

City of Ruston

RECEIVED
LEGISLATIVE AUDITOR
MAR 30 2007

LOUISIANA



Comprehensive Annual Financial Report

For the Year Ended

September 30, 2006

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.

5-16-07

Release Date _____

RECEIVED
LEGISLATIVE AUDITOR
2007 MAR 30 PM 12:11

Annual Financial Report



of the
City of Ruston, Louisiana
For the Year Ended September 30, 2006

Mayor
Dan Hollingsworth

This page left blank intentionally.

Introductory Section

This page left blank intentionally.

**CITY OF RUSTON, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
Organizational Chart.....	v
Principal Officials.....	vi
 FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	20
Reconciliation of the Governmental Funds Balance Sheet to The Statement of Net Assets.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities....	27
Statement of Net Assets – Proprietary Funds.....	28
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	31
Statement of Cash Flows – Proprietary Funds.....	32
Statement of Net Assets – Component Units.....	34
Statement of Activities – Component Units.....	35
Notes to the Financial Statements.....	37
Required Supplementary Information (Unaudited):	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a Budgetary Basis – General Fund.....	65
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a Budgetary Basis – 1968 Sales Tax Fund.....	69
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a Budgetary Basis – 1985 Sales Tax Fund.....	70
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a Budgetary Basis – 1990 Sales Tax Fund.....	71
Notes to Budgetary Comparison Schedules.....	72

**CITY OF RUSTON, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

TABLE OF CONTENTS

	Page
Combining Fund Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	79
Combining Statement of Net Assets – Internal Service Funds.....	83
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds.....	84
Combining Statement of Cash Flows – Internal Service Funds.....	85
Individual Fund Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a Budgetary Basis (Unaudited):	
Ruston Parks and Recreation Board.....	89
Section 8 Voucher Housing.....	90

401 North Trenton Street
P. O. Box 2069
Ruston, Louisiana 71273-2069
Phone: (318) 251-8649
Fax: (318) 255-1781
egibbs@ruston.org

City of Ruston

Emmett Gibbs
Treasurer

Ashley Burton
Controller

Pam Womack
Administrative Assistant

February 16, 2007

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, 2006. 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 2006 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, 2006, 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, 2006, 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 \$50.9 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 opened in Ruston this year. The movie theater has resulted in new retail and dining facilities. A new Lowe's Home Improvement store opened during 2006 and an Applebee's restaurant opened in early 2007. A strip mall is currently being developed in this same area. 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. Recently, the City has experienced some growth in our largest general revenue source which is sales taxes. In the General Fund, sales tax represents 56% of the revenues and transfers in. In spite of the growth, 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 90 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.

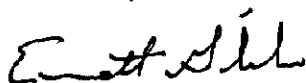
Risk management. The City partially retains the risk for property, liability, workers compensation, and general health insurance. As part of this comprehensive plan, resources are being accumulated in the General Fund to meet potential losses. In addition, various risk control techniques including an 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,

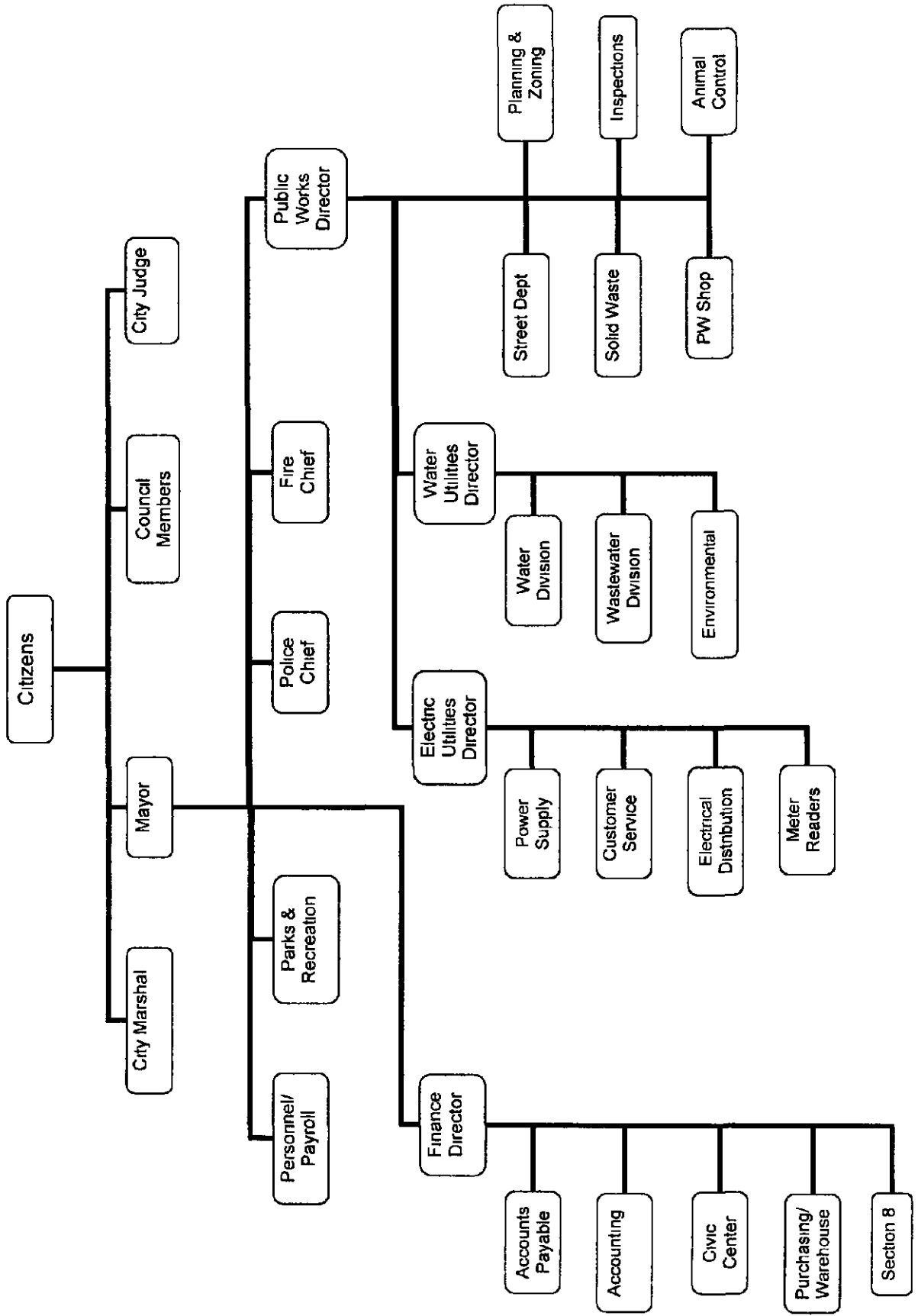


Emmett Gibbs
Treasurer



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

This page left blank intentionally.

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, Louisiana, (the City) as of and for the year ended September 30, 2006, 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, 2006, 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, 2006, and the respective changes in financial position and, where applicable, cash flows 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, 2006, 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 February 16, 2007, 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 combining 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 combining 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.

Dolan A. Brewer, LLC

Ruston, Louisiana
February 16, 2007

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, 2006. 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, 2006 include the following:

- The assets of the City exceeded its liabilities at September 30, 2006 by \$95,684,213 (net assets). Of this amount, \$24,071,603 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$10,345,486 for the year ended September 30, 2006. Net assets of governmental activities increased \$7,009,641 and net assets of business-type activities increased \$3,335,845.
- As of September 30, 2006, the City's governmental funds reported combined ending fund balances of \$19,503,113, an increase of \$903,180 from the prior year. Of this amount \$12,737,433 was unreserved, undesignated, and available for spending; \$1,189,179 was unreserved but designated for subsequent years' expenditures; \$982,240 was reserved for debt service; \$3,413,857 was reserved for encumbrances; \$38,286 was reserved for inventories; and \$14,570 was reserved for prepaid items.
- At the end of the current fiscal year, unreserved, undesignated fund balances for the General Fund was \$6,594,665 or 47.4% of total General Fund expenditures and transfers out.
- The City's total long-term liabilities increased by \$5,918,143 during the current fiscal year due to the issuance of Sewer Revenue Bonds. The amount purchased to date is \$6,277,424.

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 eleven 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, 1990 Sales Tax Special Revenue Fund, and I-20 Capital Project Fund, all of which are considered to be major funds. Data for the other six 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, and sewer system, which are considered to be major funds of the City of Ruston. Data from the other proprietary funds are also presented although they are not considered major funds.

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 \$95,684,213 at the close of the current fiscal year.

The largest portion of the City of Ruston's net assets totaling approximately \$70.2 million (73%) 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, 2006

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$22,484,599	\$21,617,778	\$16,939,493	\$12,961,849	\$39,424,092	\$34,579,627
Capital assets	31,673,842	25,289,912	40,345,647	33,998,406	72,019,489	59,288,318
Total assets	<u>54,158,441</u>	<u>46,907,690</u>	<u>57,285,140</u>	<u>46,960,255</u>	<u>111,443,581</u>	<u>93,867,945</u>
Current and other liabilities	1,262,695	1,073,340	3,682,489	2,559,837	4,945,184	3,633,177
Long-term liabilities	<u>1,682,707</u>	<u>1,630,952</u>	<u>9,131,477</u>	<u>3,265,089</u>	<u>10,814,184</u>	<u>4,896,041</u>
Total liabilities	<u>2,945,402</u>	<u>2,704,292</u>	<u>12,813,966</u>	<u>5,824,926</u>	<u>15,759,368</u>	<u>8,529,218</u>
Net assets:						
Invested in capital assets, net of related debt	31,673,842	25,289,912	38,570,647	31,878,999	70,244,489	57,168,911
Restricted	982,240	866,630	385,881	454,790	1,368,121	1,321,420
Unrestricted	<u>18,556,957</u>	<u>18,046,856</u>	<u>5,514,646</u>	<u>8,801,540</u>	<u>24,071,603</u>	<u>26,848,396</u>
Total net assets	<u>\$51,213,039</u>	<u>\$44,203,398</u>	<u>\$44,471,174</u>	<u>\$41,135,329</u>	<u>95,684,213</u>	<u>\$85,338,727</u>

1.4% 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 \$24,071,603 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 \$9,083,555 during the current fiscal year. Key elements of this increase are as follows:

City of Ruston's Changes in Net Assets

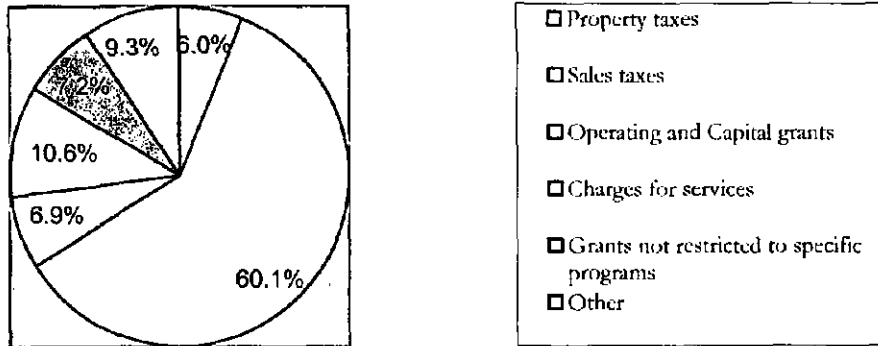
	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$1,806,614	\$1,754,004	\$23,354,807	\$22,516,260	\$25,161,421	\$24,270,264
Operating grants and contributions	1,176,084	992,916	-	-	1,176,084	992,916
Capital grants and contributions	-	-	680,580	250,650	680,580	250,650
General revenues:						
Property taxes	1,020,058	964,220	-	-	1,020,058	964,220
Sales taxes	10,256,607	8,145,391	-	-	10,256,607	8,145,391
Other taxes	686,138	642,578	-	-	686,138	642,578
Grants and contributions not restricted to specific programs	1,227,809	1,134,142	-	-	1,227,809	1,134,142
Other	894,386	526,445	1,211,341	958,783	2,105,727	1,485,228
Total revenues	17,067,696	14,159,696	25,246,728	23,725,693	42,314,424	37,885,389
Expenses:						
General government	4,748,305	3,076,623	-	-	4,748,305	3,076,623
Public safety	5,684,546	5,661,200	-	-	5,684,546	5,661,200
Public works	981,655	4,161,817	-	-	981,655	4,161,817
Cultural and recreation	800,803	762,458	-	-	800,803	762,458
City Judge's Office and Marshal	418,555	388,945	-	-	418,555	388,945
Interest on long-term debt	11,284	14,967	-	-	11,284	14,967
Electric	-	-	15,607,087	15,986,007	15,607,087	15,986,007
Water	-	-	1,876,250	1,618,222	1,876,250	1,618,222
Sewer	-	-	2,363,029	2,295,727	2,363,029	2,295,727
Regional airport	-	-	398,078	403,229	398,078	403,229
Ambulance service	-	-	341,277	319,244	341,277	319,244
Total expenses	12,645,148	14,066,010	20,585,721	20,622,429	33,230,869	34,688,439
Increase in net assets before transfers	4,422,548	93,686	4,661,007	3,103,264	9,083,555	3,196,950
Transfers	2,429,692	2,337,263	(2,429,692)	(2,337,263)	-	-
Increase (decrease) in net assets	6,852,240	2,430,949	2,231,315	766,001	9,083,555	3,196,950
Net assets at beginning of year	44,360,799	41,772,449	42,239,859	40,369,328	86,600,658	82,141,777
Net assets at end of year	\$51,213,039	\$44,203,398	\$44,471,174	\$41,135,329	\$95,684,213	\$85,338,727

Revenues for the City's governmental activities for the year ended September 30, 2006 were \$17,067,696 compared to \$14,159,696 in 2005. The increase of \$2,908,000 was largely attributable to an increase in general revenues, specifically sales tax. Sales tax increased \$2,111,216. Interest revenue also increased \$364,000.

General revenues, specifically sales tax (60.1%), are the largest component of revenues.

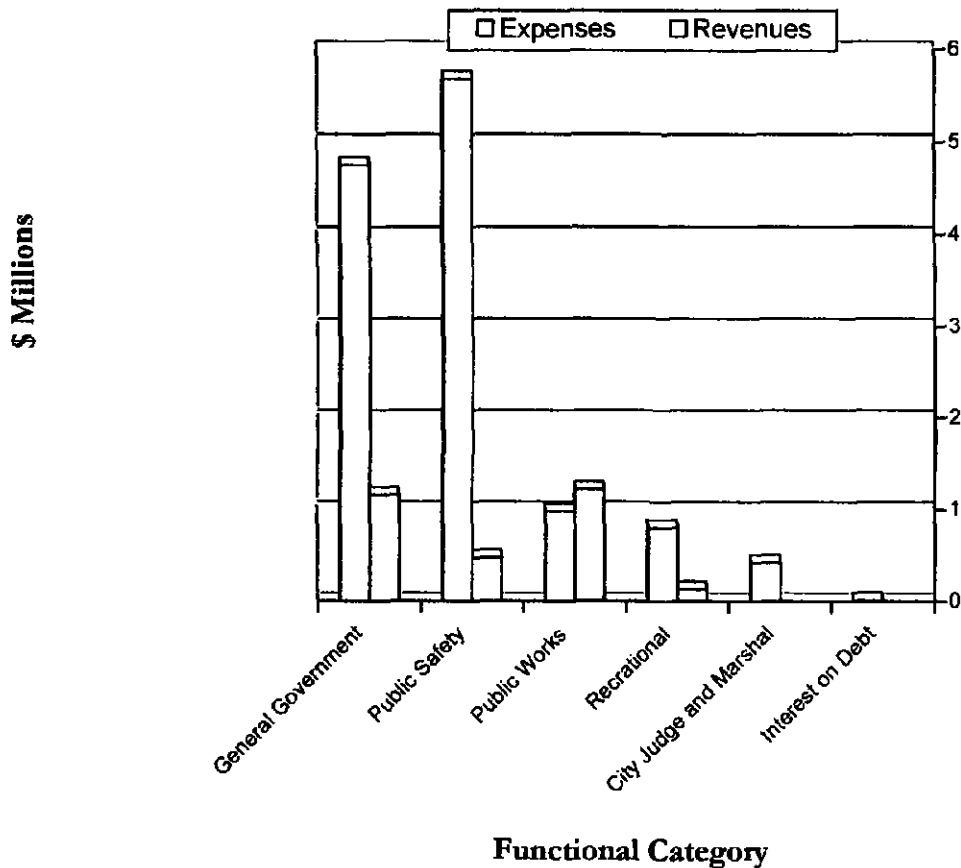
Revenues by Sources – Governmental Activities

Revenues by Sources - Governmental Activities



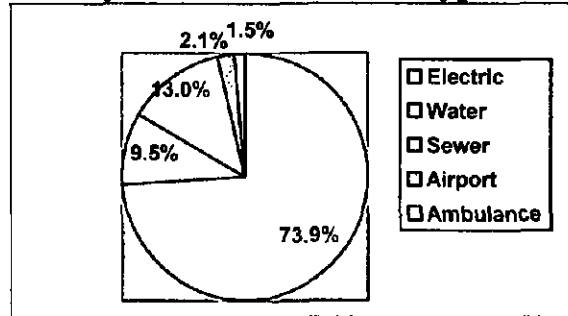
The cost of all governmental activities this year was \$12,645,148, a decrease of approximately \$1,420,862 from 2005. The City's largest programs are general government, public safety, and public works. The graph below shows the expenses and program revenues generated by governmental activities.

Expenses and Program Revenues – Governmental Activities



Business-type Activities. Charges for services for the City of Ruston's business-type activities were \$23,354,807, an increase of \$838,547 from 2005. The majority of this resulted from the increase in rates for water and sewer usage during the year. This increase amounted to approximately \$930,000.

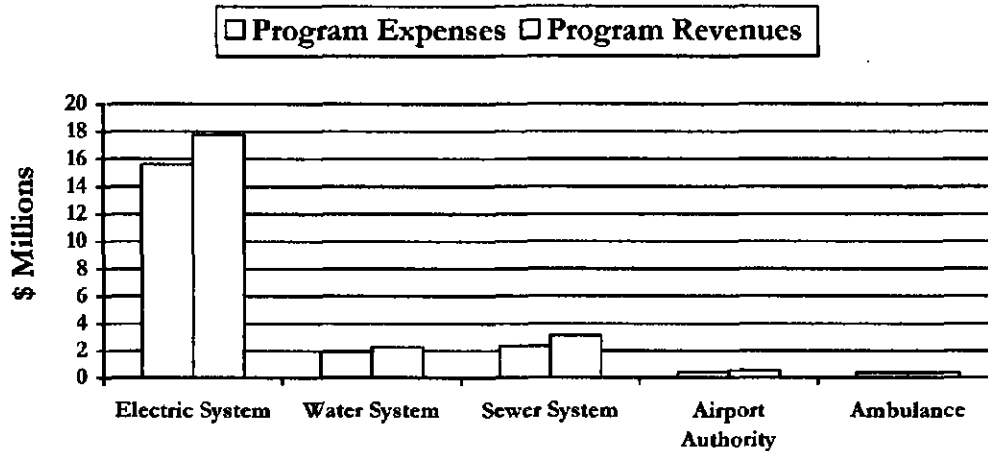
Revenue by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities

The costs of these activities were \$20,585,721, a decrease of \$36,708 from 2005. This was the result of various factors that occurred during the year discussed on page 10.

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 \$19,503,113, an increase of \$903,180 in comparison with the prior fiscal year. Of this amount, \$13,864,981 or 71.1% was unreserved, undesignated and available for spending. \$1,189,179 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 (\$3,413,857), (2) to pay debt service (\$982,240), or (3) for other restricted purposes (\$52,856).
- 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 \$6,594,665. The total (undesignated) is available for spending at the City Council's discretion. The fund balance of the General Fund increased by \$2,829,686. 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 \$1,644,844 all of which is unreserved, undesignated and available for spending. Fund balance decreased \$834,327 as a result of an increase in transfers to the General Fund.
- The 1985 Sales Tax Fund has a total fund balance of \$1,940,325 all of which is unreserved, undesignated and available for spending. Fund balance decreased \$867,990 as a result of an increase in transfers to the General Fund.
- The 1990 Sales Tax Fund has a total fund balance of \$2,557,599 all of which is unreserved, undesignated and available for spending. Fund balance increased \$349,883 as a result of an increase in sales taxes received.
- The I-20 Fund has unreserved fund balance of \$1,935,029. Fund balance decreased \$1,089,006 as a result of an increase in construction expenditures.

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 \$8,276,151. Total net assets for the Electric System increased \$1,372,513 as a result of a decrease in salaries expense due to a decrease in personnel as well as a decrease in depreciation expense.
- The unrestricted net assets for the Water System amounted to \$1,528,995. Total net assets for the Water System increased \$158,845 primarily as a result of an increase in charges for services.
- The unrestricted net assets for the Sewer System were (\$4,402,250.) Total net assets for the Sewer System increased \$536,226 as a result of an increase in charges for services.

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 5, 2005. 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 \$684,000 to appropriate funds to purchase a new ladder truck. The increase was for the fire department. 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 \$147,146 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 \$321,463 due primarily to an increase in solid waste management fees received, FEMA grant money received for Hurricanes Katrina and Rita, and sales tax dedications for hotel and motel tax.

Expenditures

- Executive improvements and equipment expenditures were under budget by \$176,675 as a result of postponement of projects.
- Civic Center operating services were under budget by \$72,237 as a result of lower than anticipated maintenance of building and grounds expenditures.
- Inspections operating expenditures were under budget by \$63,599 as a result of lower than anticipated housing demolition expenditures.
- Fire improvements and equipment expenditures were under budget by \$706,381 as a result of encumbrances open at the end of the year.
- Public Works Administration operating services were under budget by \$77,567 as a result of lower than anticipated consulting expenditures.
- Street department personnel expenditures were under budget by \$91,552 as a result of the postponement of hiring additional personnel.
- Street department operating expenditures were under budget by \$660,645 as a result of encumbrances open at the end of the year.
- Street department improvements and equipment expenditures were under budget by \$1,281,416 as a result of encumbrances open at the end of the year.
- Repair shop department personnel expenditures were under budget by \$55,823 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, 2006 amounts to \$72,005,411, 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	
	2006	2005	2006	2005	2006	2005
Land and land improvements	\$8,066,273	\$7,269,322	\$1,266,223	\$832,133	\$9,332,496	\$8,101,455
Buildings	2,454,116	2,481,423	1,008,513	1,059,990	3,462,629	3,541,413
System Improvement	-	-	20,882,155	18,872,037	20,882,155	18,872,037
Improvements other than buildings	1,647,630	2,786,771	3,545,748	3,501,976	5,193,378	6,288,747
Equipment	3,890,487	3,995,066	5,838,621	4,888,332	9,729,108	8,883,398
Infrastructure	9,506,549	6,463,502	-	-	9,506,549	6,463,502
Construction in progress	6,108,787	2,293,828	7,804,387	4,843,938	13,913,174	7,137,766
Total	\$31,673,842	\$25,289,912	\$40,345,647	\$33,998,406	\$72,019,489	\$59,288,318

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

- The purchase of land to be used for street improvements for approximately \$99,000.
- The purchase of a garbage truck for the Solid Waste department for approximately \$185,000.
- The completion of the Kentucky Avenue Substation project for the Electric fund for approximately \$1,100,000.
- The completion of the Celebrity Lane Underground project for the Electric fund for approximately \$114,000.
- The purchase of land to be used for the Second Connection with Entergy for approximately \$374,000.
- The completion of the Repainting of an Elevated Water Storage Tank for the Water fund for approximately \$112,000.
- The completion of the Relocation of Water Facilities along Highway 33 for the Water fund for approximately \$456,000.
- The completion of the Hilton Pasture & West Kentucky Lift Station for the Sewer fund for approximately \$884,000.
- The completion of the Gravity Sewer Rehabilitation for the Sewer fund for approximately \$591,000.

- The completion of the Erosion Remediation project for the Airport fund for approximately \$395,000.

Long-term debt. At the end of the current fiscal year, the City of Ruston had total debt outstanding of \$8,761,225. The following table summarizes bonds outstanding at September 30, 2006.

	Outstanding Debt					
	Governmental		Business-type		Total	
	2006	2005	2006	2005	2006	2005
General						
obligation bonds	-	\$62,000	-	-	-	\$62,000
Revenue bonds	\$100,000	100,000	\$1,775,000	\$2,119,407	\$1,875,000	2,219,407
DEQ Revolving						
Loan fund	-	-	6,277,424	-	6,277,424	-
Due to State	-	-	608,801	695,773	608,801	695,773
Total	<u>\$100,000</u>	<u>\$162,000</u>	<u>\$8,661,225</u>	<u>\$2,815,180</u>	<u>\$8,761,225</u>	<u>\$2,977,180</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 2006, 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. For the year 2007, the City has budgeted a 7% increase in sales tax dollars. Preliminary 2007 figures reflect an increase of closer to 11%. National unemployment rates for September 2006 were down to 4.6% compared to 5.1% at September 2005. 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 2007, the budgets will be required to provide more than \$2 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 2007 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.

This page left blank intentionally.

Basic Financial Statements

This page left blank intentionally.

CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 8,194,654	\$ 8,598,036	\$ 16,792,690	\$ 602,924
Investments	11,527,250	3,644,851	15,172,101	76,325
Receivables, net	2,194,781	2,716,173	4,910,954	1,490
Unbilled revenue	71,131	1,684,012	1,755,143	-
Due from other governments	73,033	45,310	118,343	10,074
Internal balances	343,152	(343,152)	-	-
Inventories	38,286	578,252	616,538	-
Prepaid items	14,570	-	14,570	4,140
Bond issue costs, net	27,742	16,011	43,753	-
Capital assets:				
Land and construction in progress	14,175,060	9,070,610	23,245,670	-
Other capital assets, net of depreciation	17,498,782	31,275,037	48,773,819	204,947
Total assets	<u>54,158,441</u>	<u>57,285,140</u>	<u>111,443,581</u>	<u>899,900</u>
LIABILITIES				
Accounts payable	581,035	2,703,475	3,284,510	3,622
Accrued liabilities	337,612	137,112	474,724	754
Accrued interest payable	382	153,169	153,551	-
Claims	311,176	-	311,176	-
Deposits	32,490	688,733	721,223	-
Non-current liabilities:				
Due within one year	60,000	351,472	411,472	25,000
Due in more than one year	1,622,707	8,780,005	10,402,712	75,000
Total liabilities	<u>2,945,402</u>	<u>12,813,966</u>	<u>15,759,368</u>	<u>104,376</u>
NET ASSETS				
Invested in capital assets, net of related debt	31,673,842	38,570,647	70,244,489	104,947
Restricted for:				
Debt service	982,240	385,881	1,368,121	-
Unrestricted	18,556,957	5,514,646	24,071,603	690,577
Total net assets	<u>\$ 51,213,039</u>	<u>\$ 44,471,174</u>	<u>\$ 95,684,213</u>	<u>\$ 795,524</u>

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

CITY OF RUSTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary Government:				
Governmental Activities:				
General government	\$ 4,748,305	\$ 131,008	\$ 1,028,626	\$ -
Public safety	5,684,546	346,337	123,948	-
Public works	981,655	1,199,577	23,510	-
Cultural and recreation	800,803	129,692	-	-
City Judge and Marshal	418,555	-	-	-
Interest on long-term debt	11,284	-	-	-
Total governmental activities	<u>12,645,148</u>	<u>1,806,614</u>	<u>1,176,084</u>	<u>-</u>
Business-type activities:				
Electric System	15,607,087	17,760,581	-	6,188
Water System	1,876,250	2,107,893	-	174,169
Sewer System	2,363,029	3,122,870	-	5,123
Ruston Airport Authority	398,078	18,827	-	491,153
Ambulance	341,277	344,636	-	3,947
Total business-type activities	<u>20,585,721</u>	<u>23,354,807</u>	<u>-</u>	<u>680,580</u>
Total primary government	<u>\$33,230,869</u>	<u>\$25,161,421</u>	<u>\$ 1,176,084</u>	<u>\$ 680,580</u>
Component units:				
City Judge	422,794	548,730	-	-
City Marshall	271,075	289,824	-	-
Total component units	<u>\$ 693,869</u>	<u>\$ 838,554</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			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,588,671)	-	\$ (3,588,671)	-
(5,214,261)	-	(5,214,261)	-
241,432	-	241,432	-
(671,111)	-	(671,111)	-
(418,555)	-	(418,555)	-
(11,284)	-	(11,284)	-
<u>(9,662,450)</u>	-	<u>(9,662,450)</u>	-
-	\$ 2,159,682	2,159,682	-
-	405,812	405,812	-
-	764,964	764,964	-
-	111,902	111,902	-
-	7,306	7,306	-
-	<u>3,449,666</u>	<u>3,449,666</u>	-
<u>(9,662,450)</u>	<u>3,449,666</u>	<u>(6,212,784)</u>	-
-	-	-	\$ 125,936
-	-	-	18,749
-	-	-	<u>144,685</u>
709,865	-	709,865	-
310,193	-	310,193	-
4,548,520	-	4,548,520	-
240,851	-	240,851	-
600,000	-	600,000	-
1,347,876	-	1,347,876	-
1,347,875	-	1,347,875	-
20,000	-	20,000	-
2,151,485	-	2,151,485	-
310,630	-	310,630	-
6,475	-	6,475	-
369,033	-	369,033	-
1,227,809	-	1,227,809	-
770,463	443,425	1,213,888	14,700
123,923	767,916	891,839	-
2,429,692	(2,429,692)	-	2,340
<u>16,514,690</u>	<u>(1,218,351)</u>	<u>15,296,339</u>	<u>17,040</u>
6,852,240	2,231,315	9,083,555	161,725
44,360,799	42,239,859	86,600,658	633,799
<u>\$ 51,213,039</u>	<u>\$ 44,471,174</u>	<u>\$95,684,213</u>	<u>\$ 795,524</u>

CITY OF RUSTON, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	<u>General</u>	<u>1968 Sales Tax</u>	<u>1985 Sales Tax</u>
ASSETS			
Cash and cash equivalents	\$ 1,650,273	\$ 3,235,804	-
Investments	7,361,869	2,188,966	-
Receivables, net	518,139	211,481	\$ 317,221
Unbilled revenues	71,131	-	-
Due from other funds	343,845	-	1,645,289
Inventories, at cost	38,286	-	-
Prepaid items	14,570	-	-
Total assets	<u>\$ 9,998,113</u>	<u>\$ 5,636,251</u>	<u>\$ 1,962,510</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 402,930	-	-
Accrued liabilities	319,301	-	-
Due to other funds	53,582	\$ 3,991,407	\$ 22,185
Deposits and deferred charges	32,000	-	-
Total liabilities	<u>807,813</u>	<u>3,991,407</u>	<u>22,185</u>
Fund Balances:			
Reserved for:			
Debt service	-	-	-
Encumbrances	2,542,779	-	-
Inventories	38,286	-	-
Prepaid items	14,570	-	-
Unreserved, undesignated	6,594,665	1,644,844	1,940,325
Unreserved, designated reported in nonmajor:			
Capital project funds	-	-	-
Unreserved, undesignated, reported in nonmajor:			
Special revenue funds	-	-	-
Total fund balances	<u>9,190,300</u>	<u>1,644,844</u>	<u>1,940,325</u>
Total liabilities and fund balances	<u>\$ 9,998,113</u>	<u>\$ 5,636,251</u>	<u>\$ 1,962,510</u>

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

<u>1990 Sales Tax</u>	<u>I-20 Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	\$ 1,582,633	\$ 1,223,074	\$ 7,691,784
-	506,062	-	10,056,897
\$ 211,481	-	959,517	2,217,839
-	-	-	71,131
2,346,118	-	176,416	4,511,668
-	-	-	38,286
-	-	-	14,570
<u>\$ 2,557,599</u>	<u>\$ 2,088,695</u>	<u>\$ 2,359,007</u>	<u>\$ 24,602,175</u>
-	\$ 153,666	\$ 11,121	\$ 567,717
-	-	11,731	331,032
-	-	100,649	4,167,823
-	-	490	32,490
<u>-</u>	<u>153,666</u>	<u>123,991</u>	<u>5,099,062</u>
-	-	982,240	982,240
-	870,900	178	3,413,857
-	-	-	38,286
-	-	-	14,570
\$ 2,557,599	-	-	12,737,433
-	1,064,129	125,050	1,189,179
-	-	1,127,548	1,127,548
<u>2,557,599</u>	<u>1,935,029</u>	<u>2,235,016</u>	<u>19,503,113</u>
<u>\$ 2,557,599</u>	<u>\$ 2,088,695</u>	<u>\$ 2,359,007</u>	<u>\$ 24,602,175</u>

This page left blank intentionally.

CITY OF RUSTON, LOUISIANA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

Fund balances - total governmental funds		\$ 19,503,113
<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	46,753,720	
Less accumulated depreciation	<u>(15,094,369)</u>	31,659,351
<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		27,742
<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	(382)	
Compensated absences	(1,577,599)	
Bonds, notes, and loans payable	<u>(100,000)</u>	(1,677,981)
<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>1,700,814</u>
Net assets of governmental activities		<u><u>\$ 51,213,039</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, 2006

	<u>General</u>	<u>1968 Sales Tax</u>	<u>1985 Sales Tax</u>
REVENUES			
Taxes:			
Property	\$ 709,865	-	-
Sales	-	\$ 2,315,750	\$ 3,473,620
Licenses and permits	817,146	-	-
Intergovernmental	1,375,267	-	-
Charges for services	1,192,760	-	-
Fines and forfeitures	353,154	-	-
Investment earnings	343,641	79,647	83,082
Miscellaneous	114,996	-	-
Total revenues	<u>4,906,829</u>	<u>2,395,397</u>	<u>3,556,702</u>
EXPENDITURES			
Current:			
General government	2,594,303	21,234	26,472
Public safety	5,725,392	-	-
Public works	5,114,122	-	-
Culture and recreation	-	-	-
City Court and Marshal	396,386	-	-
Debt service:			
Principal	62,000	-	-
Interest and other charges	3,416	-	-
Capital outlay	-	-	-
Total expenditures	<u>13,895,619</u>	<u>21,234</u>	<u>26,472</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,988,790)</u>	<u>2,374,163</u>	<u>3,530,230</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	11,886,212	-	-
Transfers out	(67,736)	(3,208,490)	(4,398,220)
Total other financing sources and (uses)	<u>11,818,476</u>	<u>(3,208,490)</u>	<u>(4,398,220)</u>
Net change in fund balances	2,829,686	(834,327)	(867,990)
Fund balances - beginning	6,360,614	2,479,171	2,808,315
Fund balances - ending	<u>\$ 9,190,300</u>	<u>\$ 1,644,844</u>	<u>\$ 1,940,325</u>

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

<u>1990 Sales Tax</u>	<u>I-20 Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	-	\$ 310,193	\$ 1,020,058
\$ 2,315,751	-	2,151,485	10,256,606
-	-	-	817,146
-	-	1,028,626	2,403,893
-	-	129,692	1,322,452
-	-	-	353,154
69,557	\$ 137,129	57,409	770,465
-	-	8,926	123,922
<u>2,385,308</u>	<u>137,129</u>	<u>3,686,331</u>	<u>17,067,696</u>
18,234	-	779,590	3,439,833
-	-	-	5,725,392
-	-	-	5,114,122
-	-	734,024	734,024
-	-	-	396,386
-	-	-	62,000
-	-	4,590	8,006
-	3,268,633	3,213	3,271,846
<u>18,234</u>	<u>3,268,633</u>	<u>1,521,417</u>	<u>18,751,609</u>
<u>2,367,074</u>	<u>(3,131,504)</u>	<u>2,164,914</u>	<u>(1,683,913)</u>
-	2,042,498	391,475	14,320,185
(2,017,191)	-	(2,198,856)	(11,890,493)
<u>(2,017,191)</u>	<u>2,042,498</u>	<u>(1,807,381)</u>	<u>2,429,692</u>
349,883	(1,089,006)	357,533	745,779
2,207,716	3,024,035	1,877,483	18,757,334
<u>\$ 2,557,599</u>	<u>\$ 1,935,029</u>	<u>\$ 2,235,016</u>	<u>\$ 19,503,113</u>

This page left blank intentionally.

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, 2006

Net change in fund balances - total governmental funds \$ 745,779

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	9,071,051	
Depreciation expense	<u>(1,282,783)</u>	7,788,268

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, write offs, and donations) is to decrease net assets. (1,399,677)

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		62,000
--------------------	--	--------

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	(4,694)	
Increase in compensated absences	(123,348)	
Decrease in accrued interest	<u>1,416</u>	(126,626)

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. (217,504)

Change in net assets of governmental activities \$ 6,852,240

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2006

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Normajor Funds			
	Major Funds	Sewer System	Airport Authority	Ambulance	Total		
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 5,986,357	\$ 620,515	\$ 1,654,121	\$ 32,507	\$ 8,429,186	\$ 502,870	
Investments	2,007,490	574,000	-	-	2,581,490	1,470,353	
Receivables, net	881,490	304,773	1,444,506	-	2,716,173	49,975	
Unbilled revenue	1,288,120	154,505	241,387	85,404	1,684,012	-	
Due from other funds	-	175,245	202,973	-	378,218	-	
Due from other governments	-	-	42,810	2,500	45,310	-	
Inventories	369,487	164,353	-	-	578,252	-	
Total current assets	10,532,944	1,993,391	178,496	120,411	16,412,641	2,023,198	
Noncurrent assets:							
Restricted:							
Cash and cash equivalents	30,428	15,439	122,983	-	168,850	-	
Investments	813,627	155,069	94,665	-	1,063,361	-	
Capital assets:							
Land	622,501	75,070	349,851	-	1,266,223	-	
Construction in progress	814,533	79,619	141,149	-	7,804,387	-	
Buildings	2,112,128	139,934	407,215	-	2,771,661	13,080	
Improvements other than buildings	-	-	5,975,236	-	5,975,236	-	
Equipment	20,015,858	637,542	27,604	472,195	24,833,797	48,123	
Distribution and collection systems	19,638,287	9,931,887	18,970,244	-	48,540,418	-	
Less accumulated depreciation	(31,403,896)	(6,060,662)	(10,516,871)	(352,454)	(50,846,075)	(46,712)	
Total capital assets (net of accumulated depreciation)	11,799,411	4,803,390	4,388,863	119,741	40,345,647	14,491	
Deferred bond costs, at cost less amortization	-	-	-	-	16,011	-	
Total noncurrent assets	12,443,466	4,973,898	4,388,863	119,741	41,593,869	14,491	
Total assets	\$ 23,176,410	\$ 6,967,289	\$ 4,567,359	\$ 240,152	\$ 58,006,510	\$ 2,037,689	

	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	\$ 1,030,963	\$ 18,698	\$ 1,640,766	\$ 10,029	\$ 3,019	\$ 2,703,475	\$ 13,318	
Accrued liabilities	86,185	17,185	26,467	-	7,275	137,112	6,580	
Due to other funds	571,809	10,985	7,792	55,455	75,329	721,370	693	
Claims and judgments	-	-	-	-	-	-	311,176	
Compensated absences	12,000	1,000	3,500	-	3,000	19,500	-	
Total current liabilities	<u>1,700,957</u>	<u>47,868</u>	<u>1,678,525</u>	<u>65,484</u>	<u>88,623</u>	<u>3,581,457</u>	<u>331,767</u>	
Current liabilities payable from restricted assets:								
Customer deposits	686,458	-	2,275	-	-	688,733	-	
Bonds payable	-	-	245,000	-	-	245,000	-	
Due to LADOTD	37,148	49,824	-	-	-	86,972	-	
Accrued interest	153,169	-	-	-	-	153,169	-	
Total current liabilities payable from restricted assets	<u>876,775</u>	<u>49,824</u>	<u>247,275</u>	<u>-</u>	<u>-</u>	<u>1,173,874</u>	<u>-</u>	
Noncurrent liabilities:								
Compensated absences	300,227	67,764	49,711	-	33,050	450,752	5,108	
Bonds payable	-	-	1,530,000	-	-	1,530,000	-	
DEQ Revolving Loan fund	-	-	6,277,424	-	-	6,277,424	-	
Due to LADOTD	222,889	298,940	-	-	-	521,829	-	
Total noncurrent liabilities	<u>523,116</u>	<u>366,704</u>	<u>7,857,135</u>	<u>-</u>	<u>33,050</u>	<u>8,780,005</u>	<u>5,108</u>	
Total liabilities	<u>3,100,848</u>	<u>464,396</u>	<u>9,782,935</u>	<u>65,484</u>	<u>121,673</u>	<u>13,535,336</u>	<u>336,875</u>	
NET ASSETS								
Invested in capital assets, net of related debt	11,799,411	4,803,390	11,181,818	4,388,863	119,741	32,293,223	14,491	
Restricted for debt service	-	170,508	6,492,797	-	-	6,663,305	-	
Unrestricted (deficit)	8,276,151	1,528,995	(4,402,250)	113,012	(1,262)	5,514,646	1,686,323	
Total net assets (deficit)	<u>\$ 20,075,562</u>	<u>\$ 6,502,893</u>	<u>\$ 13,272,365</u>	<u>\$ 4,501,875</u>	<u>\$ 118,479</u>	<u>\$ 44,471,174</u>	<u>\$ 1,700,814</u>	

This page left blank intentionally.

CITY OF RUSTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Funds			
	Major Funds	Sewer System	Airport Authority	Ambulance	Total	Total	
OPERATING REVENUES							
Charges for services	\$ 17,760,581	\$ 3,122,870	\$ 18,827	\$ 344,636	\$ 23,354,807	\$ 2,378,094	
Charges to other funds	-	-	-	-	-	177,923	
Premiums paid by retired employees	-	-	-	-	-	-	
Rent income	35,353	-	21,004	-	56,357	-	
Miscellaneous	648,760	11,190	636	1,204	711,559	157	
Total operating revenues	<u>18,444,694</u>	<u>3,134,060</u>	<u>40,467</u>	<u>345,840</u>	<u>24,122,723</u>	<u>2,556,174</u>	
OPERATING EXPENSES							
Personal services	1,837,529	623,092	-	206,905	3,120,871	176,838	
Operating services	1,432,220	735,932	35,256	14,701	2,795,201	14,616	
Materials and supplies	10,806,302	223,862	100	73,849	11,354,554	7,067	
Travel and other	20,531	8,016	-	16,731	51,076	842	
Depreciation	1,477,796	642,567	362,722	29,091	2,903,211	4,661	
Claims	-	-	-	-	-	2,275,627	
Insurance premiums	-	-	-	-	-	378,072	
Total operating expenses	<u>15,574,378</u>	<u>2,233,469</u>	<u>398,078</u>	<u>341,277</u>	<u>20,224,913</u>	<u>2,857,723</u>	
Operating income (loss)	<u>2,870,316</u>	<u>900,591</u>	<u>(357,611)</u>	<u>4,563</u>	<u>3,897,810</u>	<u>(301,549)</u>	
NONOPERATING REVENUES (EXPENSES)							
Investment earnings	335,296	36,702	6,953	4,055	443,425	84,045	
Interest expense	(28,372)	(125,251)	-	-	(159,210)	-	
Amortization	-	(2,669)	-	-	(3,262)	-	
Loss on disposal of fixed assets	(4,337)	(1,640)	-	-	(198,336)	-	
Total nonoperating revenues (expenses)	<u>302,587</u>	<u>(92,858)</u>	<u>6,953</u>	<u>4,055</u>	<u>82,617</u>	<u>84,045</u>	
Income (loss) before contributions and transfers	3,172,903	807,733	(350,658)	8,618	3,980,427	(217,504)	
Capital contributions	6,188	5,123	491,153	3,947	680,580	-	
Transfers in	-	-	10,671	-	10,671	-	
Transfers out	(1,806,578)	(276,630)	-	-	(2,440,363)	-	
Change in net assets	1,372,513	536,226	151,166	12,565	2,231,315	(217,504)	
Total net assets (deficit) - beginning	18,703,049	12,736,139	4,350,709	105,914	42,239,859	1,918,318	
Total net assets (deficit) - ending	<u>\$ 20,075,562</u>	<u>\$ 13,272,365</u>	<u>\$ 4,501,875</u>	<u>\$ 118,479</u>	<u>\$ 44,471,174</u>	<u>\$ 1,700,814</u>	

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Major Funds			Nonmajor Funds			
	Electric System	Water System	Sewer System	Airport Authority	Ambulance	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from operations	\$ 18,246,190	\$ 2,005,079	\$ 1,690,890	\$ 11,484	\$ 352,300	\$ 22,305,943	\$ 2,506,245
Payments to suppliers	(12,252,386)	(856,465)	(83,933)	(218,815)	(171,915)	(13,583,514)	(433,238)
Payments to employees	(1,835,454)	(447,128)	(616,197)	-	(202,503)	(3,101,282)	(187,952)
Claim payments	-	-	-	-	-	-	(2,225,305)
Other receipts	684,113	49,769	11,190	636	1,204	746,912	-
	4,842,463	751,255	1,001,950	(206,695)	(20,914)	6,368,059	(340,250)
Net cash provided by operating activities							
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers in	-	-	-	10,671	-	10,671	-
Transfers out	(1,806,578)	(357,155)	(276,630)	-	-	(2,440,363)	-
Net cash provided by (used in) noncapital financing activities	(1,806,578)	(357,155)	(276,630)	10,671	-	(2,429,692)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	(1,761,244)	(578,487)	(5,404,735)	(501,065)	(98,727)	(8,344,258)	-
Capital contributions	6,188	174,169	5,123	491,153	3,947	680,580	-
DEQ Revolving Loan fund	-	-	6,277,424	-	-	6,277,424	-
Payable to State	(37,148)	(49,824)	-	-	-	(86,972)	-
Principal paid on debt	-	(110,000)	(235,000)	-	-	(345,000)	-
Interest paid on debt	(21,843)	(5,587)	(125,251)	-	-	(152,681)	-
Net cash used in capital and related financing activities	(1,814,047)	(569,729)	517,561	(9,912)	(94,780)	(1,970,907)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from sales and maturities of investments	1,084,376	1,702,628	21,034	-	-	2,808,038	-
Purchase of investments	(2,561,903)	(1,479,647)	(1,995)	-	-	(4,043,545)	(50,148)
Interest and dividends received	335,296	60,419	36,702	6,953	4,055	443,425	84,045
Net cash provided by (used in) investing activities	(1,142,231)	283,400	55,741	6,953	4,055	(792,082)	33,897
Net increase (decrease) in cash and cash equivalents	79,607	107,771	1,298,622	(198,983)	(111,639)	1,175,378	(306,353)
Cash and cash equivalents, beginning of year	5,937,178	528,183	478,482	334,669	144,146	7,422,658	809,223
Cash and cash equivalents, end of year	\$ 6,016,785	\$ 635,954	\$ 1,777,104	\$ 135,686	\$ 32,507	\$ 8,598,036	\$ 502,870
Noncash item:							
Amortization	-	593	2,669	-	-	3,262	-
Loss on disposal of fixed assets	4,337	192,359	1,640	-	-	198,336	-

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Major Funds		Nonmajor Funds		Total	Total	
	Electric System	Water System	Sewer System	Airport Authority			
	\$ 2,870,316	\$ 479,951	\$ 900,591	\$ (357,611)	\$ 4,563	\$ 3,897,810	\$ (301,549)
Operating income (loss)	1,477,796	391,035	642,567	362,722	29,091	2,903,211	4,661
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	468,919	(142,535)	(1,358,484)	-	7,664	(1,024,436)	(49,975)
(Increase) Decrease in assets:							
Receivables	-	39,721	(74,391)	1,068	-	(33,602)	46
Due from other funds				(29,415)		(29,415)	-
Due from other governments	(44,142)	(33,456)	(5,097)	-	200	(82,695)	-
Inventories							
Prepaid items			50			250	
Increase (Decrease) in liabilities:							
Accounts payable	(104,160)	5,111	1,194,251	7,360	(3,019)	1,099,543	(33,334)
Accrued liabilities	(6,681)	323	5,004	-	349	(1,005)	(1,521)
Due to other funds	154,969	5,211	(305,277)	(190,819)	(63,614)	(399,530)	693
Customers' deposits	16,690	-	895	-	-	17,585	-
Claims							50,322
Compensated absences	8,756	5,894	1,841	-	3,852	20,343	(9,593)
Total adjustments	1,972,147	271,304	101,359	150,916	(25,477)	2,470,249	(38,701)
Net cash provided by operating activities	\$ 4,842,463	\$ 751,255	\$ 1,001,950	\$ (206,695)	\$ (20,914)	\$ 6,368,059	\$ (340,250)

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

Operating income (loss)

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

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2006

	Ruston City Judge's Office	Ruston City Marshal's Office	Total
ASSETS			
Cash and cash equivalents	\$ 579,313	\$ 23,611	\$ 602,924
Investments	-	76,325	76,325
Receivables	-	1,490	1,490
Prepaid items	3,296	844	4,140
Due from governmental units	10,074	-	10,074
Capital assets, net of depreciation	166,941	38,006	204,947
Total assets	759,624	140,276	899,900
LIABILITIES			
Accounts payable	3,622	-	3,622
Accrued liabilities	754	-	754
Non-current liabilities:			
Due within one year	25,000	-	25,000
Due in more than one year	75,000	-	75,000
Total liabilities	104,376	-	104,376
NET ASSETS			
Invested in capital assets, net of related debt	66,941	38,006	104,947
Unrestricted	588,307	102,270	690,577
Total net assets	\$ 655,248	\$ 140,276	\$ 795,524

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, 2006

	<u>Program Revenues</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>			
	<u>Charges for Services</u>	<u>Ruston City Judge's Office</u>	<u>Ruston City Marshal's Office</u>	<u>Total</u>	
<u>Expenses</u>					
City Judge Judicial	\$ 422,794	\$ 548,730	\$ 125,936	-	\$ 125,936
City Marshal Judicial	271,075	289,824	-	\$ 18,749	18,749
	<u>\$ 693,869</u>	<u>\$ 838,554</u>	125,936	18,749	144,685
General Revenues:					
Interest earnings		12,127	2,573		14,700
Trade-in of capital asset		-	2,340		2,340
Total general revenues		<u>12,127</u>	<u>4,913</u>		<u>17,040</u>
Change in net assets		138,063	23,662		161,725
Net assets - beginning		517,185	116,614		633,799
Net assets - ending		<u>\$ 655,248</u>	<u>\$ 140,276</u>		<u>\$ 795,524</u>

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

This page left blank intentionally.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

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, 2006.

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, 2006.

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, 2006

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, 2006

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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

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.

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

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.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

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).

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.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

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. 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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

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, 2006 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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

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.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

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.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

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, 2006, the carrying amount of the City's deposits was \$30,245,161 and the bank balance was \$32,541,229. The difference is due to the outstanding checks and deposits in transit at September 30, 2006.

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. Statutes 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, 2006, 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, 2006. 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>\$107,046</u>	<u>\$ --</u>	<u>\$ --</u>	\$107,046
Louisiana Asset Management Pool				<u>1,612,584</u>
Total Investments				1,719,630
Total Deposits				<u>30,245,161</u>
Total cash, cash equivalents & investments, including restricted cash and investments				<u>\$31,964,791</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

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 \$550,407 at September 30, 2006.

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 \$122,128,139 and \$116,172,917 in 2006 and 2005, respectively. The distribution of the City's levy (tax rate per \$1,000 assessed value) was as follows for 2006 and 2005:

	<u>Levy</u>
	<u>2006</u>
General Fund	6.04
Recreation Tax	2.65
	<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	\$116,302	-	\$475,408	(\$73,571)	\$518,139
1968 Sales Tax	-	\$211,481	-	-	211,481
1985 Sales Tax	-	317,221	-	-	317,221
1990 Sales Tax	-	211,481	-	-	211,481
Nonmajor governmental funds	-	877,598	131,894	-	1,009,492
Total governmental activities	<u>\$116,302</u>	<u>\$1,617,781</u>	<u>\$607,302</u>	<u>(\$73,571)</u>	<u>\$2,267,814</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

	<u>Customers</u>	<u>Taxes</u>	<u>Other</u>	<u>Allowance for uncollectible accounts</u>	<u>Net Receivable</u>
Business-type activities:					
Electric System	\$1,673,091	-	-	(\$791,601)	\$881,490
Water System	256,504	-	\$171,332	(123,063)	304,773
Sewer System	309,716	-	1,307,307	(172,517)	1,444,506
Ambulance	385,665	-	-	(300,261)	85,404
Total business-type activities	<u>\$2,624,976</u>	<u>-</u>	<u>\$1,478,639</u>	<u>(\$1,387,442)</u>	<u>\$2,716,173</u>

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance September 30, <u>2005</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$7,269,322	\$796,951	-	\$8,066,273
Construction in progress	<u>2,293,828</u>	<u>3,957,753</u>	<u>(\$142,794)</u>	<u>6,108,787</u>
Total capital assets, not being depreciated	<u>9,563,150</u>	<u>4,754,704</u>	<u>(142,794)</u>	<u>14,175,060</u>
Capital assets, being depreciated:				
Buildings	4,419,561	94,358	-	4,513,919
Improvements other than buildings	5,548,382	34,526	(1,165,722)	4,417,186
Equipment	9,906,458	843,219	(253,239)	10,496,438
Infrastructure	<u>9,868,076</u>	<u>3,344,244</u>	-	<u>13,212,320</u>
Total capital assets being depreciated	29,742,477	4,316,347	(1,418,961)	32,639,863
Less accumulated depreciation for:				
Buildings	(1,938,138)	(121,665)	-	(2,059,803)
Improvements other than buildings	(2,761,611)	(109,454)	101,509	(2,769,556)
Equipment	(5,911,392)	(888,983)	194,424	(6,605,951)
Infrastructure	<u>(3,404,574)</u>	<u>(301,197)</u>	-	<u>(3,705,771)</u>
Total accumulated depreciation	<u>(14,015,715)</u>	<u>(1,421,299)</u>	<u>295,933</u>	<u>(15,141,081)</u>
Total capital assets, being depreciated, net	<u>15,726,762</u>	<u>2,895,048</u>	<u>(1,123,028)</u>	<u>17,498,782</u>
Governmental activities capital assets, net	<u>\$25,289,912</u>	<u>\$7,649,752</u>	<u>(\$1,265,822)</u>	<u>\$31,673,842</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 \$5,340,804 for an I-20 Infrastructure project; \$80,187 for the software conversion project; \$27,584 for the Cypress Springs Park project; \$12,164 for the Civic Center Parking lot project; \$3,000 for the renovation of the historic fire station; \$143,015 for the East Mississippi and Farmerville Street intersection; \$132,210 for the Commerce Street overlay project; \$22,292 for the South Service Road Extension; \$239,204 for the Trenton Place project; \$35,591 for the Wynnwood project; \$5,365 for the Celebrity Drive project; \$2,860 for the Sexton Lot improvements; \$30,409 for the Streetscape project; \$10,523 for the West Kentucky/North Chautauqua project; and \$23,579 for the Reynolds Drive project.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

	Balance September 30, <u>2005</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2006</u>
Business-type activities:				
Electric System				
Capital assets, not being depreciated:				
Land	\$191,611	\$430,890	-	\$622,501
Construction in progress	<u>1,350,692</u>	<u>705,068</u>	<u>(\$1,241,227)</u>	<u>814,533</u>
Total capital assets, not being depreciated	<u>1,542,303</u>	<u>1,135,958</u>	<u>(1,241,227)</u>	<u>1,437,034</u>
Capital assets, being depreciated:				
Buildings	2,107,038	5,090	-	2,112,128
System Improvement	17,839,963	1,813,545	(15,221)	19,638,287
Equipment	<u>19,990,594</u>	<u>47,878</u>	<u>(22,614)</u>	<u>20,015,858</u>
Total capital assets being depreciated	39,937,595	1,866,513	(37,835)	41,766,273
Less accumulated depreciation for:				
Buildings	(1,529,471)	(37,684)	-	(1,567,155)
System Improvement	(11,971,316)	(860,822)	10,884	(12,821,254)
Equipment	<u>(16,458,811)</u>	<u>(579,290)</u>	<u>22,614</u>	<u>(17,015,487)</u>
Total accumulated depreciation	<u>(29,959,598)</u>	<u>(1,477,796)</u>	<u>33,498</u>	<u>(31,403,896)</u>
Total capital assets, being depreciated, net	<u>9,977,997</u>	<u>388,717</u>	<u>(4,337)</u>	<u>10,362,377</u>
Electric System capital assets, net	<u>\$11,520,300</u>	<u>\$1,524,675</u>	<u>(\$1,245,564)</u>	<u>\$11,799,411</u>

Construction in progress for the electric system consisted of \$105,221 on the software conversion project; \$547,253 for the Second Interconnection with Entergy; \$93,364 for the electric utilities relocation on Highway 33; \$57,971 for the Maple Street project; \$6,547 for the East Mississippi & Farmerville Street project; \$1,860 for the 69 kV Transmission Line Upgrade; \$454 for the North Treatment Plant project; and \$1,863 for the Coordination Study.

	Balance September 30, <u>2005</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2006</u>
Water System				
Capital assets, not being depreciated:				
Land	\$75,070	-	-	\$75,070
Construction in progress	<u>385,365</u>	<u>\$25,482</u>	<u>(\$331,228)</u>	<u>79,619</u>
Total capital assets, not being depreciated	<u>460,435</u>	<u>25,482</u>	<u>(331,228)</u>	<u>154,689</u>
Capital assets, being depreciated:				
Buildings	139,934	-	-	139,934
System Improvement	9,298,738	633,149	-	9,931,887
Equipment	<u>613,125</u>	<u>58,725</u>	<u>(34,308)</u>	<u>637,542</u>
Total capital assets being depreciated	10,051,797	691,874	(34,308)	10,709,363
Less accumulated depreciation for:				
Buildings	(87,221)	(4,115)	-	(91,336)
System Improvement	(5,157,579)	(339,313)	-	(5,496,892)
Equipment	<u>(459,135)</u>	<u>(47,607)</u>	<u>34,308</u>	<u>(472,434)</u>
Total accumulated depreciation	<u>(5,703,935)</u>	<u>(391,035)</u>	<u>34,308</u>	<u>(6,060,662)</u>
Total capital assets, being depreciated, net	<u>4,347,862</u>	<u>300,839</u>	-	<u>4,648,701</u>
Water System capital assets, net	<u>\$4,808,297</u>	<u>\$326,321</u>	<u>(\$331,228)</u>	<u>\$4,803,390</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

Construction in progress for the water system consisted of \$54,499 for the software conversion project; \$12,000 for the new Elevated Water Storage Tank; and \$13,120 for the I-20 Corridor project.

	Balance September 30, <u>2005</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2006</u>
Sewer System				
Capital assets, not being depreciated:				
Land	\$218,801	-	-	\$218,801
Construction in progress	<u>3,070,035</u>	<u>\$4,691,256</u>	<u>(\$992,205)</u>	<u>6,769,086</u>
Total capital assets, not being depreciated	<u>3,288,836</u>	<u>4,691,256</u>	<u>(992,205)</u>	<u>6,987,887</u>
Capital assets, being depreciated:				
Buildings	112,384	-	-	112,384
System Improvement	17,804,522	1,165,722	-	18,970,244
Equipment	<u>1,967,921</u>	<u>1,718,106</u>	<u>(5,429)</u>	<u>3,680,598</u>
Total capital assets being depreciated	19,884,827	2,883,828	(5,429)	22,763,226
Less accumulated depreciation for:				
Buildings	(40,529)	(3,224)	-	(43,753)
System Improvement	(8,942,291)	(397,826)	-	(9,340,117)
Equipment	<u>(821,659)</u>	<u>(315,131)</u>	<u>3,789</u>	<u>(1,133,001)</u>
Total accumulated depreciation	<u>(9,804,479)</u>	<u>(716,181)</u>	<u>3,789</u>	<u>(10,516,871)</u>
Total capital assets, being depreciated, net	<u>10,080,348</u>	<u>2,167,647</u>	<u>(1,640)</u>	<u>12,246,355</u>
Sewer System capital assets, net	<u>\$13,369,184</u>	<u>\$6,858,903</u>	<u>(\$993,845)</u>	<u>\$19,234,242</u>

Construction in progress consisted of \$6,486,890 for the Wastewater Treatment Plant Upgrade; \$229,946 for a lift station replacement at Nancy and Industrial Drives; \$2,500 for the Cedar Creek lift station; and \$49,750 for the software conversion project.

	Balance September 30, <u>2005</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2006</u>
Airport Authority				
Capital assets, not being depreciated:				
Land	\$346,651	\$3,200	-	\$349,851
Construction in progress	<u>37,846</u>	<u>141,149</u>	<u>(\$37,846)</u>	<u>141,149</u>
Total capital assets, not being depreciated	384,497	144,349	(37,846)	491,000
Capital assets, being depreciated:				
Buildings	407,215	-	-	407,215
Runways, aprons, and taxiways	5,580,674	394,562	-	5,975,236
Equipment	<u>27,604</u>	-	-	<u>27,604</u>
Total capital assets being depreciated	6,015,493	394,562	-	6,410,055
Less accumulated depreciation for:				
Buildings	(49,360)	(11,544)	-	(60,904)
Runways, aprons, and taxiways	(2,078,698)	(350,790)	-	(2,429,488)
Equipment	<u>(21,412)</u>	<u>(388)</u>	-	<u>(21,800)</u>
Total accumulated depreciation	<u>(2,149,470)</u>	<u>(362,722)</u>	-	<u>(2,512,192)</u>
Total capital assets, being depreciated, net	<u>3,866,023</u>	<u>31,840</u>	-	<u>3,897,863</u>
Airport Authority capital assets, net	<u>\$4,250,520</u>	<u>\$176,189</u>	<u>(\$37,846)</u>	<u>\$4,388,863</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

Construction in progress consisted of \$131,136 for the Automatic Weather Observation project; \$4,613 for the Airport Runway project; and \$5,400 for the Emergency Generator project.

	Balance September 30, <u>2005</u>	Additions	Retirements	Balance September 30, <u>2006</u>
Ambulance Fund				
Capital assets, being depreciated:				
Equipment	\$373,468	\$98,727	-	\$472,195
Less accumulated depreciation for:	<u>(323,363)</u>	<u>(29,091)</u>	-	<u>(352,454)</u>
Total capital assets, being depreciated, net	<u>\$50,105</u>	<u>\$69,636</u>	-	<u>\$119,741</u>
Business-type activities capital assets				
Capital assets, not being depreciated:				
Land	\$832,133	\$434,090	-	\$1,266,223
Construction in progress	<u>4,843,938</u>	<u>5,562,955</u>	<u>(\$2,602,506)</u>	<u>7,804,387</u>
Total capital assets, not being depreciated	<u>5,676,071</u>	<u>5,997,045</u>	<u>(2,602,506)</u>	<u>9,070,610</u>
Capital assets, being depreciated:				
Buildings	2,766,571	5,090	-	2,771,661
System Improvement	44,943,223	3,612,416	(15,221)	48,540,418
Runways, aprons, and taxiways	5,580,674	394,562	-	5,975,236
Equipment	<u>22,972,712</u>	<u>1,923,436</u>	<u>(62,351)</u>	<u>24,833,797</u>
Total capital assets being depreciated	76,263,180	5,935,504	(77,572)	82,121,112
Less accumulated depreciation for:				
Buildings	(1,706,581)	(56,567)	-	(1,763,148)
System Improvement	(26,071,186)	(1,597,961)	10,884	(27,658,263)
Runways, aprons, and taxiways	(2,078,698)	(350,790)	-	(2,429,488)
Equipment	<u>(18,084,380)</u>	<u>(971,507)</u>	<u>60,711</u>	<u>(18,995,176)</u>
Total accumulated depreciation	<u>(47,940,845)</u>	<u>(2,976,825)</u>	<u>71,595</u>	<u>(50,846,075)</u>
Total capital assets, being depreciated, net	<u>28,322,335</u>	<u>2,958,679</u>	<u>(5,977)</u>	<u>31,275,037</u>
Business-type activities capital assets, net	<u>\$33,998,406</u>	<u>\$8,955,724</u>	<u>(\$2,608,483)</u>	<u>\$40,345,647</u>

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

Governmental activities:	
General government	\$192,938
Public safety	228,166
Public works, including depreciation of general infrastructure assets	803,919
Recreation	<u>62,421</u>
Total depreciation expense-governmental activities	<u>\$1,287,444</u>
Business-type activities:	
Electric System	1,477,796
Water System	391,035
Sewer System	642,567
Airport Authority	362,722
Ambulance	<u>29,091</u>
Total depreciation expense-business-type activities	<u>\$2,903,211</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

6. LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$100,000	-	-	\$100,000	-
Certificates of Indebtedness	62,000	-	\$62,000	-	-
Compensated absences	<u>1,468,952</u>	<u>\$718,098</u>	<u>604,343</u>	<u>1,582,707</u>	<u>\$60,000</u>
Governmental activities Total long-term liabilities	<u>\$1,630,952</u>	<u>\$718,098</u>	<u>\$666,343</u>	<u>\$1,682,707</u>	<u>\$60,000</u>
Business-type activities:					
Electric System:					
Due to other governments	\$297,185	-	\$37,148	\$260,037	\$37,148
Compensated absences	<u>303,471</u>	<u>\$92,898</u>	<u>84,142</u>	<u>312,227</u>	<u>12,000</u>
Electric System long-term liabilities	<u>\$600,656</u>	<u>\$92,898</u>	<u>\$121,290</u>	<u>\$572,264</u>	<u>\$49,148</u>
Water System:					
Revenue bonds	\$110,000	-	\$110,000	-	-
Deferred loss on refunding	(593)	\$593	-	-	-
Due to other governments	398,588	-	49,824	348,764	\$49,824
Compensated absences	<u>62,870</u>	<u>19,475</u>	<u>13,581</u>	<u>68,764</u>	<u>1,000</u>
Water System long-term liabilities	<u>\$570,865</u>	<u>\$20,068</u>	<u>\$173,405</u>	<u>\$417,528</u>	<u>\$50,824</u>
Sewer System:					
Revenue bonds	\$2,010,000	-	\$235,000	\$1,775,000	\$245,000
DEQ Revolving Loan fund	-	\$6,277,424	-	6,277,424	-
Compensated absences	<u>51,370</u>	<u>28,687</u>	<u>26,846</u>	<u>53,211</u>	<u>\$3,500</u>
Sewer System long-term liabilities	<u>\$2,061,370</u>	<u>\$6,306,111</u>	<u>\$261,846</u>	<u>\$8,105,635</u>	<u>\$248,500</u>
Ambulance Fund:					
Compensated absences	<u>\$32,198</u>	<u>\$29,567</u>	<u>\$25,715</u>	<u>\$36,050</u>	<u>\$3,000</u>
Business-type activities long-term liabilities					
Revenue bonds	\$2,120,000	-	\$345,000	\$1,775,000	\$245,000
DEQ Revolving Loan fund	-	\$6,277,424	-	6,277,424	-
Deferred loss on refunding	(593)	593	-	-	-
Due to other governments	695,773	-	86,972	608,801	86,972
Compensated absences	<u>449,909</u>	<u>170,627</u>	<u>150,284</u>	<u>470,252</u>	<u>19,500</u>
Business-type activity long-term liabilities	<u>\$3,265,089</u>	<u>\$6,448,644</u>	<u>\$582,256</u>	<u>\$9,131,477</u>	<u>\$351,472</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

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.

Bonds payable at September 30, 2006 are comprised of the following issues:

Governmental Activities:	Outstanding
<u>Tax Increment Bonds</u>	<u>09-30-06</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 \$75,000 to \$90,000 through October 1, 2014.	\$660,000
\$1,655,000 2003 Sewer Utility Revenue Refunding Bonds dated 5-22-03 due in annual installments of \$170,000 to \$195,000 through October 1, 2012, interest at 2.500% to 4.000%.	<u>1,115,000</u>
Total Revenue Bonds	<u>\$1,775,000</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>\$608,801</u>
Total Due to Other Governments	<u>\$608,801</u>

The annual requirements to amortize all debt outstanding as of September 30, 2006, including interest requirements are as follows:

	Governmental <u>activities</u>		Business-type <u>activities</u>		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Year ending September 30:					
2007	-	\$4,590	\$331,972	\$53,690	\$390,252
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	-	4,590	366,972	23,688	395,250
2012-2014	<u>100,000</u>	<u>9,180</u>	<u>633,941</u>	<u>20,908</u>	<u>764,029</u>
	<u>\$100,000</u>	<u>\$32,130</u>	<u>\$2,383,801</u>	<u>\$218,640</u>	<u>\$2,734,571</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.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

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, 2006 on the refunded bonds was \$1,320,000.

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, 2006 on the refunded bonds was \$120,000.

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.

In January 2006, the City authorized the issuance of \$19,500,000 of Sewer Revenue Bonds. The bonds were issued through a Loan and Pledge Agreement with the Louisiana Department of Environmental Quality for the purpose of construction of the sewer treatment plant and paying the costs of issuance. Principal payments are \$460,000 to \$1,480,000 with an interest rate of 3.45% and an administrative fee of 0.5% for a total of 3.95% and maturity dates from 2008 through 2027.

The Louisiana Department of Environmental Quality, as the initial purchaser of the bonds will pay the purchase price of the bonds in installments as needed to pay the project costs, and interest shall be payable only on the amount purchased from the date of purchase. At September 30, 2006, the bonds authorized that have not been fully purchased are \$19,500,000 and the amount purchased to date is \$6,277,424. The amounts drawn down in 2006 were \$6,277,424.

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, 2006, was \$122,128,139. The maximum debt allowable for any one purpose and total debt allowable by state law as of December 31, 2006, is \$12,212,814 and \$42,744,849 respectively. The City currently has no 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
Notes to Financial Statements
For the Year Ended September 30, 2006

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, 2006, 2005, and 2004 were \$857,603, \$788,171, and \$611,395, 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, 2006

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, 2006, 2005, and 2004 were \$222,518, \$295,013, and \$101,135, 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, 2006, 2005, and 2004 were \$260,827, \$317,355, and \$258,375, 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, 2006 were as follows:

DUE FROM <u>OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>									
	General Fund	1968 Sales Tax	1985 Sales Tax	Electric System	Water System	Sewer System	Nonmajor Govern- mental Funds	Nonmajor Enterprise Funds	Internal service	Total
General Fund	-	-	-	\$194,624	\$9,952	\$7,792	-	\$130,784	\$693	\$343,845
1985 Sales Tax	-	\$1,645,289	-	-	-	-	-	-	-	1,645,289
1990 Sales Tax	-	2,346,118	-	-	-	-	-	-	-	2,346,118
Water System	-	-	-	175,245	-	-	-	-	-	175,245
Sewer System	-	-	-	201,940	1,033	-	-	-	-	202,973
Nonmajor governmental	\$53,582	=	\$22,185	=	=	=	\$100,649	=	=	176,416
Total	\$53,582	\$3,991,407	\$22,185	\$571,809	\$10,985	\$7,792	\$100,649	\$130,784	\$693	\$4,889,886

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.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

b. INTERFUND TRANSFERS

Transfers for the year ended September 30, 2006 were as follows:

TRANSFERS OUT	TRANSFERS IN				Total
	General Fund	I-20	Airport Authority	Nonmajor Governmental Funds	
General Fund	-	-	-	\$67,736	\$67,736
1968 Sales Tax	\$3,208,490	-	-	-	3,208,490
1985 Sales Tax	4,157,369	-	-	240,851	4,398,220
1990 Sales Tax	2,017,191	-	-	-	2,017,191
Electric System	1,730,296	-	\$9,987	66,295	1,806,578
Water System	339,878	-	684	16,593	357,155
Sewer System	276,630	-	-	-	276,630
Nonmajor governmental	<u>156,358</u>	<u>2,042,498</u>	-	-	<u>2,198,856</u>
Total transfers	<u>\$11,886,212</u>	<u>\$2,042,498</u>	<u>\$10,671</u>	<u>\$391,475</u>	<u>\$14,330,856</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, 2006. This deficit is expected to be funded by transfers from the Section 8 Voucher Housing Fund in subsequent years.

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:

Fund	Budget	Actual on a budgetary basis	Negative variance
General Fund:			
Public Safety:			
Police – Regular salaries	\$1,623,236	\$1,629,727	(\$6,491)
Police – Overtime salaries	165,000	174,903	(9,903)
Police – Operating services	265,594	274,824	(9,230)
Fire – Regular salaries	1,146,375	1,202,689	(56,314)
Fire – Overtime salaries	102,000	102,149	(149)
Fire – Operating services	136,856	148,744	(11,888)
Street lighting – Operating services	228,900	231,044	(2,144)

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

<u>Fund</u>	<u>Budget</u>	Actual on a <u>budgetary</u> <u>basis</u>	<u>Negative</u> <u>variance</u>
Public Works:			
Solid waste – Operating services	174,402	185,665	(11,263)
Repair shop – Operating services	12,626	12,666	(40)
Parks & Recreation Board:			
Recreation – Salaries, wages, and benefits	398,203	411,846	(13,643)
Section 8 Vouchers:			
General government – Operating services	751,200	758,177	(6,977)

The unfavorable variance for the Police regular salaries is due to an increase in accruals paid to employees. The unfavorable variance in Police overtime is due to the increase in vacancies. The unfavorable variance for Police operating services is due to the increase in vehicle repairs. The unfavorable variance in Fire regular salaries is due to the increase in straight time and stand by pay. The unfavorable variance in Fire overtime is due to the increase in vacancies. The unfavorable variance in fire operating services is due to repairs incurred after an accident involving an engine truck. The unfavorable variance in Street lighting operating services is due to an increase in construction and in the cost of materials. The unfavorable variance in Solid Waste operating services is due to higher than anticipated bad debt expense. The unfavorable variance in Repair Shop operating services is due to an increase in random drug testing of employees. The unfavorable variance in Recreation salaries, wages, and benefits is due to an increase in contract labor used for new programs. The unfavorable variance in Section 8 Vouchers operating services is due to the increase in expenses caused by the Disaster Voucher Program and Katrina Disaster Housing Assistance Program.

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 2006, expenses of \$472,930 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
Notes to Financial Statements
For the Year Ended September 30, 2006

12. COMMITMENTS AND CONTINGENCIES

Construction projects

There are certain construction projects in progress at September 30, 2006. 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. The City is in the process of converting the accounting software and spent approximately \$10,283 in 2006. The City has spent approximately \$12,164 on the Civic Center Parking lot project. In 2006, the City expended approximately \$27,584 on the Cypress Springs Park project. The City has spent approximately \$3,000 on the renovation of the historic fire station. In 2006, the City expended approximately \$645,048 on various street projects. The city paid approximately \$547,253 for the Second Interconnection with Entergy. It also has expended \$160,196 on the various line extension and relocation projects. The City has also expended \$1,864 for the Coordination Study. The City has also paid \$192,360 to construct a concrete ground storage tank for the water system, \$12,000 for the new Elevated Water Storage Tank, and \$13,120 for the I-20 Corridor project. In 2004 through 2006, the City paid \$6,486,890 for the Wastewater Treatment Plant Upgrade. The City also paid \$229,946 for a lift station replacement at Nancy and Industrial Drives and \$2,500 for the Cedar Creek lift station. The City also expended approximately \$131,136 for the Automatic Weather Observation project, \$4,613 for the Airport Runway project; and \$5,400 for the Emergency Generator project.

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 \$123,030 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 \$494,549 at September 30, 2006. 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, 2006

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, 2006, a total of \$2,505,231 was paid in benefits and administrative costs. The insurance fund has net assets of \$1,185,095 at September 30, 2006. An excess coverage co-insurance policy covers individual claims in excess of \$70,000 per calendar year. Incurred but not reported claims of \$188,146 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:

	Accrued claims <u>October 1</u>	Claims <u>incurred</u>	Claims <u>paid</u>	Accrued claims <u>September 30</u>
Worker's Compensation:				
2005	\$107,851	\$201,664	\$184,360	\$125,155
2006	125,155	146,343	148,468	123,030
General Insurance:				
2005	117,536	1,546,089	1,527,926	135,699
2006	135,699	2,251,552	2,199,105	188,146

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.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2006

13. RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets for the Sewer System fund and the Section 8 Voucher Housing fund for October 1, 2005:

	Sewer System	Section 8 Voucher Housing
Net Assets at October 1, 2005	\$11,631,609	\$606,737
Adjustment	<u>1,104,530</u>	<u>157,401</u>
Adjusted net assets as of October 1, 2005	<u>\$12,736,139</u>	<u>\$764,138</u>

LCDBG capital assets were originally recorded in the general government funds. They have subsequently been moved to the Sewer System fund.

The adjustment to Section 8 Voucher Housing is due to an adjustment to a prior year accrual.

This page left blank intentionally.

Required Supplementary Information

This page left blank intentionally.

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, 2006
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 670,000	\$ 670,000	\$ 709,865	\$ 39,865
Licenses and Permits	670,000	670,000	817,146	147,146
Intergovernmental	898,000	1,053,804	1,375,267	321,463
Charges for services	1,112,000	1,112,000	1,192,760	80,760
Fines and forfeitures	274,050	274,050	353,154	79,104
Investment earnings	95,000	95,000	343,641	248,641
Miscellaneous	78,500	95,061	114,996	19,935
Total revenues	3,797,550	3,969,915	4,906,829	936,914
EXPENDITURES				
General government:				
Executive:				
Regular salaries	542,878	551,404	532,719	18,685
Other employee benefits	189,578	191,066	176,235	14,831
Total salaries, wages, and employee benefits	732,456	742,470	708,954	33,516
Operating services	560,169	589,829	547,739	42,090
Materials and supplies	69,114	69,114	64,484	4,630
Travel and other	10,750	10,750	9,537	1,213
Improvements and equipment	1,150,000	263,214	86,539	176,675
Total executive	2,522,489	1,675,377	1,417,253	258,124
Information technology:				
Regular salaries	83,909	88,723	88,723	-
Other employee benefits	24,242	25,095	24,534	561
Total salaries, wages, and employee benefits	108,151	113,818	113,257	561
Operating services	41,200	48,700	35,321	13,379
Materials and supplies	33,925	33,925	27,364	6,561
Travel and other	7,000	7,000	5,097	1,903
Total information technology	190,276	203,443	181,039	22,404
Economic development:				
Regular salaries	59,160	59,160	40,913	18,247
Other employee benefits	17,755	17,755	11,695	6,060
Total salaries, wages, and employee benefits	76,915	76,915	52,608	24,307
Operating services	63,580	63,580	53,503	10,077
Materials and supplies	6,500	6,500	2,451	4,049
Travel and other	13,000	13,000	6,428	6,572
Total economic development	159,995	159,995	114,990	45,005
City Court	234,599	234,599	220,544	14,055
Marshal	178,059	178,059	175,842	2,217
Civic center/city hall:				
Regular salaries	115,231	137,377	120,211	17,166
Overtime salaries	4,000	4,000	2,170	1,830
Other employee benefits	68,843	74,003	82,114	(8,111)
Total salaries, wages, and employee benefits	188,074	215,380	204,495	10,885
Operating services	187,634	201,485	129,248	72,237
Materials and supplies	23,800	31,226	30,142	1,084
Travel and other	6,000	6,000	3,989	2,011
Improvements and equipment	39,000	47,067	26,987	20,080
Total civic center/city hall	444,508	501,158	394,861	106,297

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2006
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Section 8:				
Regular salaries	70,915	72,015	62,119	9,896
Other employee benefits	23,764	23,956	20,445	3,511
Total salaries, wages, and employee benefits	94,679	95,971	82,564	13,407
Operating services	16,219	20,758	10,460	10,298
Materials and supplies	8,710	9,264	1,914	7,350
Travel and other	7,000	7,000	1,454	5,546
Total Section 8	126,608	132,993	96,392	36,601
Planning & zoning:				
Regular salaries	75,712	46,951	26,145	20,806
Overtime salaries	2,500	2,500	925	1,575
Other employee benefits	20,669	20,885	8,117	12,768
Total salaries, wages, and employee benefits	98,881	70,336	35,187	35,149
Operating services	35,139	66,989	42,493	24,496
Materials and supplies	10,710	10,842	8,135	2,707
Travel and other	6,175	6,436	-	6,436
Improvements and equipment	-	106	-	106
Total planning & zoning	150,905	154,709	85,815	68,894
Inspections:				
Regular salaries	179,605	186,177	185,353	824
Overtime salaries	2,000	2,000	-	2,000
Other employee benefits	58,059	59,032	56,780	2,252
Total salaries, wages, and employee benefits	239,664	247,209	242,133	5,076
Operating services	94,914	106,284	42,685	63,599
Materials and supplies	21,925	21,925	12,069	9,856
Travel and other	10,000	10,000	7,066	2,934
Total inspections	366,503	385,418	303,953	81,465
Total general government	4,373,942	3,625,751	2,990,689	635,062
Public safety:				
Police:				
Regular salaries	1,623,236	1,623,236	1,629,727	(6,491)
Overtime salaries	135,000	165,000	174,903	(9,903)
Other employee benefits	750,435	650,305	621,642	28,663
Total salaries, wages, and employee benefits	2,508,671	2,438,541	2,426,272	12,269
Operating services	213,343	265,594	274,824	(9,230)
Materials and supplies	134,000	196,824	181,305	15,519
Travel and other	40,400	44,000	40,860	3,140
Improvements and equipment	97,500	244,830	244,829	1
Total police	2,993,914	3,189,789	3,168,090	21,699
Fire:				
Regular salaries	1,146,375	1,146,375	1,202,689	(56,314)
Overtime salaries	65,000	102,000	102,149	(149)
Other employee benefits	658,219	594,219	526,452	67,767
Total salaries, wages, and employee benefits	1,869,594	1,842,594	1,831,290	11,304
Operating services	124,856	136,856	148,744	(11,888)
Materials and supplies	96,880	121,731	116,364	5,367
Travel and other	55,856	55,856	48,599	7,257
Improvements and equipment	52,000	804,600	98,219	706,381
Total fire	2,199,186	2,961,637	2,243,216	718,421

General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2006
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Street lighting:				
Operating services	213,900	228,900	231,044	(2,144)
Total street lighting	<u>213,900</u>	<u>228,900</u>	<u>231,044</u>	<u>(2,144)</u>
Probation	75,648	75,648	83,042	(7,394)
Total public safety	<u>5,482,648</u>	<u>6,455,974</u>	<u>5,725,392</u>	<u>730,582</u>
Public works:				
Administration:				
Regular salaries	278,532	296,064	293,529	2,535
Overtime salaries	2,000	2,000	1,685	315
Other employee benefits	68,417	71,953	69,435	2,518
Total salaries, wages, and employee benefits	<u>348,949</u>	<u>370,017</u>	<u>364,649</u>	<u>5,368</u>
Operating services	170,348	169,530	91,963	77,567
Materials and supplies	22,980	24,979	20,714	4,265
Travel and other	16,000	16,000	5,889	10,111
Total administration	<u>558,277</u>	<u>580,526</u>	<u>483,215</u>	<u>97,311</u>
Streets:				
Regular salaries	558,507	573,658	552,136	21,522
Overtime salaries	20,000	27,000	23,354	3,646
Other employee benefits	327,715	334,198	267,814	66,384
Total salaries, wages, and employee benefits	<u>906,222</u>	<u>934,856</u>	<u>843,304</u>	<u>91,552</u>
Operating services	789,906	1,500,731	840,086	660,645
Materials and supplies	173,765	235,995	216,854	19,141
Travel and other	2,000	2,000	1,525	475
Improvements and equipment	4,095,000	2,113,366	831,950	1,281,416
Total streets	<u>5,966,893</u>	<u>4,786,948</u>	<u>2,733,719</u>	<u>2,053,229</u>
Solid waste:				
Regular salaries	558,166	544,097	528,481	15,616
Overtime salaries	30,000	30,000	23,891	6,109
Other employee benefits	246,023	231,421	216,638	14,783
Total salaries, wages, and employee benefits	<u>834,189</u>	<u>805,518</u>	<u>769,010</u>	<u>36,508</u>
Operating services	139,402	174,402	185,665	(11,263)
Materials and supplies	151,265	196,369	182,008	14,361
Travel and other	3,000	3,000	19	2,981
Improvements and equipment	190,000	185,000	184,915	85
Total solid waste	<u>1,317,856</u>	<u>1,364,289</u>	<u>1,321,617</u>	<u>42,672</u>
Repair shop:				
Regular salaries	292,081	311,889	282,117	29,772
Overtime salaries	12,000	12,000	6,430	5,570
Other employee benefits	110,980	114,436	93,955	20,481
Total salaries, wages, and employee benefits	<u>415,061</u>	<u>438,325</u>	<u>382,502</u>	<u>55,823</u>
Operating services	12,626	12,626	12,666	(40)
Materials and supplies	32,978	32,978	29,139	3,839
Travel and other	4,500	4,500	55	4,445
Total repair shop	<u>465,165</u>	<u>488,429</u>	<u>424,362</u>	<u>64,067</u>

General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2006
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Animal Control:				
Regular salaries	69,975	74,552	73,591	961
Overtime salaries	6,000	6,000	5,273	727
Other employee benefits	41,164	40,788	37,753	3,035
Total salaries, wages, and employee benefits	<u>117,139</u>	<u>121,340</u>	<u>116,617</u>	<u>4,723</u>
Operating services	31,206	32,401	22,114	10,287
Materials and supplies	13,108	13,108	11,377	1,731
Travel and other	7,500	7,500	1,101	6,399
Total animal control	<u>168,953</u>	<u>174,349</u>	<u>151,209</u>	<u>23,140</u>
Total public works	<u>8,477,144</u>	<u>7,394,541</u>	<u>5,114,122</u>	<u>2,280,419</u>
Debt service:				
Certificate of Indebtedness Principal	62,000	62,000	62,000	-
Certificate of Indebtedness Interest	3,416	3,416	3,416	-
Total debt service	<u>65,416</u>	<u>65,416</u>	<u>65,416</u>	<u>-</u>
Total expenditures	<u>18,399,150</u>	<u>17,541,682</u>	<u>13,895,619</u>	<u>3,646,063</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,601,600)</u>	<u>(13,571,767)</u>	<u>(8,988,790)</u>	<u>4,582,977</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	11,954,090	11,954,090	11,886,212	67,878
Transfers out	(67,736)	(67,736)	(67,736)	-
Total other financing sources and uses	<u>11,886,354</u>	<u>11,886,354</u>	<u>11,818,476</u>	<u>67,878</u>
Net change in fund balance	(2,715,246)	(1,685,413)	2,829,686	4,515,099
Fund balances - beginning	<u>6,360,614</u>	<u>6,360,614</u>	<u>6,360,614</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,645,368</u>	<u>\$ 4,675,201</u>	<u>\$ 9,190,300</u>	<u>\$ 4,515,099</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, 2006
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,021,691	\$ 2,021,691	\$ 2,315,750	\$ 294,059
Investment earnings	20,000	20,000	79,647	59,647
Total revenues	<u>2,041,691</u>	<u>2,041,691</u>	<u>2,395,397</u>	<u>353,706</u>
EXPENDITURES				
General government:				
Collection and administrative	24,500	24,800	21,234	3,566
Total expenditures	<u>24,500</u>	<u>24,800</u>	<u>21,234</u>	<u>3,566</u>
Excess of revenues over expenditures	<u>2,017,191</u>	<u>2,016,891</u>	<u>2,374,163</u>	<u>357,272</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,208,490)	(3,208,490)	(3,208,490)	-
Total other financing sources and uses	<u>(3,208,490)</u>	<u>(3,208,490)</u>	<u>(3,208,490)</u>	<u>-</u>
Net change in fund balance	(1,191,299)	(1,191,599)	(834,327)	357,272
Fund balances - beginning	<u>2,479,171</u>	<u>2,479,171</u>	<u>2,479,171</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,287,872</u>	<u>\$ 1,287,572</u>	<u>\$ 1,644,844</u>	<u>\$ 357,272</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, 2006
 (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	\$ 3,032,529	\$ 3,032,529	\$ 3,473,620	\$ 441,091
Investment earnings	20,000	20,000	83,082	63,082
Total revenues	<u>3,052,529</u>	<u>3,052,529</u>	<u>3,556,702</u>	<u>504,173</u>
EXPENDITURES				
General government:				
Collection and administrative	31,500	31,800	26,472	5,328
Total expenditures	<u>31,500</u>	<u>31,800</u>	<u>26,472</u>	<u>5,328</u>
Excess of revenues over expenditures	<u>3,021,029</u>	<u>3,020,729</u>	<u>3,530,230</u>	<u>509,501</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(4,367,462)</u>	<u>(4,367,462)</u>	<u>(4,398,220)</u>	<u>(30,758)</u>
Total other financing sources and uses	<u>(4,367,462)</u>	<u>(4,367,462)</u>	<u>(4,398,220)</u>	<u>(30,758)</u>
Net change in fund balance	(1,346,433)	(1,346,733)	(867,990)	478,743
Fund balances - beginning	<u>2,808,315</u>	<u>2,808,315</u>	<u>2,808,315</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,461,882</u>	<u>\$ 1,461,582</u>	<u>\$ 1,940,325</u>	<u>\$ 478,743</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, 2006
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,021,691	\$ 2,021,691	\$ 2,315,751	\$ 294,060
Investment earnings	17,000	17,000	69,557	52,557
Total revenues	<u>2,038,691</u>	<u>2,038,691</u>	<u>2,385,308</u>	<u>346,617</u>
EXPENDITURES				
General government:				
Collection and administrative	21,500	21,800	18,234	3,566
Total expenditures	<u>21,500</u>	<u>21,800</u>	<u>18,234</u>	<u>3,566</u>
Excess of revenues over expenditures	<u>2,017,191</u>	<u>2,016,891</u>	<u>2,367,074</u>	<u>350,183</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,017,191)	(2,017,191)	(2,017,191)	-
Total other financing sources and uses	<u>(2,017,191)</u>	<u>(2,017,191)</u>	<u>(2,017,191)</u>	<u>-</u>
Net change in fund balance	-	(300)	349,883	350,183
Fund balances - beginning	<u>2,207,716</u>	<u>2,207,716</u>	<u>2,207,716</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,207,716</u>	<u>\$ 2,207,416</u>	<u>\$ 2,557,599</u>	<u>\$ 350,183</u>

See accompanying independent auditors' report.

CITY OF RUSTON, LOUISIANA
Notes to Budgetary Comparison Schedules
For the Year Ended September 30, 2006
(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, 2006, amendments were made to the budget, including salary and benefit accounts to provide funds to incorporate the change in pay plan adopted in December; and Fire Department capital assets to appropriate for the purchase of a fire truck and a safety trailer; and Streets Department Maintenance of Streets to provide funds for additional overlay on existing streets; and Recreation capital assets to provide funds to complete capital projects; and Police Department capital assets and various other accounts 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, and Section 8 Vouchers). Annual operating budgets are not prepared for the D.A.R.T. Grant Program, Central Shop Construction, 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,

CITY OF RUSTON, LOUISIANA
Notes to Budgetary Comparison Schedules
For the Year Ended September 30, 2006
(Unaudited)

however, required to present an actual-to-budget comparison for the enterprise and internal service funds.

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>	<u>Actual on a budgetary basis</u>	<u>Negative variance</u>
General Fund:			
Public Safety:			
Police – Regular salaries	\$1,623,236	\$1,629,727	(\$6,491)
Police – Overtime salaries	165,000	174,903	(9,903)
Police – Operating services	265,594	274,824	(9,230)
Fire – Regular salaries	1,146,375	1,202,689	(56,314)
Fire – Overtime salaries	102,000	102,149	(149)
Fire – Operating services	136,856	148,744	(11,888)
Street lighting – Operating services	228,900	231,044	(2,144)
Public Works:			
Solid waste – Operating services	174,402	185,665	(11,263)
Repair shop – Operating services	12,626	12,666	(40)

The unfavorable variance for the Police regular salaries is due to an increase in accruals paid to employees. The unfavorable variance in Police overtime is due to the increase in vacancies. The unfavorable variance in Police operating services is due to the increase in vehicle repairs. The unfavorable variance in Fire regular salaries is due to the increase in straight time and stand by pay. The unfavorable variance in Fire overtime is due to the increase in vacancies. The unfavorable variance in fire operating services is due to repairs incurred after an accident involving an engine truck. The unfavorable variance in Street lighting operating services is due to an increase in construction and an increase in the cost of materials. The unfavorable variance in Solid Waste operating services is due to higher than anticipated bad debt expense. The unfavorable variance in Repair Shop operating services is due to an increase in random drug testing of employees.

This page left blank intentionally.

Combining Fund Statements

This page left blank intentionally.

**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 Fund

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.

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, 2006

	Special Revenue Funds					Capital Project Fund		Total Nonmajor Governmental Funds
	Ruston Parks & Recreation Board	D.A.R.T. Grant Program	Section 8 Modrehab Housing	Section 8 Voucher Housing	Total	Debt Service Fund	Central Shop Construction	
ASSETS								
Cash and cash equivalents	\$ 159,474	-	\$ 70,071	\$ 763,837	\$ 993,382	\$ 104,642	125,050	\$ 1,223,074
Investments	-	-	-	-	-	-	-	-
Accounts receivable, net	-	\$ 5,336	-	76,583	81,919	877,598	-	959,517
Due from other funds	60,774	-	-	115,642	176,416	-	-	176,416
Total assets	<u>\$ 220,248</u>	<u>\$ 5,336</u>	<u>\$ 70,071</u>	<u>\$ 956,062</u>	<u>\$ 1,251,717</u>	<u>\$ 982,240</u>	<u>125,050</u>	<u>\$ 2,359,007</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 4,197	\$ 5,336	-	\$ 1,588	\$ 11,121	-	-	\$ 11,121
Deposits	490	-	-	-	490	-	-	490
Due to other funds	-	-	\$ 100,649	-	100,649	-	-	100,649
Accrued salaries	11,731	-	-	-	11,731	-	-	11,731
Total liabilities	<u>16,418</u>	<u>5,336</u>	<u>100,649</u>	<u>1,588</u>	<u>123,991</u>	<u>-</u>	<u>-</u>	<u>123,991</u>
Fund balances:								
Reserved for:								
Encumbrances	178	-	-	-	178	-	-	178
Debt service	-	-	-	-	-	982,240	-	982,240
Unreserved, undesignated	203,652	-	(30,578)	954,474	1,127,548	-	125,050	1,252,598
Total fund balances	<u>203,830</u>	<u>-</u>	<u>(30,578)</u>	<u>954,474</u>	<u>1,127,726</u>	<u>982,240</u>	<u>125,050</u>	<u>2,235,016</u>
Total liabilities and fund balance	<u>\$ 220,248</u>	<u>\$ 5,336</u>	<u>\$ 70,071</u>	<u>\$ 956,062</u>	<u>\$ 1,251,717</u>	<u>\$ 982,240</u>	<u>\$ 125,050</u>	<u>\$ 2,359,007</u>

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

CITY OF RUSTON, LOUISIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue Funds					Capital Project Fund		Total Nonmajor Governmental Funds
	Ruston Parks & Recreation Board	D.A.R.T. Grant Program	Section 8 Modrehab Housing	Section 8 Voucher Housing	Total	Debt Service Fund	Central Shop Construction	
REVENUES								
Taxes	\$ 310,193	-	-	-	\$ 310,193	\$ 2,151,485	-	\$ 2,461,678
Intergovernmental	-	\$ 21,413	-	\$ 1,007,213	1,028,626	-	-	1,028,626
Charges for services	129,692	-	-	-	129,692	-	-	129,692
Investment earnings	4,590	-	-	34,899	39,489	16,663	\$ 1,257	57,409
Miscellaneous	6,133	-	-	2,793	8,926	-	-	8,926
Total revenues	450,608	21,413	-	1,044,905	1,516,926	2,168,148	1,257	3,686,331
EXPENDITURES								
Current:								
General Government	-	21,413	-	758,177	779,590	-	-	779,590
Recreation	734,024	-	-	-	734,024	-	-	734,024
Capital outlay	-	-	-	-	-	-	3,213	3,213
Bond interest	-	-	-	-	-	4,590	-	4,590
Total expenditures	734,024	21,413	-	758,177	1,513,614	4,590	3,213	1,521,417
Excess (deficiency) of revenues over (under) expenditures	(283,416)	-	-	286,728	3,312	2,163,558	(1,956)	2,164,914
OTHER FINANCING SOURCES (USES)								
Transfers in	391,475	-	-	-	391,475	-	-	391,475
Transfers out	(59,966)	-	-	(96,392)	(156,358)	(2,042,498)	-	(2,198,856)
Total other financing sources and uses	331,509	-	-	(96,392)	235,117	(2,042,498)	-	(1,807,381)
Net change in fund balances	48,093	-	-	190,336	238,429	121,060	(1,956)	357,533
Fund balances - beginning	155,737	-	(30,578)	764,138	889,297	861,180	127,006	1,877,483
Fund balances - ending	203,830	\$ -	\$ (30,578)	\$ 954,474	\$ 1,127,726	\$ 982,240	\$ 125,050	2,235,016

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

This page left blank intentionally.

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.

This page left blank intentionally.

CITY OF RUSTON, LOUISIANA
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2006

	<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	\$ 210,315	\$ 272,913	\$ 19,642	\$ 502,870
Investments	420,000	1,050,353	-	1,470,353
Receivables, net	-	49,975	-	49,975
Total current assets	<u>630,315</u>	<u>1,373,241</u>	<u>19,642</u>	<u>2,023,198</u>
Noncurrent Assets:				
Capital Assets:				
Buildings	-	-	13,080	13,080
Equipment	-	-	48,123	48,123
Less accumulated depreciation	-	-	(46,712)	(46,712)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>14,491</u>	<u>14,491</u>
Total assets	<u>630,315</u>	<u>1,373,241</u>	<u>34,133</u>	<u>2,037,689</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 12,736	-	\$ 582	\$ 13,318
Accrued liabilities	-	-	6,580	6,580
Due to other funds	-	-	693	693
Claims and judgments	123,030	\$ 188,146	-	311,176
Total current liabilities	<u>135,766</u>	<u>188,146</u>	<u>7,855</u>	<u>331,767</u>
Noncurrent Liabilities:				
Compensated absences	-	-	5,108	5,108
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>5,108</u>	<u>5,108</u>
Total liabilities	<u>135,766</u>	<u>188,146</u>	<u>12,963</u>	<u>336,875</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	-	14,491	14,491
Unrestricted	494,549	1,185,095	6,679	1,686,323
Total net assets	<u>\$ 494,549</u>	<u>\$ 1,185,095</u>	<u>\$ 21,170</u>	<u>\$ 1,700,814</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, 2006

	<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	-	\$ 177,923	-	\$ 177,923
Charges to other funds	\$ 240,000	1,913,094	\$ 225,000	2,378,094
Other income	-	157	-	157
Total operating revenues	<u>240,000</u>	<u>2,091,174</u>	<u>225,000</u>	<u>2,556,174</u>
OPERATING EXPENSES				
Cost of Services:				
Salaries, wages and employee benefits	-	-	176,838	176,838
Operating services	-	-	14,616	14,616
Materials and supplies	-	-	7,067	7,067
Travel and other	-	-	842	842
Depreciation	-	-	4,661	4,661
Total cost of services	<u>-</u>	<u>-</u>	<u>204,024</u>	<u>204,024</u>
Claims	76,522	2,199,105	-	2,275,627
Insurance premiums	71,946	306,126	-	378,072
Total operating expenses	<u>148,468</u>	<u>2,505,231</u>	<u>204,024</u>	<u>2,857,723</u>
Operating income (loss)	<u>91,532</u>	<u>(414,057)</u>	<u>20,976</u>	<u>(301,549)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	24,776	58,176	1,093	84,045
Change in net assets	116,308	(355,881)	22,069	(217,504)
Total net assets - beginning	<u>378,241</u>	<u>1,540,976</u>	<u>(899)</u>	<u>1,918,318</u>
Total net assets - ending	<u>\$ 494,549</u>	<u>\$ 1,185,095</u>	<u>\$ 21,170</u>	<u>\$ 1,700,814</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, 2006

	<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	\$ 240,000	\$ 2,041,199	\$ 225,046	\$ 2,506,245
Payments to suppliers	(105,508)	(306,126)	(21,604)	(433,238)
Payments to employees	-	-	(187,952)	(187,952)
Claims	(78,647)	(2,146,658)	-	(2,225,305)
Net cash provided by (used in) operating activities	<u>55,845</u>	<u>(411,585)</u>	<u>15,490</u>	<u>(340,250)</u>
Cash flows from investing activities:				
Purchases on investments	(20,000)	(30,148)	-	(50,148)
Interest on investments	24,776	58,176	1,093	84,045
Net cash provided by (used in) investing activities	<u>4,776</u>	<u>28,028</u>	<u>1,093</u>	<u>33,897</u>
Net increase (decrease) in cash and cash equivalents	60,621	(383,557)	16,583	(306,353)
Cash and cash equivalents - beginning of year	149,694	656,470	3,059	809,223
Cash and cash equivalents - end of year	<u>\$ 210,315</u>	<u>\$ 272,913</u>	<u>\$ 19,642</u>	<u>\$ 502,870</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	<u>\$ 91,532</u>	<u>\$ (414,057)</u>	<u>\$ 20,976</u>	<u>\$ (301,549)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	4,661	4,661
(Increase) Decrease in assets:				
Receivables	-	(49,975)	-	(49,975)
Due from other funds	-	-	46	46
Increase (Decrease) in liabilities:				
Accounts payable	(33,562)	-	228	(33,334)
Accrued liabilities	-	-	(1,521)	(1,521)
Due to other funds	-	-	693	693
Compensated absences	-	-	(9,593)	(9,593)
Claims and judgments	(2,125)	52,447	-	50,322
Total adjustments	<u>(35,687)</u>	<u>2,472</u>	<u>(5,486)</u>	<u>(38,701)</u>
Net cash provided by (used in) operating activities	<u>\$ 55,845</u>	<u>\$ (411,585)</u>	<u>\$ 15,490</u>	<u>(340,250)</u>

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

This page left blank intentionally.

Individual Fund Schedules

This page left blank intentionally.

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, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 300,000	\$ 300,000	\$ 310,193	\$ 10,193
Charges for services	103,000	103,000	129,692	26,692
Investment earnings	3,000	3,000	4,590	1,590
Miscellaneous	12,000	12,000	6,133	(5,867)
Total revenues	<u>418,000</u>	<u>418,000</u>	<u>450,608</u>	<u>32,608</u>
EXPENDITURES				
Current:				
Recreation:				
Salaries, wages and employee benefits	372,658	398,203	411,846	(13,643)
Operating services	304,877	305,110	296,462	8,648
Materials and supplies	16,000	22,800	17,385	5,415
Travel and other	7,000	7,000	6,076	924
Improvements and equipment	-	2,255	2,255	-
Total expenditures	<u>700,535</u>	<u>735,368</u>	<u>734,024</u>	<u>1,344</u>
Deficiency of revenues over expenditures	<u>(282,535)</u>	<u>(317,368)</u>	<u>(283,416)</u>	<u>33,952</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	344,429	344,429	391,475	47,046
Transfers out	(70,000)	(70,000)	(59,966)	10,034
Total other financing sources (uses)	<u>274,429</u>	<u>274,429</u>	<u>331,509</u>	<u>57,080</u>
Net change in fund balance	(8,106)	(42,939)	48,093	91,032
Fund balances - beginning	<u>155,737</u>	<u>155,737</u>	<u>155,737</u>	<u>-</u>
Fund balances - ending	<u>\$ 147,631</u>	<u>\$ 112,798</u>	<u>\$ 203,830</u>	<u>\$ 91,032</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, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 835,000	\$ 1,007,213	\$ 172,213
Investment earnings	10,000	34,899	24,899
Miscellaneous	-	2,793	2,793
Total revenues	<u>845,000</u>	<u>1,044,905</u>	<u>199,905</u>
EXPENDITURES			
Current:			
General Government:			
Operating services	751,200	758,177	(6,977)
Excess of revenues over expenditures	<u>93,800</u>	<u>286,728</u>	<u>192,928</u>
OTHER FINANCING USE			
Transfers out	<u>(125,608)</u>	<u>(96,392)</u>	<u>(29,216)</u>
Net change in fund balance	(31,808)	190,336	222,144
Fund balances - beginning	<u>606,737</u>	<u>764,138</u>	<u>(157,401)</u>
Fund balances - ending	<u>\$ 574,929</u>	<u>\$ 954,474</u>	<u>\$ 379,545</u>

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

RECEIVED
LEGISLATIVE AUDITOR
2007 MAY 11 AM 10:45

City of Ruston, Louisiana

**OMB Circular A-133 Report
For The Year Ended September 30, 2006**

(With Independent Auditor's Report Thereon)

Douglas A. Brewer, LLC
Certified Public Accountant

City of Ruston, Louisiana
Table of Contents

	<u>Page</u>
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Report on Compliance With Requirements Applicable To Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7
Summary Schedule of Prior Audit Findings	11
Management's Corrective Action Plan	12

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

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

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, 2006, which collectively comprise the City's basic financial statements and have issued my report thereon dated February 16, 2007. 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 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.

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 06-1, 06-02, and 06-3.

I noted certain matters that were reported to management of the City in a separate letter dated February 16, 2007.

This report is intended solely for the information and use of management and the Board of Aldermen 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

February 16, 2007
Ruston, Louisiana

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

Report On Compliance With Requirements Applicable To Each Major Program And On 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, 2006. 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 programs for the year ended September 30, 2006. 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 06-1 and 06-2.

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 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 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, 2006, and have issued our report thereon dated February 16, 2007. 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 and the Board of Aldermen 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.

Dawn A. Brewer, LLC

Ruston, Louisiana
February 16, 2007

City of Ruston, Louisiana
Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2006

<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	\$ 854,569
Pass through Louisiana Office of Community Development:		
D.A.R.T. CDBG Program	14.231	21,413
Total United States Department of Housing and Urban Development		<u>875,982</u>
 Department of Homeland Security:		
Assistance to Firefighters Grant	83.554	55,921
Disaster Grants - Public Assistance	97.036	14,563
Homeland Security Grant Program	97.067	43,968
Pass through Louisiana State Police		
Law Enforcement Terrorism Prevention	97.074	19,459
Total Department of Homeland Security		<u>133,911</u>
 United States Department of Transportation:		
Federal Highway Administration	20.205	171,332
 United States Department of Justice:		
Pass through Lincoln Parish Police Jury		
Edward Byrne Memorial Justice Assistance Grant	16.738	9,274
 United States Department of Agriculture		
Pass through Governor's Office of Rural Development		
Cooperative Forestry Assistance	10.664	6,188
 Federal Aviation Administration:		
Airport Improvement Program	20.106	338,937
 United States Environmental Protection Agency:		
Pass through Louisiana Department of Environmental Quality:		
Construction Grants for Wastewater Treatment Works	66.418	6,277,425
 Total Federal Awards		 <u><u>\$ 7,813,049</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, 2006

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 Construction Grants for Wastewater Treatment Works, and the Airport Improvement Program, which are 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	\$ 21,413

City of Ruston, Louisiana
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2006

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. Three 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 on 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 are 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 programs tested as major programs included the Department of Housing and Urban Development Voucher Program, CFDA No. 14.857, and the United States Environmental Protection Agency pass-through the Louisiana Department of Environmental Quality – Construction Grants for Wastewater Treatment Works, CFDA No. 66.418.
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, 2006

Findings And Questioned Costs – Major Federal Award Programs Audit

06-1 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 three (3) housing assistance payments were not abated as a result of failed Housing Quality Standards inspections. The deficiencies were not remedied 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 payments to landlords at the first of the month following the specified correction periods.

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, 2006

06-2 HUD Form 50058

Condition:

In performing the audit on compliance for HUD on the Section 8 housing department (the City), there were four (4) instances that the City did not properly fill out the HUD 50058 for sections 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.

06-3 Utility Service Fees Not Being Assessed

Condition:

From October 2005 through March 2006, utility customer accounts were removed from the "Utility Billing Cutoff Report." Two of the accounts were family members of the former customer service supervisor. These findings were the result of an internal investigation by the City Treasurer's office, followed by a compliance audit performed by the Louisiana Legislative Auditor's Office. The Legislative Auditor's report is dated May 31, 2006.

Criteria:

This is a violation of the City's utility billing and collection procedures. Louisiana Revised Statute 14:132 in part prohibits intentional altering of public records.

Effect:

Due to the removal of customers from the cutoff report, disconnect charges and reconnection fees in the amount of \$290 and \$850 respectively were not assessed. In addition, one customer was allowed to transfer \$1,157 in charges from one account location to another.

City of Ruston, Louisiana
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2006

Recommendation:

The City should follow the recommendations of the Legislative Auditor's compliance report: The City should enforce its current policies and procedures for tracking and assessing fees to delinquent customers. It is also recommended that a report be generated and reviewed by management of all customers electronically removed from the cutoff list. In addition, it is recommended that transfers of services be reviewed by management after the customer service supervisor has approved the transfer.

Response: (1)

It has always been the policy of the current administration of the City of Ruston that the prescribed policies and procedures of the Customer Service Department are adhered to. In light of the recent violations of the policies and procedures, Mr. Darrell Caraway, Acting Light & Power Utilities Director, is ensuring that those policies and procedures for tracking and assessing fees to delinquent customers are being enforced. Additionally, Mr. Caraway is reviewing the report of all customers electronically removed from the cutoff list and is reviewing the transfer of services after the Customer Service Department Supervisor has approved the transfer. Mr. Caraway is in the process of hiring a Customer Service Department Manager who will become responsible for enforcing the policies and procedures and the aforementioned reviews.

(1) The above response was contained in the Legislative Auditor's Compliance Audit, dated May 31, 2006. The City hired a Customer Service Department Manager beginning October 1, 2006.

**City of Ruston, Louisiana
Summary Schedule of Prior Findings
For The Year Ended September 30, 2006**

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.

Status

This item has been cleared.

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.

Status

This item has been cleared.

Management Letter

A management letter, dated January 17, 2006, was issued for the year ended September 30, 2005.

**City of Ruston, Louisiana
Management's Corrective Action Plan
For The Year Ended September 30, 2006**

Federal Award Findings and Questioned Costs

06-1 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 three (3) housing assistance payments were not abated as a result of failed Housing Quality Standards inspections. The deficiencies were not remedied 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.

Status:

The City is in the process of correcting this condition.

06-2 HUD Form 50058

Condition:

In performing the audit on compliance for HUD on the Section 8 housing department (the City), there were four (4) instances that the City did not properly fill out the HUD 50058 for sections 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.

Status:

The City is in the process of correcting this condition.

**City of Ruston, Louisiana
Management's Corrective Action Plan
For The Year Ended September 30, 2006**

06-3 Utility Service Fees Not Being Assessed

Condition:

From October 2005 through March 2006, utility customer accounts were removed from the "Utility Billing Cutoff Report." Two of the accounts were family members of the former customer service supervisor. These findings were the result of an internal investigation by the City Treasurer's office, followed by a compliance audit performed by the Louisiana Legislative Auditor's Office. The Legislative Auditor's report is dated May 31, 2006.

Recommendation:

The City should follow the recommendations of the Legislative Auditor's compliance report:

The City should enforce its current policies and procedures for tracking and assessing fees to delinquent customers. It is also recommended that a report be generated and reviewed by management of all customers electronically removed from the cutoff list. In addition, it is recommended that transfers of services be reviewed by management after the customer service supervisor has approved the transfer.

Response: (1)

It has always been the policy of the current administration of the City of Ruston that the prescribed policies and procedures of the Customer Service Department are adhered to. In light of the recent violations of the policies and procedures, Mr. Darrell Caraway, Acting Light & Power Utilities Director, is ensuring that those policies and procedures for tracking and assessing fees to delinquent customers are being enforced. Additionally, Mr. Caraway is reviewing the report of all customers electronically removed from the cutoff list and is reviewing the transfer of services after the Customer Service Department Supervisor has approved the transfer. Mr. Caraway is in the process of hiring a Customer Service Department Manager who will become responsible for enforcing the policies and procedures and the aforementioned reviews.

- (1) The above response was contained in the Legislative Auditor's Compliance Audit, dated May 31, 2006. The City hired a Customer Service Department Manager beginning October 1, 2006.

Status:

The City has implemented the recommendations.

**City of Ruston, Louisiana
Management's Corrective Action Plan
For The Year Ended September 30, 2006**

Management Letter

Condition:

In performing auditing procedures, one instance was noted of the City's purchasing procedures not being followed. The police department purchased software and support in the amount of \$11,200 with no purchase order being obtained.

Recommendation:

I recommend that all city departments consult the purchasing department prior to purchasing items. The purchasing department is well-versed in the internal purchasing procedures, as well as the Louisiana Public Bid Law requirements. This reduces the risk that City and State procedures and laws are violated. In addition, the purchase order process is a critical tool in assisting those responsible for departmental budgets to stay well informed about expenditures under their control.

Response:

It has been and will continue to be the practice of the City departments to utilize the Purchasing Procedures of the City of Ruston. Occasionally, an error occurs by allowing a purchase to take place without the benefit of consultation with the Purchasing Department. That isolated instance occurred with the purchase of software without a purchase order being obtained. In the future, the City of Ruston will make every effort to ensure that all potential purchases requiring a purchase order will have one obtained prior to the purchase.

Status:

The City is in the process of correcting this condition.

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

RECEIVED
LEGISLATIVE AUDITOR

2007 MAR 30 PM 12:10

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana

In planning and performing the audit of the financial statements of the City of Ruston, Louisiana for the year ended September 30, 2006, 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 I 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.

Purchasing Procedures

In performing auditing procedures, one instance was noted of the City's purchasing procedures not being followed. The police department purchased software and support in the amount of \$11,200 with no purchase order being obtained.

I recommend that all city departments consult the purchasing department prior to purchasing items. The purchasing department is well-versed in the internal purchasing procedures, as well as the Louisiana Public Bid Law requirements. This reduces the risk that City and State procedures and laws are violated. In addition, the purchase order process is a critical tool in assisting those responsible for departmental budgets to stay well informed about expenditures under their control.

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

February 16, 2007

Ruston, Louisiana