u>(647,660)</u>	<u>37,752</u>	<u>(16,458,811)</u>
Total accumulated depreciation	<u>(28,397,633)</u>	<u>(1,601,449)</u>	<u>39,484</u>	<u>(29,959,598)</u>
Total capital assets, being depreciated, net	<u>10,822,165</u>	<u>(842,548)</u>	<u>(1,620)</u>	<u>9,977,997</u>
Electric System capital assets, net	<u>\$11,238,476</u>	<u>\$283,444</u>	<u>(\$1,620)</u>	<u>\$11,520,300</u>

Construction in progress for the electric system consisted of \$1,152,535 for the Kentucky Avenue Substation; \$99,680 on the software conversion project; \$2,652 for the Second Interconnection with Entergy; \$8,835 for the Commerce Street Power Line Extension; \$7,132 for the electric utilities relocation on Highway 33; \$78,358 for the Celebrity Lane project; and \$1,500 for the City Hall lighting project.

	Balance September 30, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2005</u>
Water System				
Capital assets, not being depreciated:				
Land	\$75,070	-	-	\$75,070
Construction in progress	<u>581,155</u>	<u>\$246,819</u>	<u>(\$442,609)</u>	<u>385,365</u>
Total capital assets, not being depreciated	<u>656,225</u>	<u>246,819</u>	<u>(442,609)</u>	<u>460,435</u>
Capital assets, being depreciated:				
Buildings	139,934	-	-	139,934
System Improvement	8,841,991	473,534	(16,787)	9,298,738
Equipment	<u>691,634</u>	<u>87,359</u>	<u>(165,868)</u>	<u>613,125</u>
Total capital assets being depreciated	9,673,559	560,893	(182,655)	10,051,797
Less accumulated depreciation for:				
Buildings	(83,104)	(4,117)	-	(87,221)
System Improvement	(4,810,278)	(358,384)	11,083	(5,157,579)
Equipment	<u>(535,233)</u>	<u>(76,971)</u>	<u>153,069</u>	<u>(459,135)</u>
Total accumulated depreciation	<u>(5,428,615)</u>	<u>(439,472)</u>	<u>164,152</u>	<u>(5,703,935)</u>
Total capital assets, being depreciated, net	<u>4,244,944</u>	<u>121,421</u>	<u>(18,503)</u>	<u>4,347,862</u>
Water System capital assets, net	<u>\$4,901,169</u>	<u>\$368,240</u>	<u>(\$461,112)</u>	<u>\$4,808,297</u>

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Construction in progress for the water system consisted of \$190,705 for the concrete ground water storage project; \$54,137 for the software conversion project; \$28,312 for the water utilities relocation on Highway 33; and \$112,211 to repaint the north water tank.

	Balance September 30, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2005</u>
Sewer System				
Capital assets, not being depreciated:				
Land	\$203,801	\$15,000	-	\$218,801
Construction in progress	<u>1,691,072</u>	<u>1,675,977</u>	<u>(\$297,014)</u>	<u>3,070,035</u>
Total capital assets, not being depreciated	<u>1,894,873</u>	<u>1,690,977</u>	<u>(297,014)</u>	<u>3,288,836</u>
Capital assets, being depreciated:				
Buildings	114,130	-	(1,746)	112,384
System Improvement	17,912,241	-	(107,719)	17,804,522
Equipment	<u>1,709,102</u>	<u>308,895</u>	<u>(50,076)</u>	<u>1,967,921</u>
Total capital assets being depreciated	19,735,473	308,895	(159,541)	19,884,827
Less accumulated depreciation for:				
Buildings	<u>(37,700)</u>	<u>(4,190)</u>	1,361	<u>(40,529)</u>
System Improvement	<u>(8,686,475)</u>	<u>(341,165)</u>	85,349	<u>(8,942,291)</u>
Equipment	<u>(645,182)</u>	<u>(224,577)</u>	48,100	<u>(821,659)</u>
Total accumulated depreciation	<u>(9,369,357)</u>	<u>(569,932)</u>	<u>134,810</u>	<u>(9,804,479)</u>
Total capital assets, being depreciated, net	<u>10,366,116</u>	<u>(261,037)</u>	<u>(24,731)</u>	<u>10,080,348</u>
Sewer System capital assets, net	<u>\$12,260,989</u>	<u>\$1,429,940</u>	<u>(\$321,745)</u>	<u>\$13,369,184</u>

Construction in progress consisted of \$2,028,603 for the Wastewater Treatment Plant Upgrade; \$402,756 for a lift station at West Kentucky and Hilton Pasture; \$589,448 for the Gravity Sewer Rehabilitation project; and \$49,228 for the software conversion project.

	Balance September 30, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2005</u>
Airport Authority				
Capital assets, not being depreciated:				
Land	\$138,239	\$208,412	-	\$346,651
Construction in progress	<u>26,123</u>	<u>220,135</u>	<u>(\$208,412)</u>	<u>37,846</u>
Total capital assets, not being depreciated	164,362	428,547	(208,412)	384,497
Capital assets, being depreciated:				
Buildings	407,215	-	-	407,215
Runways, aprons, and taxiways	5,565,082	15,592	-	5,580,674
Equipment	<u>27,604</u>	-	-	<u>27,604</u>
Total capital assets being depreciated	5,999,901	15,592	-	6,015,493
Less accumulated depreciation for:				
Buildings	<u>(24,680)</u>	<u>(24,680)</u>	-	<u>(49,360)</u>
Runways, aprons, and taxiways	<u>(1,737,546)</u>	<u>(341,152)</u>	-	<u>(2,078,698)</u>
Equipment	<u>(20,716)</u>	<u>(696)</u>	-	<u>(21,412)</u>
Total accumulated depreciation	<u>(1,782,942)</u>	<u>(366,528)</u>	-	<u>(2,149,470)</u>
Total capital assets, being depreciated, net	<u>4,216,959</u>	<u>(350,936)</u>	-	<u>3,866,023</u>
Airport Authority capital assets, net	<u>\$4,381,321</u>	<u>\$77,611</u>	<u>(\$208,412)</u>	<u>\$4,250,520</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2005

Construction in progress consisted of \$37,846 for the Drainage/Erosion Remediation project.

	Balance September 30, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2005</u>
Ambulance Fund				
Capital assets, being depreciated:				
Equipment	\$374,463	-	(\$995)	\$373,468
Less accumulated depreciation for:	<u>(298,935)</u>	<u>(\$25,423)</u>	<u>995</u>	<u>(323,363)</u>
Total capital assets, being depreciated, net	<u>\$75,528</u>	<u>(\$25,423)</u>	-	<u>\$50,105</u>
Business-type activities capital assets				
Capital assets, not being depreciated:				
Land	\$608,721	\$223,412	-	\$832,133
Construction in progress	<u>2,523,050</u>	<u>3,268,923</u>	<u>(\$948,035)</u>	<u>4,843,938</u>
Total capital assets, not being depreciated	<u>3,131,771</u>	<u>3,492,335</u>	<u>(948,035)</u>	<u>5,676,071</u>
Capital assets, being depreciated:				
Buildings	2,748,325	19,992	(1,746)	2,766,571
System Improvement	44,168,870	902,211	(127,858)	44,943,223
Runways, aprons, and taxiways	5,565,082	15,592	-	5,580,674
Equipment	<u>22,520,917</u>	<u>706,486</u>	<u>(254,691)</u>	<u>22,972,712</u>
Total capital assets being depreciated	75,003,194	1,644,281	(384,295)	76,263,180
Less accumulated depreciation for:				
Buildings	(1,637,324)	(70,618)	1,361	(1,706,581)
System Improvement	(24,553,643)	(1,615,707)	98,164	(26,071,186)
Runways, aprons, and taxiways	(1,737,546)	(341,152)	-	(2,078,698)
Equipment	<u>(17,348,969)</u>	<u>(975,327)</u>	<u>239,916</u>	<u>(18,084,380)</u>
Total accumulated depreciation	<u>(45,277,482)</u>	<u>(3,002,804)</u>	<u>339,441</u>	<u>(47,940,845)</u>
Total capital assets, being depreciated, net	<u>29,725,712</u>	<u>(1,358,523)</u>	<u>(44,854)</u>	<u>28,322,335</u>
Business-type activities capital assets, net	<u>\$32,857,483</u>	<u>\$2,133,812</u>	<u>(\$992,889)</u>	<u>\$33,998,406</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$232,119
Public safety	226,042
Public works, including depreciation of general infrastructure assets	795,015
Recreation	68,948
Total depreciation expense-governmental activities	<u>\$1,322,124</u>
Business-type activities:	
Electric System	\$1,568,053
Water System	427,058
Sewer System	569,932
Airport Authority	366,528
Ambulance	25,490
Total depreciation expense-business-type activities	<u>\$2,957,061</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2005

6. LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2005 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental activities:					
Revenue bonds payable	\$100,000	-	-	\$100,000	-
Certificates of Indebtedness	122,000	-	\$60,000	62,000	\$62,000
Compensated absences	<u>1,232,531</u>	<u>\$740,291</u>	<u>503,870</u>	<u>1,468,952</u>	<u>30,000</u>
Governmental activities Total long-term liabilities	<u>\$1,454,531</u>	<u>\$740,291</u>	<u>\$563,870</u>	<u>\$1,630,952</u>	<u>\$92,000</u>
Business-type activities:					
Electric System:					
Due to other governments	\$334,333	-	\$37,148	\$297,185	\$37,148
Compensated absences	<u>172,134</u>	<u>\$224,805</u>	<u>93,468</u>	<u>303,471</u>	<u>8,000</u>
Electric System long-term liabilities	<u>\$506,467</u>	<u>\$224,805</u>	<u>\$130,616</u>	<u>\$600,656</u>	<u>\$45,148</u>
Water System:					
Revenue bonds	\$210,000	-	\$100,000	\$110,000	\$110,000
Deferred loss on refunding	(1,720)	\$1,127	-	(593)	(593)
Due to other governments	448,412	-	49,824	398,588	49,824
Compensated absences	<u>38,769</u>	<u>50,872</u>	<u>26,771</u>	<u>62,870</u>	<u>13,000</u>
Water System long-term liabilities	<u>\$695,461</u>	<u>\$51,999</u>	<u>\$176,595</u>	<u>\$570,865</u>	<u>\$172,231</u>
Sewer System:					
Revenue bonds	\$2,240,000	-	\$230,000	\$2,010,000	\$235,000
Compensated absences	<u>42,959</u>	<u>\$64,955</u>	<u>56,544</u>	<u>51,370</u>	<u>1,500</u>
Sewer System long-term liabilities	<u>\$2,282,959</u>	<u>\$64,955</u>	<u>\$286,544</u>	<u>\$2,061,370</u>	<u>\$236,500</u>
Ambulance Fund:					
Compensated absences	<u>\$26,519</u>	<u>\$25,786</u>	<u>\$20,107</u>	<u>\$32,198</u>	<u>\$3,000</u>
Business-type activities long-term liabilities					
Revenue bonds	\$2,450,000	-	\$330,000	\$2,120,000	\$345,000
Deferred loss on refunding	(1,720)	\$1,127	-	(593)	(593)
Due to other governments	782,745	-	86,972	695,773	86,972
Compensated absences	<u>280,381</u>	<u>366,418</u>	<u>196,890</u>	<u>449,909</u>	<u>25,500</u>
Business-type activity long-term liabilities	<u>\$3,511,406</u>	<u>\$367,545</u>	<u>\$613,862</u>	<u>\$3,265,089</u>	<u>\$456,879</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. For the governmental activities, the balance of compensated absences is generally liquidated by the General Fund.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2005

Bonds payable at September 30, 2005 are comprised of the following issues:

<u>Governmental Activities:</u>	<u>Outstanding</u>
<u>Certificates of Indebtedness</u>	<u>09-30-05</u>
\$500,000 - 1996 Certificate of Indebtedness dated 5-23-96, of \$62,000 due 5-1-06, interest at 5.48% (this issue is secured by pledge and dedication of the excess annual revenue of the City of Ruston)	<u>\$62,000</u>
Total General Obligation Certificates of Indebtedness	<u>\$62,000</u>
<u>Tax Increment Bonds</u>	
\$2,000,000 - 2001 Sales Tax Increment Revenue Bonds dated 12-21-01, of \$100,000 due 9-1-13, interest at 4.59%	<u>\$100,000</u>
Total Tax Increment Bonds	<u>\$100,000</u>
<u>Revenue Bonds</u>	
\$1,620,000 authorized 1993 Sewer Revenue Bonds \$1,432,536 issued, interest at 2.45%, payable in annual installments of \$70,000 to \$90,000 through October 1, 2014.	\$730,000
\$1,655,000 2003 Sewer Utility Revenue Refunding Bonds dated 5-22-03 due in annual installments of \$165,000 to \$195,000 through October 1, 2012, interest at 2.200% to 4.000%.	1,280,000
\$850,000 1996 Water Utility Revenue Refunding Bonds dated 12-23-96 of \$110,000 due October 1, 2006, interest at 5.079%. Refunding resulted in a deferred loss of \$25,650, which is being amortized over the life of the debt. Net deferred loss at 9/30/04 was \$593 and amortization was \$1,127.	<u>109,407</u>
Total Revenue Bonds	<u>\$2,119,407</u>
<u>Due to Other Governments</u>	
\$869,716 (\$334,333 for the Electric System and \$448,412 for the Water System) due to the State of Louisiana, Department of Transportation and Development, payable in annual installments of \$86,972 (\$37,148 from the Electric System and \$49,824 from the Water System) through April 1, 2013.	<u>\$695,773</u>
Total Due to Other Governments	<u>\$695,773</u>

The annual requirements to amortize all debt outstanding as of September 30, 2005, including interest requirements are as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Year ending September 30:					
2006	\$62,000	\$7,988	\$431,972	\$64,622	\$566,582
2007	-	4,590	331,972	53,690	390,252

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2005

	Governmental <u>activities</u>		Business-type <u>activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	-	4,590	341,972	47,602	394,164
2009	-	4,590	351,972	40,454	397,016
2010	-	4,590	356,972	32,298	393,860
2011-2014	<u>100,000</u>	<u>13,770</u>	<u>1,000,913</u>	<u>44,596</u>	<u>1,159,279</u>
	<u>\$162,000</u>	<u>\$40,118</u>	<u>\$2,815,773</u>	<u>\$283,262</u>	<u>\$3,301,153</u>

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

In May 2003, the City issued \$1,655,000 in Sewer Utilities Revenue Refunding Bonds to advance refund \$2,005,000 of outstanding 1990 Utilities Revenue Bonds. The proceeds, net of issuance costs, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 Utilities Revenue Bonds. The 1990 bonds are considered to be defeased and have been removed from the City's financial statements. The principal outstanding at September 30, 2005 on the refunded bonds was \$1,505,000.

During December 1996, the City issued \$850,000 in Water Utilities Revenue Refunding Bonds to advance refund \$855,000 of outstanding 1986 Utilities Revenue Bonds. The proceeds, net of issuance costs, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1986 Utilities Revenue Bonds. The 1986 Utilities Revenue Bonds are considered to be defeased and have been removed from the City's financial statements. The principal outstanding at September 30, 2005 on the refunded bonds was \$230,000.

In 1995, the City entered into an agreement with the State of Louisiana, Department of Transportation and Development, to relocate a portion of the City's facilities for \$869,716. At that time, the City was unsure whether it would ultimately be obligated to pay this amount and accordingly did not record a liability in the financial records. During 2004, the State formally requested payment and the City agreed to pay 10% of the total amount owed per year for ten years.

The amount of long-term debt that can be incurred by the City is limited by state statute. State law allows a maximum of 10% of the assessed valuation of bonded debt for any one purpose or 35% of the total assessed value for all purposes. The City assessed property value at December 31, 2005, was \$116,172,917. The maximum debt allowable for any one purpose and total debt allowable by state law as of December 31, 2005, is \$11,617,292 and \$40,660,521 respectively. The City currently has \$62,000 of general bonded debt outstanding.

7. SALES TAX

The 1968 Sales Tax, 1985 Sales Tax, and 1990 Sales Tax Funds account for the collection of a one-half cent, three-quarter cent, and one-half cent City sales and use tax, respectively, and the distribution of this tax to other funds of the City. For financial reporting purposes, sales taxes are recorded as revenue in the individual funds which collect the sales tax and are recorded as transfers to and from the operations or projects for which the taxes were levied and as approved for expenditure by ordinance of the Council.

CITY OF RUSTON, LOUISIANA
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For the Year Ended September 30, 2005

The 1968 one-half cent sales tax is used initially to pay operating expenses incurred in the administration and collection of sales taxes. Certain contributions may be made from these funds. *After these payments, the remaining amount is payable to the General Fund.*

The 1985 three-quarter cent sales tax is used initially to pay operating expenses incurred in the administration and collection of sales taxes. Payments are made on a monthly basis to the Ruston Parks and Recreation Fund of up to seven percent of the annual net proceeds for construction, acquiring, improving and/or operating recreation facilities and programs. After these payments, the remaining amount is payable to the General Fund for public works, fire protection, and police protection.

The 1990 one-half cent sales tax is used initially to pay operating expenses incurred in the administration and collection of sales taxes. After these payments, the remaining amount is payable to the General Fund for fire protection and police protection.

8. MULTIPLE-EMPLOYER COST-SHARING BENEFIT PLANS – PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Municipal Employees' Retirement System

Plan Description - Substantially all full-time employees except police and firemen of the City of Ruston are covered under the Municipal Employees' Retirement System of Louisiana, (the "System") a cost sharing multiple employer public employee retirement system, controlled and administered by the Board of Trustees of the System. The System is mandatory for all employees who are employed on a permanent basis working at least 35 hours per week. Benefits are established by State statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Board of Trustees, 7937 Office Park Blvd., Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

Funding Policy - Covered employees are required to contribute 9.25% of their annual compensation and the City is required to contribute 16% of annual compensation. The contribution requirements are established and may be amended by State statute. The City's contributions to the System for the years ended September 30, 2005, 2004, and 2003 were \$788,171, \$611,395, and \$436,619, respectively, equal to the required contributions for each year. In accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*, the net pension obligation was determined to be zero. Prior to adoption of GASB 27, the City did not report a pension liability.

Statewide Firefighter's Retirement System (SFRS)

Plan Description - The City of Ruston contributes to the Statewide Firefighter's Retirement System of Louisiana, a cost sharing multiple employer defined benefit pension plan administered by the Firefighter's Retirement System. SFRS covers firefighters employed by any municipality, parish, or fire protection district of the State of Louisiana under the provisions of Louisiana Revised Statutes 11:2251 through 2269 effective January 1, 1980. Benefits are established by State statutes. The SFRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Board of Trustees, Firefighters' Retirement System, 2051 Silverside Drive, Suite 210, Baton Rouge, Louisiana 70808-4136 or by calling (504) 925-4060.

Funding Policy - Covered employees are required to contribute 8% of their annual compensation and the City is required to contribute 18% of annual compensation excluding overtime but

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2005

including State supplemental pay. The contribution requirements are established and may be amended by State statute. The City's contributions to SFRS for the years ended September 30, 2005, 2004, and 2003 were \$295,013, \$101,135, and \$120,117, respectively, equal to the required contributions for each year. In accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*, the net pension obligation was determined to be zero. Prior to adoption of GASB 27, the City did not report a pension liability.

Municipal Police Employees' Retirement System (MPERS)

Plan Description - The City of Ruston contributes to the Municipal Police Employees' Retirement System Pension Plan, a cost sharing multiple employer defined benefit pension plan administered by the Municipal Police Employees' Retirement System. MPERS covers any full-time police officer, empowered to make arrests, employed by any municipality of the State and engaged in law enforcement, earning at least \$375 per month excluding state supplemental pay, or an elected Chief of Police whose salary is at least \$100 per month, and any employee of this system may participate in the MPERS. Benefits are established by State statutes. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Board of Trustees of the Municipal Police Employees' Retirement System, 8401 United Plaza Blvd., Room 305, Baton Rouge, Louisiana 70806 or by calling 1-800-443-4248.

Funding Policy - Plan members are required to contribute 7.5% of their annual compensation and the City is required to contribute 16.25% of annual compensation excluding overtime but including State supplemental pay. The contribution requirements are established and may be amended by State statute. The City's contributions to MPERS for the years ended September 30, 2005, 2004, and 2003 were \$317,355, \$258,375, and \$156,944, respectively, equal to the required contributions for each year.

9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

a. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at September 30, 2005 were as follows:

DUE TO OTHER FUNDS									
<u>DUE FROM OTHER FUNDS</u>	<u>General Fund</u>	<u>1968 Sales Tax</u>	<u>1985 Sales Tax</u>	<u>Electric System</u>	<u>Water System</u>	<u>Sewer System</u>	<u>Nonmajor Govern- mental Funds</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
General Fund	-	-	-	\$67,332	\$3,997	\$312,906	-	\$385,217	\$769,452
1968 Sales Tax	\$3,825	-	-	-	-	-	-	-	3,825
1985 Sales Tax	-	\$2,536,188	-	-	-	-	-	-	2,536,188
1990 Sales Tax	-	2,000,499	-	-	-	-	-	-	2,000,499
Water System	-	-	-	214,803	-	163	-	-	214,966
Sewer System	-	-	-	128,582	-	-	-	-	128,582
Nonmajor governmental	28,751	-	\$38,697	5,214	1,618	-	\$100,649	-	174,929
Nonmajor enterprise	-	-	-	909	159	-	-	-	1,068
Internal service	46	-	-	-	-	-	-	-	46
Total	<u>\$32,622</u>	<u>\$4,536,687</u>	<u>\$38,697</u>	<u>\$416,840</u>	<u>\$5,774</u>	<u>\$313,069</u>	<u>\$100,649</u>	<u>\$385,217</u>	<u>\$5,829,555</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2005

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

b. INTERFUND TRANSFERS

Transfers for the year ended September 30, 2005 were as follows:

TRANSFERS OUT	TRANSFERS IN				<u>Total</u>
	<u>General Fund</u>	<u>Sewer System</u>	<u>Airport Authority</u>	Nonmajor Govern- mental Funds	
<i>General Fund</i>	-	-	-	\$171,486	\$171,486
1968 Sales Tax	\$1,942,500	-	-	-	1,942,500
1985 Sales Tax	2,706,900	-	-	208,036	2,914,936
1990 Sales Tax	1,944,500	-	-	-	1,944,500
Electric System	1,654,752	-	\$10,236	63,888	1,728,876
Water System	335,211	-	811	9,272	345,294
Sewer System	276,630	-	-	-	276,630
Nonmajor governmental	<u>300,742</u>	<u>\$2,490</u>	-	<u>1,125,450</u>	<u>1,428,682</u>
Total transfers	<u>\$9,161,235</u>	<u>\$2,490</u>	<u>\$11,047</u>	<u>\$1,578,132</u>	<u>\$10,752,904</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) pay the General Fund in lieu of property and sales taxes and services performed by other departments.

c. DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

The Section 8 Modrehab Housing Fund had a deficit fund balance of \$30,578 at September 30, 2005. This deficit is expected to be funded by transfers from the Section 8 Voucher Housing Fund in subsequent years. The Purchasing - Warehouse Fund had a deficit fund balance of \$899 at September 30, 2005. This deficit is expected to be funded by transfers from the General, Electric, Water, and Sewer funds.

d. EXCESS OF EXPENDITURES OVER BUDGET

For those funds for which a budget to actual comparison was made, actual expenditures on a budgetary basis exceeded budgeted expenditures on a code level basis as follows:

CITY OF RUSTON, LOUISIANA
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<u>Fund</u>	<u>Budget</u>	<u>Actual on a budgetary basis</u>	<u>Negative variance</u>
General Fund:			
General government:			
Marshal expenses	\$175,331	\$175,384	(\$53)
Civic Center – Overtime salaries	4,000	4,624	(624)
Civic Center – Personnel salaries	209,353	209,645	(292)
Civic Center – Materials & supplies	20,950	25,121	(4,171)
Public Safety:			
Police – Overtime salaries	145,000	176,687	(31,687)
Police – Operating services	200,888	215,720	(14,832)
Police – Materials & supplies	113,000	119,566	(6,566)
Fire – Overtime salaries	65,000	72,437	(7,437)
Fire – Improvements & equipment	82,850	98,482	(15,632)
Public Works:			
Streets – Overtime salaries	20,000	22,569	(2,569)

The unfavorable variance for the Marshal is due to higher than anticipated supply expenditures. The unfavorable variances in Civic Center, Police overtime, Fire overtime, and Streets are due an increase in expenditures related to Hurricane Katrina. Police operating services is due to the unanticipated purchase of software licenses. The unfavorable variance in Police materials and supplies is due to an increase in the price of fuel. The unfavorable variance in Fire improvements and equipment is due to higher than anticipated grant expenditures.

10. FEDERAL AND STATE FINANCIAL ASSISTANCE

Federal and State governmental units represent an important source of supplementary funding to finance housing, employment, construction programs, and other activities beneficial to the community. These funds, primarily in the form of grants, are recorded in the General and Special Revenue Funds. A grant receivable is recorded when the City has a right to reimbursement under the related grant. The grants normally specify the purpose for which the funds may be used and are audited annually under the single audit as mandated by the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

11. POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides dental and medical care coverage for any retirees who were participating in the group health insurance plan prior to their retirement date. The City is self-insured for medical benefits including post-retirement health care benefits. Currently, there are 66 retirees who are eligible to receive benefits. During 2005, expenses of \$406,785 were recognized for post-retirement health care. The expense is recognized when costs are incurred. The costs are funded on a pay-as-you-go basis. At year-end, an estimate is made for incurred but not reported claims.

CITY OF RUSTON, LOUISIANA
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12. COMMITMENTS AND CONTINGENCIES

Construction projects

There are certain construction projects in progress at September 30, 2005. In 2001, the City issued \$2,000,000 in sales tax increment bonds for the purpose of providing engineering and construction expenditures related to the I-20 Service Road Project. The project is estimated to cost approximately \$12 million. The City is planning to sell additional bonds to cover the costs. In 2004 and 2005, the City expended approximately \$55,000 to improve the downtown area. The City is in the process of converting the accounting software and spent approximately \$119,547 in 2005. The City has spent approximately \$54,000 on the Civic Center flooring and the Civic Center sign project. In 2005, the City expended approximately \$34,000 on a soccer field project. The City is building a new substation for the electric system. Approximately \$1,153,000 was expended in 2003 through 2005 for engineering and construction. The city paid approximately \$20,000 for various line extension and relocation projects. It also expended \$78,400 in 2005 on the Celebrity Lane project. The City has also paid \$190,705 to construct a concrete ground storage tank for the water system, \$28,000 in utility relocation along Highway 33, and \$112,000 to repaint the North Water Tower. In 2002 through 2005, the City paid \$402,800 for improvements and renovations to the Kentucky Road lift station. The City also paid \$589,500 for Gravity Sewer rehabilitation and \$2,028,600 to upgrade the wastewater treatment plant. The City also expended approximately \$38,000 on the drainage and erosion remediation project at the airport.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance for risks related to (1) Public Official Errors and Omissions Liability, (2) General Liability, (3) Business Auto Liability, (4) Law Enforcement Professional Liability, and (5) Fire and Extended coverage. Settled claims resulting from these risks did not exceed commercial insurance coverage in the current year. The General Liability and Business Auto Liability are subject to a \$1,000,000 per occurrence limit. The Public Official Errors and Omissions Liability and Law Enforcement Professional Liability are subject to a \$1,000,000 per occurrence limit with a \$50,000 deductible. The City maintained property insurance during the year on approximately \$77 million in City property, subject to a \$100,000 per occurrence retention for property claims. The property insurance is with Zurich/Liberty Ins., Co.

Worker's Compensation

The City established a limited risk management program for worker's compensation in 1988. Premiums are paid into the Workmen's Compensation Self-Insurance Fund by other funds and are available to pay claims, claim reserves, and administrative costs of the program. An excess coverage insurance policy covers individual claims in excess of \$175,000. Reported and an estimate of incurred but not reported claims of \$125,155 have been accrued as a liability based upon the service company's loss reserve report. Interfund premiums are based upon the approximate premium. Payments to the worker's compensation fund are accounted for as an expenditure/expense of the paying fund. The Workmen's Compensation Self-Insurance Fund has net assets of \$378,241 at September 30, 2005. There was no increase in insurance coverage from the prior year. No claims exceeded the City's insurance coverage for each of the past three fiscal years.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2005

General Self-Insurance

The City established a limited risk management program for employee medical coverage in 1988. Amounts paid into the General Self-Insurance Fund stem from employee contributions, payments by retired employees, and payments by other funds, and are available to pay claims, claim reserves and administrative costs of the program. During the year ended September 30, 2005, a total of \$1,815,643 was paid in benefits and administrative costs. The insurance fund has net assets of \$1,540,976 at September 30, 2005. An excess coverage co-insurance policy covers individual claims in excess of \$70,000 per calendar year. Incurred but not reported claims of \$135,699 have been accrued as a liability based upon information provided by the claims administrators. Interfund payments are based on total operating expenses minus employee contributions and payments by retired employees. Payments to the General Self-Insurance Fund are accounted for as an expenditure/expense of the paying fund. There were no reductions in insurance coverage from the prior year. No claims exceeded the City's insurance coverage for each of the past three fiscal years.

A reconciliation of changes in the aggregate liabilities for claims for the self-insurance funds is as follows:

	<u>Accrued claims October 1</u>	<u>Claims incurred</u>	<u>Claims paid</u>	<u>Accrued claims September 30</u>
Worker's Compensation:				
2004	\$103,144	\$234,017	\$229,310	\$107,851
2005	107,851	201,664	184,360	125,155
General Insurance:				
2004	136,087	1,415,980	1,434,531	117,536
2005	117,536	1,546,089	1,527,926	135,699

Litigation

The City is defendant in several lawsuits in which the outcome is uncertain at the present time. In the opinion of the City Attorney, the City's ultimate exposure will not have a material adverse affect on the financial condition of the City. The City believes that adequate provision has been made for any amounts not covered by insurance should the Court find in favor of the plaintiffs.

Grant Disallowances

The City participates in federally assisted grant programs. These programs are subject to program compliance audits under the Single Audit Act. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. City management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

Revenues from the State of Louisiana

The General Fund receives various revenues from the State of Louisiana. The continuation of these revenues at these amounts is contingent on a variety of factors at the state level.

Required Supplementary Information

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CITY OF RUSTON, LOUISIANA
 General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2005
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 660,000	\$ 660,000	\$ 670,149	\$ 10,149
Licenses and Permits	639,500	639,500	749,928	110,428
Intergovernmental	890,000	980,881	1,242,128	261,247
Charges for services	1,102,000	1,102,000	1,165,054	63,054
Fines and forfeitures	264,000	359,420	365,949	6,529
Investment earnings	60,000	60,000	147,173	87,173
Miscellaneous	260,937	260,937	101,256	(159,681)
Total revenues	<u>3,876,437</u>	<u>4,062,738</u>	<u>4,441,637</u>	<u>378,899</u>
EXPENDITURES				
General government:				
Executive:				
Regular salaries	602,121	586,621	572,392	14,229
Other employee benefits	198,341	193,491	188,316	5,175
Total salaries, wages, and employee benefits	<u>800,462</u>	<u>780,112</u>	<u>760,708</u>	<u>19,404</u>
Operating services	585,615	676,375	634,686	41,689
Materials and supplies	100,414	100,676	91,520	9,156
Travel and other	28,000	28,000	16,318	11,682
Improvements and equipment	56,000	311,043	283,895	27,148
Total executive	<u>1,570,491</u>	<u>1,896,206</u>	<u>1,787,127</u>	<u>109,079</u>
City Court	233,353	233,353	215,334	18,019
Marshal	175,331	175,331	175,384	(53)
Civic center/city hall:				
Regular salaries	110,549	110,549	110,237	312
Overtime salaries	4,000	4,000	4,624	(624)
Other employee benefits	64,804	94,804	94,784	20
Total salaries, wages, and employee benefits	<u>179,353</u>	<u>209,353</u>	<u>209,645</u>	<u>(292)</u>
Operating services	166,305	183,032	145,249	37,783
Materials and supplies	15,700	20,950	25,121	(4,171)
Travel and other	6,000	6,000	5,761	239
Improvements and equipment	72,000	85,741	69,274	16,467
Total civic center/city hall	<u>439,358</u>	<u>505,076</u>	<u>455,050</u>	<u>50,026</u>
Section 8:				
Regular salaries	53,923	67,923	66,183	1,740
Other employee benefits	37,270	23,270	22,940	330
Total salaries, wages, and employee benefits	<u>91,193</u>	<u>91,193</u>	<u>89,123</u>	<u>2,070</u>
Operating services	18,306	25,140	19,978	5,162
Materials and supplies	12,710	13,264	3,216	10,048
Travel and other	8,000	8,000	3,233	4,767
Improvements and equipment	8,000	8,100	8,093	7
Total Section 8	<u>138,209</u>	<u>145,697</u>	<u>123,643</u>	<u>22,054</u>
Engineering:				
Regular salaries	77,840	78,140	77,922	218
Other employee benefits	22,305	22,305	21,906	399
Total salaries, wages, and employee benefits	<u>100,145</u>	<u>100,445</u>	<u>99,828</u>	<u>617</u>

CITY OF RUSTON, LOUISIANA

(Continued)

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2005
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating services	58,111	90,731	62,987	27,744
Materials and supplies	16,960	16,960	8,874	8,086
Travel and other	8,300	8,300	5,894	2,406
Improvements and equipment	-	1,500	1,496	4
Total engineering	<u>183,516</u>	<u>217,936</u>	<u>179,079</u>	<u>38,857</u>
Community development:				
Regular salaries	74,738	59,738	56,915	2,823
Overtime salaries	1,200	1,200	507	693
Other employee benefits	19,756	19,756	13,823	5,933
Total salaries, wages, and employee benefits	<u>95,694</u>	<u>80,694</u>	<u>71,245</u>	<u>9,449</u>
Operating services	23,587	38,587	23,913	14,674
Materials and supplies	13,710	13,710	6,479	7,231
Travel and other	6,175	6,436	4,921	1,515
Improvements and equipment	21,000	273,000	270,130	2,870
Total community development	<u>160,166</u>	<u>412,427</u>	<u>376,688</u>	<u>35,739</u>
Inspections:				
Regular salaries	164,386	177,613	175,421	2,192
Overtime salaries	2,000	2,000	69	1,931
Other employee benefits	53,701	55,876	55,913	(37)
Total salaries, wages, and employee benefits	<u>220,087</u>	<u>235,489</u>	<u>231,403</u>	<u>4,086</u>
Operating services	88,185	91,427	20,705	70,722
Materials and supplies	19,987	19,987	16,675	3,312
Travel and other	15,000	15,097	4,223	10,874
Improvements and equipment	32,000	32,000	29,393	2,607
Total inspections	<u>375,259</u>	<u>394,000</u>	<u>302,399</u>	<u>91,601</u>
Total general government	<u>3,275,683</u>	<u>3,980,026</u>	<u>3,614,704</u>	<u>365,322</u>
Public safety:				
Police:				
Regular salaries	1,626,796	1,591,796	1,584,004	7,792
Overtime salaries	110,000	145,000	176,687	(31,687)
Other employee benefits	772,914	772,914	700,671	72,243
Total salaries, wages, and employee benefits	<u>2,509,710</u>	<u>2,509,710</u>	<u>2,461,362</u>	<u>48,348</u>
Operating services	197,053	200,888	215,720	(14,832)
Materials and supplies	93,500	113,000	119,566	(6,566)
Travel and other	40,400	41,653	37,391	4,262
Improvements and equipment	107,500	236,057	108,499	127,558
Total police	<u>2,948,163</u>	<u>3,101,308</u>	<u>2,942,538</u>	<u>158,770</u>
Fire:				
Regular salaries	1,130,949	1,170,949	1,165,704	5,245
Overtime salaries	65,000	65,000	72,437	(7,437)
Other employee benefits	646,811	646,811	608,577	38,234
Total salaries, wages, and employee benefits	<u>1,842,760</u>	<u>1,882,760</u>	<u>1,846,718</u>	<u>36,042</u>
Operating services	140,060	123,529	109,259	14,270
Materials and supplies	70,610	89,110	83,014	6,096
Travel and other	35,856	47,856	43,748	4,108
Improvements and equipment	25,233	82,850	98,482	(15,632)
Total fire	<u>2,114,519</u>	<u>2,226,105</u>	<u>2,181,221</u>	<u>44,884</u>

(Continued)

CITY OF RUSTON, LOUISIANA

(Continued)

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2005
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Street lighting:				
Operating services	219,200	227,700	217,566	10,134
Total street lighting	219,200	227,700	217,566	10,134
Probation	72,094	72,094	73,138	(1,044)
Total public safety	5,353,976	5,627,207	5,414,463	212,744
Public works:				
Administration:				
Regular salaries	194,121	194,121	192,255	1,866
Overtime salaries	2,000	3,000	2,691	309
Other employee benefits	43,070	43,070	43,423	(353)
Total salaries, wages, and employee benefits	239,191	240,191	238,369	1,822
Operating services	113,348	115,147	72,816	42,331
Materials and supplies	11,937	11,937	7,054	4,883
Travel and other	12,175	12,175	2,833	9,342
Improvements and equipment	10,000	10,000	6,514	3,486
Total administration	386,651	389,450	327,586	61,864
Streets:				
Regular salaries	551,508	551,508	517,594	33,914
Overtime salaries	20,000	20,000	22,569	(2,569)
Other employee benefits	324,333	327,986	271,990	55,996
Total salaries, wages, and employee benefits	895,841	899,494	812,153	87,341
Operating services	639,023	884,418	802,991	81,427
Materials and supplies	155,240	193,313	144,843	48,470
Travel and other	4,000	4,000	736	3,264
Improvements and equipment	134,000	114,699	114,330	369
Total streets	1,828,104	2,095,924	1,875,053	220,871
Solid waste:				
Regular salaries	558,310	558,310	500,452	57,858
Overtime salaries	30,000	30,000	25,127	4,873
Other employee benefits	253,457	253,457	227,507	25,950
Total salaries, wages, and employee benefits	841,767	841,767	753,086	88,681
Operating services	170,882	166,922	143,700	23,222
Materials and supplies	158,740	158,740	138,746	19,994
Travel and other	4,000	4,000	37	3,963
Improvements and equipment	145,000	163,215	163,164	51
Total solid waste	1,320,389	1,334,644	1,198,733	135,911
Repair shop:				
Regular salaries	283,911	283,911	267,670	16,241
Overtime salaries	12,000	12,000	6,888	5,112
Other employee benefits	104,129	104,129	96,894	7,235
Total salaries, wages, and employee benefits	400,040	400,040	371,452	28,588
Operating services	21,032	21,032	11,164	9,868
Materials and supplies	34,783	35,523	29,445	6,078
Travel and other	6,350	6,350	1,966	4,384
Improvements and equipment	18,000	18,000	17,333	667
Total repair shop	480,205	480,945	431,360	49,585

(Continued)

CITY OF RUSTON, LOUISIANA

(Continued)

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2005
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Animal Control:				
Regular salaries	68,602	68,602	68,514	88
Overtime salaries	6,000	6,000	3,851	2,149
Other employee benefits	38,526	40,426	40,206	220
Total salaries, wages, and employee benefits	<u>113,128</u>	<u>115,028</u>	<u>112,571</u>	<u>2,457</u>
Operating services	33,559	34,424	20,037	14,387
Materials and supplies	15,234	15,332	14,882	450
Travel and other	7,500	7,500	1,918	5,582
Total animal control	<u>169,421</u>	<u>172,284</u>	<u>149,408</u>	<u>22,876</u>
Total public works	<u>4,184,770</u>	<u>4,473,247</u>	<u>3,982,140</u>	<u>491,107</u>
Debt service:				
Certificate of Indebtedness Principal	60,000	60,000	60,000	-
Certificate of Indebtedness Interest	6,712	6,712	6,712	-
Total debt service	<u>66,712</u>	<u>66,712</u>	<u>66,712</u>	<u>-</u>
Total expenditures	<u>12,881,141</u>	<u>14,147,192</u>	<u>13,078,019</u>	<u>1,069,173</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,004,704)</u>	<u>(10,084,454)</u>	<u>(8,636,382)</u>	<u>1,448,072</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,027,711	9,027,711	9,161,235	(133,524)
Transfers out	(67,736)	(171,486)	(171,486)	-
Total other financing sources and uses	<u>8,959,975</u>	<u>8,856,225</u>	<u>8,989,749</u>	<u>(133,524)</u>
Net change in fund balance	(44,729)	(1,228,229)	353,367	1,581,596
Fund balances - beginning	<u>6,007,247</u>	<u>6,007,247</u>	<u>6,007,247</u>	<u>-</u>
Fund balances - ending	<u>\$ 5,962,518</u>	<u>\$ 4,779,018</u>	<u>\$ 6,360,614</u>	<u>\$ 1,581,596</u>

CITY OF RUSTON, LOUISIANA
 1968 Sales Tax Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on Budgetary Basis
 For the Year Ended September 30, 2005
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,944,000	\$ 1,944,000	\$ 2,000,848	\$ 56,848
Investment earnings	20,000	20,000	59,467	39,467
Total revenues	<u>1,964,000</u>	<u>1,964,000</u>	<u>2,060,315</u>	<u>96,315</u>
EXPENDITURES				
General government:				
Collection and administrative	21,500	22,500	21,241	1,259
Total expenditures	<u>21,500</u>	<u>22,500</u>	<u>21,241</u>	<u>1,259</u>
Excess of revenues over expenditures	<u>1,942,500</u>	<u>1,941,500</u>	<u>2,039,074</u>	<u>97,574</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,942,500)	(1,942,500)	(1,942,500)	-
Total other financing sources and uses	<u>(1,942,500)</u>	<u>(1,942,500)</u>	<u>(1,942,500)</u>	<u>-</u>
Net change in fund balance	-	(1,000)	96,574	97,574
Fund balances - beginning	<u>2,382,597</u>	<u>2,382,597</u>	<u>2,382,597</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,382,597</u>	<u>\$ 2,381,597</u>	<u>\$ 2,479,171</u>	<u>\$ 97,574</u>

See accompanying independent auditors' report.

CITY OF RUSTON, LOUISIANA
 1985 Sales Tax Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on Budgetary Basis
 For the Year Ended September 30, 2005
 (unaudited)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,916,000	\$ 2,916,000	\$ 3,001,267	\$ 85,267
Investment earnings	20,000	20,000	56,673	36,673
Total revenues	<u>2,936,000</u>	<u>2,936,000</u>	<u>3,057,940</u>	<u>121,940</u>
EXPENDITURES				
General government:				
Collection and administrative	29,100	30,100	27,555	2,545
Total expenditures	<u>29,100</u>	<u>30,100</u>	<u>27,555</u>	<u>2,545</u>
Excess of revenues over expenditures	<u>2,906,900</u>	<u>2,905,900</u>	<u>3,030,385</u>	<u>124,485</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,906,900)	(2,906,900)	(2,914,936)	(8,036)
Total other financing sources and uses	<u>(2,906,900)</u>	<u>(2,906,900)</u>	<u>(2,914,936)</u>	<u>(8,036)</u>
Net change in fund balance	-	(1,000)	115,449	116,449
Fund balances - beginning	<u>2,692,866</u>	<u>2,692,866</u>	<u>2,692,866</u>	-
Fund balances - ending	<u>\$ 2,692,866</u>	<u>\$ 2,691,866</u>	<u>\$ 2,808,315</u>	<u>\$ 116,449</u>

See accompanying independent auditors' report.

CITY OF RUSTON, LOUISIANA
 1990 Sales Tax Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on Budgetary Basis
 For the Year Ended September 30, 2005
 (unaudited)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,944,000	\$ 1,944,000	\$ 2,000,848	\$ 56,848
Investment earnings	20,000	20,000	49,708	29,708
Total revenues	<u>1,964,000</u>	<u>1,964,000</u>	<u>2,050,556</u>	<u>86,556</u>
EXPENDITURES				
General government:				
Collection and administrative	19,500	20,500	19,035	1,465
Total expenditures	<u>19,500</u>	<u>20,500</u>	<u>19,035</u>	<u>1,465</u>
Excess of revenues over expenditures	<u>1,944,500</u>	<u>1,943,500</u>	<u>2,031,521</u>	<u>88,021</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,944,500)	(1,944,500)	(1,944,500)	-
Total other financing sources and uses	<u>(1,944,500)</u>	<u>(1,944,500)</u>	<u>(1,944,500)</u>	<u>-</u>
Net change in fund balance	-	(1,000)	87,021	88,021
Fund balances - beginning	<u>2,120,695</u>	<u>2,120,695</u>	<u>2,120,695</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,120,695</u>	<u>\$ 2,119,695</u>	<u>\$ 2,207,716</u>	<u>\$ 88,021</u>

See accompanying independent auditors' report.

CITY OF RUSTON, LOUISIANA
Notes to Budgetary Comparison Schedules
For the Year Ended September 30, 2005
(Unaudited)

Budget and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) The Treasurer's Office compiles for the Mayor estimates of revenues and requests for appropriations of the annual budget.
- (2) During August, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (3) A public hearing is then conducted, after proper official journal notification, to obtain taxpayer comments.
- (4) Prior to September 30, the budget is legally enacted through passage of an ordinance.
- (5) The budget ordinance is structured such that revenues are budgeted by source, and appropriations are budgeted by department and by principal object of expenditure. Budgetary control is exercised at the departmental code level, with the exception of salaries, regular and overtime, which are at the line item level, or by projects, and the City Court and Probation (total combined), and City Marshal departments, which are budgeted at the department level. The Council may revise or amend the budget at its discretion during legally convened sessions. For the year ended September 30, 2005, amendments were made to the budget, including Community Development capital assets to appropriate for the purchase of a new building; and Recreation capital assets to provide funds to complete capital projects; and Executive capital assets and maintenance of streets to appropriate open purchase orders as of the end of the prior year.
- (6) Comparison of budgeted and actual amounts as shown in the accompanying financial statements includes the General Fund and those special revenue funds which are included in the annual operating budget. (1968 Sales Tax, 1985 Sales Tax, 1990 Sales Tax, Parks and Recreation, Section 8 Mod Rehab, and Section 8 Vouchers). Annual operating budgets are not prepared for the D.A.R.T. Grant Program, Central Shop Construction, Hazard Mitigation Grant, Sewer Demonstrated Needs Grant, and I-20 funds, but rather these funds are budgeted on a project basis. The capital budget ordinances which encompass the capital projects funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial statements for these funds. Budgetary control for the debt service funds is achieved through general bond indenture provisions.
- (7) All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Appropriations which are not expended lapse at year end.
- (8) The City is legally required to prepare annual operating budgets for the Electric System, Water System, Sewer System, Ruston Airport Authority, Ambulance Fund, Workmen's Compensation, General Insurance, and Purchasing/Warehouse Funds. The City is not, however, required to present an actual-to-budget comparison for the enterprise and internal service funds.

CITY OF RUSTON, LOUISIANA
Notes to Budgetary Comparison Schedules
For the Year Ended September 30, 2005
(Unaudited)

Excess of Expenditures over Budget

For those funds for which a budget to actual comparison was made, actual expenditures on a budgetary basis exceeded budgeted expenditures on a code level basis as follows:

<u>Fund</u>	<u>Budget</u>	Actual on a budgetary basis	<u>Negative variance</u>
General Fund:			
General government:			
Marshal expenses	\$175,331	\$175,384	(\$53)
Civic Center – Overtime salaries	4,000	4,624	(624)
Civic Center – Personnel salaries	209,353	209,645	(292)
Civic Center – Materials & supplies	20,950	25,121	(4,171)
Public Safety:			
Police – Overtime salaries	145,000	176,687	(31,687)
Police – Operating services	200,888	215,720	(14,832)
Police – Materials & supplies	113,000	119,566	(6,566)
Fire – Overtime salaries	65,000	72,437	(7,437)
Fire – Improvements & equipment	82,850	98,482	(15,632)
Public Works:			
Streets – Overtime salaries	20,000	22,569	(2,569)

The unfavorable variance for the Marshal is due to higher than anticipated supply expenditures. The unfavorable variances in Civic Center, Police overtime, Fire overtime, and Streets are due an increase in expenditures related to Hurricane Katrina. Police operating services is due to the unanticipated purchase of software licenses. The unfavorable variance in Police materials and supplies is due to an increase in the price of fuel. The unfavorable variance in Fire improvements and equipment is due to higher than anticipated grant expenditures.

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Combining Fund Statements

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Nonmajor Governmental Funds Special Revenue Funds

Special revenue funds are used for specific revenues that are legally restricted to expenditures for particular purposes.

Ruston Parks and Recreation Board – This fund accounts for the receipts and subsequent expenditures of the City of Ruston Park and Recreation Program.

D.A.R.T. Grant Program – This fund accounts for the receipt and subsequent expenditures of a State of Louisiana Emergency Shelter Grant Program.

Section 8 Housing Assistance Payments Programs – These funds account for receipt of Federal Funds and the payment of Housing Assistance Payments to qualifying rental property owners.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Central Shop Construction – This fund accounts for receipts and disbursements of the proceeds from the issuance of Certificates of Indebtedness Series 1993, designated for the construction of a central repair shop.

Hazard Mitigation Grant – This fund accounts for receipts and disbursements of a grant received from the State of Louisiana for removing repetitive loss structures from the flood plain.

Sewer Demonstrated Needs Grant – This fund accounts for receipts and disbursements of a grant received from the Louisiana Community Development Block Grant for sewer force main replacement.

I-20 Fund – This fund accounts for infrastructure improvements along the I-20 Service Road that are funded from the issuance of sales tax increment bonds.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

CITY OF RUSTON, LOUISIANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2005

	Special Revenue Funds				Total
	Ruston Parks & Recreation Board	D.A.R.T. Grant Program	Section 8 Modrehab Housing	Section 8 Voucher Housing	
ASSETS					
Cash and cash equivalents	\$ 135,967	-	\$ 70,071	\$ 660,517	\$ 866,555
Investments	-	-	-	-	-
Accounts receivable, net	162	\$ 5,484	-	1,587	7,233
Due from other funds	72,895	-	-	102,034	174,929
Total assets	<u>\$ 209,024</u>	<u>\$ 5,484</u>	<u>\$ 70,071</u>	<u>\$ 764,138</u>	<u>\$ 1,048,717</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 42,965	\$ 5,484	-	\$ 157,401	\$ 205,850
Deposits	450	-	-	-	450
Due to other funds	-	-	\$ 100,649	-	100,649
Accrued Salaries	9,872	-	-	-	9,872
Total liabilities	<u>53,287</u>	<u>5,484</u>	<u>100,649</u>	<u>157,401</u>	<u>316,821</u>
Fund balances:					
Reserved for:					
Encumbrances	233	-	-	-	233
Debt service	-	-	-	-	-
Unreserved, undesignated	155,504	-	(30,578)	606,737	731,663
Total fund balances	<u>155,737</u>	<u>-</u>	<u>(30,578)</u>	<u>606,737</u>	<u>731,896</u>
Total liabilities and fund balance	<u>\$ 209,024</u>	<u>\$ 5,484</u>	<u>\$ 70,071</u>	<u>\$ 764,138</u>	<u>\$ 1,048,717</u>

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

Capital Project Funds

Debt Service Fund	Central Shop Construction	I-20 Fund	Total	Total Nonmajor Governmental Funds
\$ 468,542	\$ 127,006	\$ 1,047,948	\$ 1,174,954	\$ 2,510,051
-	-	2,009,591	2,009,591	2,009,591
392,638	-	-	-	399,871
-	-	-	-	174,929
<u>\$ 861,180</u>	<u>\$ 127,006</u>	<u>\$ 3,057,539</u>	<u>\$ 3,184,545</u>	<u>\$ 5,094,442</u>
-	-	\$ 33,504	\$ 33,504	\$ 239,354
-	-	-	-	450
-	-	-	-	100,649
-	-	-	-	9,872
-	-	<u>33,504</u>	<u>33,504</u>	<u>350,325</u>
-	-	190,900	190,900	191,133
\$ 861,180	-	-	-	861,180
-	\$ 127,006	2,833,135	2,960,141	3,691,804
<u>861,180</u>	<u>127,006</u>	<u>3,024,035</u>	<u>3,151,041</u>	<u>4,744,117</u>
<u>\$ 861,180</u>	<u>\$ 127,006</u>	<u>\$ 3,057,539</u>	<u>\$ 3,184,545</u>	<u>\$ 5,094,442</u>

CITY OF RUSTON, LOUISIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

Special Revenue Funds						
	Ruston Parks & Recreation Board	D.A.R.T. Grant Program	Section 8 Modrehab Housing	Section 8 Voucher Housing	Total	Debt Service Fund
REVENUES						
Taxes	\$ 294,071	-	-	-	\$ 294,071	\$ 1,142,428
Intergovernmental	-	\$ 24,766	-	\$ 860,164	884,930	-
Charges for services	115,651	-	-	-	115,651	-
Investment earnings	3,309	-	-	19,524	22,833	8,396
Miscellaneous	14,611	-	-	4,119	18,730	-
Total revenues	<u>427,642</u>	<u>24,766</u>	<u>-</u>	<u>883,807</u>	<u>1,336,215</u>	<u>1,150,824</u>
EXPENDITURES						
Current:						
General Government	-	24,766	\$ 8	733,322	758,096	-
Recreation	825,729	-	-	-	825,729	-
Capital outlay	-	-	-	-	-	-
Bond principal	-	-	-	-	-	-
Bond interest	-	-	-	-	-	4,590
Total expenditures	<u>825,729</u>	<u>24,766</u>	<u>8</u>	<u>733,322</u>	<u>1,583,825</u>	<u>4,590</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(398,087)</u>	<u>-</u>	<u>(8)</u>	<u>150,485</u>	<u>(247,610)</u>	<u>1,146,234</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	452,682	-	-	-	452,682	-
Transfers out	(66,604)	-	-	(228,613)	(295,217)	(1,125,450)
Total other financing sources and uses	<u>386,078</u>	<u>-</u>	<u>-</u>	<u>(228,613)</u>	<u>157,465</u>	<u>(1,125,450)</u>
Net change in fund balances	(12,009)	-	(8)	(78,128)	(90,145)	20,784
Fund balances - beginning	167,746	-	(30,570)	684,865	822,041	840,396
Fund balances - ending	<u>\$ 155,737</u>	<u>\$ -</u>	<u>\$ (30,578)</u>	<u>\$ 606,737</u>	<u>\$ 731,896</u>	<u>\$ 861,180</u>

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

Capital Project Funds

Central Shop Construction	Hazard Mitigation Grant	Sewer Demonstrated Needs Grant	I-20 Fund	Total	Total Nonmajor Governmental Funds
-	-	-	-	-	\$ 1,436,499
-	-	-	-	-	884,930
-	-	-	-	-	115,651
\$ 1,120	\$ 35	\$ 14	\$ 61,040	\$ 62,209	93,438
-	-	-	-	-	18,730
<u>1,120</u>	<u>35</u>	<u>14</u>	<u>61,040</u>	<u>62,209</u>	<u>2,549,248</u>
-	-	-	-	-	758,096
-	-	-	-	-	825,729
-	-	-	573,677	573,677	573,677
-	-	-	-	-	-
-	-	-	-	-	4,590
-	-	-	573,677	573,677	2,162,092
<u>1,120</u>	<u>35</u>	<u>14</u>	<u>(512,637)</u>	<u>(511,468)</u>	<u>387,156</u>
-	-	-	1,125,450	1,125,450	1,578,132
-	(5,525)	(2,490)	-	(8,015)	(1,428,682)
-	<u>(5,525)</u>	<u>(2,490)</u>	<u>1,125,450</u>	<u>1,117,435</u>	<u>149,450</u>
1,120	(5,490)	(2,476)	612,813	605,967	536,606
125,886	5,490	2,476	2,411,222	2,545,074	4,207,511
<u>\$ 127,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,024,035</u>	<u>\$ 3,151,041</u>	<u>\$ 4,744,117</u>

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Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City, and to other government, on a cost reimbursement basis.

Workmen's Compensation Self-Insurance Fund – This fund accumulates resources to finance employee workmen's compensation injuries and claims.

General Self-Insurance Fund – This fund accumulates resources to finance claims and judgments arising from employee health insurance and other exposures.

Purchasing-Warehouse Fund – *This fund coordinates purchasing and warehousing operations for all applicable funds.*

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CITY OF RUSTON, LOUISIANA
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2005

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>Total Internal Service Funds</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 149,694	\$ 656,470	\$ 3,059	\$ 809,223
Investments	400,000	1,020,205	-	1,420,205
Due from other funds	-	-	46	46
Total current assets	<u>549,694</u>	<u>1,676,675</u>	<u>3,105</u>	<u>2,229,474</u>
Noncurrent Assets:				
Capital Assets:				
Buildings	-	-	13,080	13,080
Equipment	-	-	48,123	48,123
Less accumulated depreciation	-	-	(42,051)	(42,051)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>19,152</u>	<u>19,152</u>
Total assets	<u>549,694</u>	<u>1,676,675</u>	<u>22,257</u>	<u>2,248,626</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 46,298	-	\$ 354	\$ 46,652
Accrued liabilities	-	-	8,101	8,101
Claims and judgments	125,155	\$ 135,699	-	260,854
Total current liabilities	<u>171,453</u>	<u>135,699</u>	<u>8,455</u>	<u>315,607</u>
Noncurrent Liabilities:				
Compensated absences	-	-	14,701	14,701
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>14,701</u>	<u>14,701</u>
Total liabilities	<u>171,453</u>	<u>135,699</u>	<u>23,156</u>	<u>330,308</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	-	19,152	19,152
Unrestricted	378,241	1,540,976	(20,051)	1,899,166
Total net assets	<u>\$ 378,241</u>	<u>\$ 1,540,976</u>	<u>\$ (899)</u>	<u>\$ 1,918,318</u>

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

CITY OF RUSTON, LOUISIANA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES				
Premiums paid by retired employees	-	\$ 183,004	-	\$ 183,004
Charges to other funds	\$ 240,000	2,126,572	\$ 172,500	2,539,072
Other income	-	399	-	399
Total operating revenues	<u>240,000</u>	<u>2,309,975</u>	<u>172,500</u>	<u>2,722,475</u>
OPERATING EXPENSES				
Cost of Services:				
Salaries, wages and employee benefits	-	-	168,408	168,408
Operating services	-	-	14,042	14,042
Materials and supplies	-	-	4,673	4,673
Travel and other	-	-	513	513
Depreciation	-	-	5,487	5,487
Total cost of services	<u>-</u>	<u>-</u>	<u>193,123</u>	<u>193,123</u>
Claims	105,024	1,527,926	-	1,632,950
Insurance premiums	79,336	287,717	-	367,053
Total operating expenses	<u>184,360</u>	<u>1,815,643</u>	<u>193,123</u>	<u>2,193,126</u>
Operating income (loss)	<u>55,640</u>	<u>494,332</u>	<u>(20,623)</u>	<u>529,349</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	7,181	40,315	849	48,345
Change in net assets	62,821	534,647	(19,774)	577,694
Total net assets - beginning	315,420	1,006,329	18,875	1,340,624
Total net assets - ending	<u>\$ 378,241</u>	<u>\$ 1,540,976</u>	<u>\$ (899)</u>	<u>\$ 1,918,318</u>

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

CITY OF RUSTON, LOUISIANA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:				
Receipts from operations	\$ 315,205	\$ 2,309,975	\$ 172,951	\$ 2,798,131
Payments to suppliers	(37,652)	(366,831)	(19,272)	(423,755)
Payments to employees	-	-	(179,697)	(179,697)
Claims	(87,720)	(1,509,763)	-	(1,597,483)
Net cash provided by (used in) operating activities	<u>189,833</u>	<u>433,381</u>	<u>(26,018)</u>	<u>597,196</u>
Cash flows from investing activities:				
Purchases on investments	(96,692)	(266,327)	-	(363,019)
Interest on investments	7,181	40,315	849	48,345
Net cash provided by (used in) investing activities	<u>(89,511)</u>	<u>(226,012)</u>	<u>849</u>	<u>(314,674)</u>
Net increase (decrease) in cash and cash equivalents	100,322	207,369	(25,169)	282,522
Cash and cash equivalents - beginning of year	49,372	449,101	28,228	526,701
Cash and cash equivalents - end of year	<u>\$ 149,694</u>	<u>\$ 656,470</u>	<u>\$ 3,059</u>	<u>\$ 809,223</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 55,640	\$ 494,332	\$ (20,623)	\$ 529,349
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	5,487	5,487
<i>(Increase) Decrease in assets:</i>				
Receivables	75,205	-	-	75,205
Due from other funds	-	-	451	451
<i>Increase (Decrease) in liabilities:</i>				
Accounts payable	41,684	(79,114)	(44)	(37,474)
Accrued liabilities	-	-	2,980	2,980
Compensated absences	-	-	(14,269)	(14,269)
Claims and judgments	17,304	18,163	-	35,467
Total adjustments	<u>134,193</u>	<u>(60,951)</u>	<u>(5,395)</u>	<u>67,847</u>
Net cash provided by (used in) operating activities	<u>\$ 189,833</u>	<u>\$ 433,381</u>	<u>\$ (26,018)</u>	<u>597,196</u>

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

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Individual Fund Schedules

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CITY OF RUSTON, LOUISIANA
RUSTON PARKS AND RECREATION BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 300,000	\$ 300,000	\$ 294,071	\$ (5,929)
Charges for services	82,000	82,000	115,651	33,651
Investment earnings	3,000	3,000	3,309	309
Miscellaneous	12,500	12,500	14,611	2,111
Total revenues	<u>397,500</u>	<u>397,500</u>	<u>427,642</u>	<u>30,142</u>
EXPENDITURES				
Current:				
Recreation:				
Salaries, wages and employee benefits	340,553	371,753	371,101	652
Operating services	270,533	305,771	293,939	11,832
Materials and supplies	28,500	28,500	17,871	10,629
Travel and other	5,000	5,800	4,892	908
Improvements and equipment	-	138,750	137,926	824
Total expenditures	<u>644,586</u>	<u>850,574</u>	<u>825,729</u>	<u>24,845</u>
Deficiency of revenues over expenditures	<u>(247,086)</u>	<u>(453,074)</u>	<u>(398,087)</u>	<u>54,987</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	327,736	431,486	452,682	21,196
Transfers out	<u>(70,000)</u>	<u>(70,000)</u>	<u>(66,604)</u>	<u>3,396</u>
Total other financing sources (uses)	<u>257,736</u>	<u>361,486</u>	<u>386,078</u>	<u>24,592</u>
Net change in fund balance	10,650	(91,588)	(12,009)	79,579
Fund balances - beginning	<u>167,746</u>	<u>167,746</u>	<u>167,746</u>	<u>-</u>
Fund balances - ending	<u>\$ 178,396</u>	<u>\$ 76,158</u>	<u>\$ 155,737</u>	<u>\$ 79,579</u>

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

CITY OF RUSTON, LOUISIANA
SECTION 8 VOUCHER HOUSING
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 1,142,968	\$ 860,164	\$ (282,804)
Investment earnings	4,600	19,524	14,924
Miscellaneous	-	4,119	4,119
Total revenues	<u>1,147,568</u>	<u>883,807</u>	<u>(263,761)</u>
EXPENDITURES			
Current:			
General Government:			
Operating services	<u>868,627</u>	<u>733,322</u>	<u>135,305</u>
Excess of revenues over expenditures	<u>278,941</u>	<u>150,485</u>	<u>(128,456)</u>
OTHER FINANCING USE			
Transfers out	<u>(106,436)</u>	<u>(228,613)</u>	<u>122,177</u>
Net change in fund balance	172,505	(78,128)	(250,633)
Fund balances - beginning	<u>684,865</u>	<u>684,865</u>	<u>-</u>
Fund balances - ending	<u>\$ 857,370</u>	<u>\$ 606,737</u>	<u>\$ (250,633)</u>

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

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City of Ruston, Louisiana

**OMB Circular A-133 Report
For The Year Ended September 30, 2005**

(With Independent Auditor's Report Thereon)

Douglas A. Brewer, LLC

Certified Public Accountant

City of Ruston, Louisiana
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Douglas A. Brewer, LLC

Certified Public Accountant

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Ruston, LA 71273-1250

Phone: (318) 255-8244 Fax: (318) 255-8245

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

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ruston, Louisiana (the City) as of and for the year ended September 30, 2005, which collectively comprise the City's basic government financial statements and have issued my report thereon dated January 17, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the 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.

However, I noted certain matters that were reported to management of the City in a separate letter dated January 17, 2006.

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 05-1 and 05-2.

This report is intended solely for the information and use of management of the City of Ruston, Louisiana, the Louisiana Legislative Auditor, 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 to be distributed by the Legislative Auditor as a public document.

Dolan A. Brewer, LLC

January 17, 2006
Ruston, Louisiana

Douglas A. Brewer, LLC

Certified Public Accountant

105 E. Reynolds Dr. Suite A

P.O. Box 1250

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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

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana

Compliance

I have audited the compliance of the City of Ruston, Louisiana (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The City's major federal program is identified in the summary of auditors' 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 the City's management. My responsibility is to express an opinion on the City's compliance based on my audit.

I conducted our 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 the City'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 the City's compliance with those requirements.

In my opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2005. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 05-1 and 05-2.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the 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 caused by error or fraud 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 operations that I consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2005, and have issued our report thereon dated January 17, 2006. My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information 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.

This report is intended solely for the information and use of management the City of Ruston, Louisiana, the Louisiana Legislative Auditor, 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 to be distributed by the Legislative Auditor as a public document.

Dale A. Brewer, LLC

Ruston, Louisiana
January 17, 2006

**City of Ruston, Louisiana
Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2005**

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Housing and Urban Development:		
Section 8 - Housing Choice Vouchers	14.871	\$ 856,965
Section 8 - Moderate Rehabilitation	14.856	8
Pass through Louisiana Office of Community Development:		
D.A.R.T. CDBG Program	14.231	<u>24,766</u>
Total United States Department of Housing and Urban Development		<u>881,739</u>
Department of Homeland Security:		
Assistance to Firefighters Grant	83.554	47,097
Homeland Security Grant Program	97.067	38,449
Pass through Louisiana State Police		
Law Enforcement Terrorism Prevention	97.074	<u>18,830</u>
Total Department of Homeland Security		<u>104,376</u>
United States Department of Agriculture - Rural Development		
Pass through Governor's Office of Rural Development		
Rural Development Grant	10.446	25,000
United States Department of Justice:		
Local Law Enforcement Block Grant	16.592	8,784
Federal Aviation Administration:		
Airport Improvement Program	20.106	198,121
United States Department of Health and Human Services:		
Pass through Louisiana Office of Rural Health Policy:		
Bioterrorism Grant	93.889	13,700
Total Federal Awards		<u><u>\$ 1,231,720</u></u>

See accompanying notes to schedule of expenditures of federal awards.

City of Ruston, Louisiana
Notes to Schedule of Federal Awards
For The Year Ended September 30, 2005

1. General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ruston, Louisiana and is presented on the modified accrual basis of accounting with the exception of the Airport Improvement Program, which is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Subrecipients

Of the federal expenditures presented in this schedule, the City of Ruston, Louisiana, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>		<u>Amount Provided To Subrecipients</u>
D.A.R.T. CDBG Program	14.231	\$	24,766
Bioterrorism Grant	93.889		13,700

City of Ruston, Louisiana
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2005

Summary Of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic government financial statements of the City of Ruston, Louisiana.
2. Two reportable conditions disclosed during the audit of the financial statements are reported in the Report on Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards* and the Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133. None of the reportable conditions are deemed to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the City of Ruston, Louisiana, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Two reportable conditions disclosed during the audit of the major federal award programs is reported in the Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City of Ruston, Louisiana expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Sections 510(a) of OMB Circular A-133 are reported in this schedule.
7. The program tested as major program included the Department of Housing and Urban Development Voucher Program, CFDA No. 14.857.
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. The City of Ruston, Louisiana does not qualify to be a low-risk auditee.

City of Ruston, Louisiana
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2005

Findings And Questioned Costs – Major Federal Award Programs Audit

05-1 Housing Quality Standards Inspections

Condition:

In performing the audit on compliance for HUD on the Section 8 Housing department (the City), it was noted that a housing assistance payment was not abated as a result of a failed Housing Quality Standards inspection. The necessary repairs were not made in the mandated 30-day period.

Criteria:

The United States Department of Housing and Urban Development requires owners to correct cited Housing Quality Standards deficiencies within the specified correction period or the Public Housing Authority must abate the Housing Assistance Payment beginning no later than the first of the month following the specified correction period or it must terminate the HAP contract.

Effect:

The City made payment to a landlord at the first of the month following the specified correction period.

Recommendation:

The Section 8 department should make sure that all failed inspections are followed by quality control re-inspections as HUD regulations dictate, and all units that do not pass within the Housing Authority Approved time extension do not receive a Housing Assistance Payment until re-inspection is passed per HUD guidelines.

Response:

The Section 8 department will either grant an extension of time, in writing, to the landlord to correct any HQS deficiencies, or will properly abate the check until such time that the landlord corrects the HQS deficiencies.

City of Ruston, Louisiana
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2005

05-2 HUD Form 50058

Condition:

In performing the audit on compliance for HUD on the Section 8 housing department (the City), it was noted that the City did not properly fill out the HUD 50058 for sections 3n – Social Security Numbers, 5h – last HQS inspection passed, and 5i – last annual inspection performed.

Criteria:

The United States Department of Housing and Urban Development (HUD) requires the public housing authority to submit a HUD 50058 for each tenant on a yearly basis.

Effect:

The City submitted incomplete and inaccurate information to HUD on the Form HUD 50058.

Recommendation:

The City should review each Form HUD 50058 for accuracy and completeness before submitting the forms to HUD.

Response:

The City's Section 8 department will review each HUD 50058 for accuracy before filing with HUD.

**City of Ruston, Louisiana
Summary Schedule of Prior Findings
For The Year Ended September 30, 2005**

Federal Award Findings and Questioned Costs

04-1 Housing Quality Standards - Quality Control Re-inspections

Condition:

In performing the audit on compliance for HUD on the Section 8 Housing department (the City), it was noted that one of the units that had failed its Housing Quality Standards inspection did not have a follow-up Quality Control Re-inspection performed within the required 30 day period.

Recommendation

The Section 8 department should make sure that all failed inspections are followed by quality control re-inspections as HUD regulations dictate, and all units that do not pass within the Housing Authority Approved time extension do not receive a Housing Assistance Payment until re-inspection is passed per HUD guidelines.

Status

This item has been cleared.

04-2 Utility Allowance Payment

Condition:

In performing the audit on compliance for HUD on the Section 8 Housing department (the City), it was noted that five tenants were given the wrong utility allowance based on their qualified bedroom occupancy.

Recommendation:

The Section 8 department ensure they are using the current utility allowance schedule upon tenant admissions and reexaminations.

Status

This item has been cleared.

Management Letter

The City of Ruston, Louisiana, was audited by other auditors for the year ended September 30, 2004. No management letter was issued.

**City of Ruston, Louisiana
Management's Corrective Action Plan
For The Year Ended September 30, 2005**

Federal Award Findings and Questioned Costs

05-1 Housing Quality Standards Inspections

Condition:

In performing the audit on compliance for HUD on the Section 8 Housing department (the City), it was noted that a housing assistance payment was not abated as a result of a failed Housing Quality Standards inspection. The necessary repairs were not made in the mandated 30-day period.

Recommendation:

The Section 8 department should make sure that all failed inspections are followed by quality control re-inspections as HUD regulations dictate, and all units that do not pass within the Housing Authority Approved time extension do not receive a Housing Assistance Payment until re-inspection is passed per HUD guidelines.

Response:

The Section 8 department will either grant an extension of time, in writing, to the landlord to correct any HQS deficiencies, or will properly abate the check until such time that the landlord corrects the HQS deficiencies.

05-2 HUD Form 50058

Condition:

In performing the audit on compliance for HUD on the Section 8 Housing department (the City), it was noted that the City did not properly fill out the HUD 50058 for sections 3n – Social Security Numbers, 5h – last HQS inspection passed, and 5i – last annual inspection performed.

Recommendation:

The City should review each Form HUD 50058 for accuracy and completeness before submitting the forms to HUD.

Response:

The City's Section 8 department will review each HUD 50058 for accuracy before filing with HUD.

Douglas A. Brewer, LLC

Certified Public Accountant

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Phone: (318) 255-8244 Fax: (318) 255-8245

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana

In planning and performing our audit of the financial statements of the City of Ruston, Louisiana for the year ended September 30, 2005, I considered the City's internal control in order to determine my procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, I noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in my judgment, could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

New Accounting Software – Customer Deposits Interest Calculations

In testing the new accounting system software, it was determined that interest accrued on utility customer's deposits was not being calculated in accordance with City policies. This resulted in the customer deposit account being overstated by \$64,265 at September 30, 2005.

I recommend that the City personnel responsible for new software implementations work in conjunction with the software vendors to determine that all calculation functions of the software are in accordance with City policies and procedures.

This report is intended solely for the information and use of the management of the City of Ruston, Louisiana, the Louisiana Legislative Auditor, 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 to be distributed by the Legislative Auditor as a public document.

Douglas A. Brewer, LLC

January 17, 2006
Ruston, Louisiana

**City of Ruston, Louisiana
Management's Corrective Action Plan
For The Year Ended September 30, 2005**

Management Letter

Condition

New Accounting Software – Customer Deposits Interest Calculations

In testing the new accounting system software, it was determined that interest accrued on utility customer's deposits was not being calculated in accordance with City policies. The resulted in the customer deposit account being overstated by \$64,265 at September 30, 2005.

Recommendation

I recommend that the City personnel responsible for new software implementations work in conjunction with the software vendors to determine that all calculation functions of the software are in accordance with City policies and procedures.

Status

The City has spent a great deal of time converting to the new software system and will make every effort to ensure that all aspects of the system are functioning in accordance with City policies and procedures. The software vendor is in the process of revising this issue.