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Town of Ringgold
Ringgold, Louisiana

Annual Financial Statements
As of December 31, 2005 and for the Year Then Ended

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

Release Date 8-2-06

Town of Ringgold

Annual Financial Statements
As of and for the Year Ended December 31, 2005
With Supplemental Information Schedules

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Town of Ringgold, Louisiana
Management Discussion and Analysis
December 31, 2005

The management of the Town of Ringgold, Louisiana offers readers of the Town of Ringgold, Louisiana's (Town) financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2005. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the town's financial activity, identify changes in the town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The Town has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34. This reporting model changes the presentation of financial data, and also the manner in which the information is recorded. We encourage readers to consider the information presented here in conjunction with additional information presented throughout this report.

Overview of the Financial Statements

This section is intended to serve as an introduction to the Town's financial statements. The Town's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Assets and Statement of Activities, which seek to give the user of the financial statements a broad overview of the Town's financial position and results of operations in a manner similar to private sector businesses.

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

Town of Ringgold, Louisiana
Management Discussion and Analysis
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The statement of activities presents information which shows how the government's net assets changed during this fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes).

Each of these reports is broken down between governmental activities and business-type activities. Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines, and intergovernmental revenues; for example, the police department. Business-type activities are functions that are intended to support their costs through charges for services or fees; such as the Water and Sewer Department.

Government-wide Financial Analysis

As noted earlier, net assets may, over time, serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$3,074,679 (net assets); this represents an increase of \$191,504 from the last fiscal year. Of this total net asset amount, \$559,126 is unrestricted net assets. The Town's net assets are comprised of \$438,414 from governmental activities and \$2,636,265 from business-type activities.

The following is a condensed statement of the Town of Ringgold's net assets as of December 31, 2005:

	<u>Governmental-Type Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current & Other Assets	\$369,037	\$109,261	\$478,298
Noncurrent Assets	78,951	3,813,343	3,892,294
Total Assets	<u>\$447,988</u>	<u>\$3,922,604</u>	<u>\$4,370,592</u>
Liabilities			
Current Liabilities	\$7,628	\$81,287	\$88,915
Long-term Liabilities	1,946	1,205,052	1,206,998
Total Liabilities	<u>9,574</u>	<u>1,286,339</u>	<u>1,295,913</u>
Net Assets			
Invested in capital assets, net	76,175	2,317,436	2,393,611
Restricted	117	121,825	121,942
Unrestricted	362,122	197,004	559,126
Total Net Assets	<u>\$438,414</u>	<u>\$2,636,265</u>	<u>\$3,074,679</u>

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By far the largest portion of the Town's net assets \$2,317,436 reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, Town infrastructure, etc.) less any related debt used to acquire those assets still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Net assets of \$121,942 is restricted for drug law enforcement, meter deposits, bond retirement, and construction.

The remaining balance of \$559,126 is unrestricted net assets, which may be used to meet the government's on-going obligations to citizens and creditors.

The Town has total outstanding debt of \$1,206,998, which was used to finance some of the \$3,673,903 capital assets. Total liabilities of \$1,295,913 are equal to 42% of the total net assets.

The following is a summary of the statement of activities:

	Governmental-Type Activities	Business-Type Activities	Total	2004
Revenue				
Program Revenue	\$32,737	\$575,753	\$608,490	\$400,176
General Revenue & Transfers	366,438	14,507	380,945	304,560
Total Revenue	<u>399,175</u>	<u>590,260</u>	<u>989,435</u>	<u>704,736</u>
Expenses				
General & Administrative	238,794		238,794	181,563
Public Safety	141,601		141,601	146,233
Highways and streets	20,400		20,400	1,062
Culture and recreation	5,100		5,100	1,500
Water and sewer		387,675	387,675	427,301
Total Expenses	<u>405,895</u>	<u>387,675</u>	<u>793,570</u>	<u>757,659</u>
Increase (Decrease) in Net Assets	(6,720)	202,585	195,865	(52,923)
Net Assets, December 31, 2004	<u>445,134</u>	<u>2,433,680</u>	<u>2,878,814</u>	<u>2,931,737</u>
Net Assets, December 31, 2005	<u>\$438,414</u>	<u>\$2,636,265</u>	<u>\$3,074,679</u>	<u>\$2,878,814</u>

Town of Ringgold, Louisiana
Management Discussion and Analysis
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Governmental Activities

The governmental activities of the Town include general government, highways and street, culture and recreation, and public safety. In that, revenues normally associated with municipal operations, (e.g. property tax, franchise fees, license fees, fines, and operating grants) are sufficient for the funding of these activities.

Business-type Activities

The business-type activities of the Town are those that charge a fee to customers for the services provided. The Town has only one business-type activity, which is accounted for in the enterprise fund. The Town uses enterprise funds to account for the revenues and expenses related to the provision of water and sewer services.

The following is a summary of the business-type activities of the Town:

	<u>Operating Revenues Net of Purchases</u>		
	<u>Water & sewer</u>	<u>Other Enterprise</u>	<u>Total</u>
Fiscal year ended December 31, 2004	273,078	0	273,078
Fiscal year ended December 31, 2005	305,070	0	305,070
Increase (decrease) between years	<u>31,992</u>	<u>0</u>	<u>31,992</u>
	<u>Operating Expenses</u>		
	<u>Water & sewer</u>	<u>Other Enterprise</u>	<u>Total</u>
Fiscal year ended December 31, 2004	359,792	20	359,812
Fiscal year ended December 31, 2005	363,137	0	363,137
Increase (decrease) between years	<u>3,345</u>	<u>(20)</u>	<u>3,325</u>
	<u>Net Income (Loss) From Operations</u>		
	<u>Water & sewer</u>	<u>Other Enterprise</u>	<u>Total</u>
Fiscal year ended December 31, 2004	(86,714)	(20)	(86,734)
Fiscal year ended December 31, 2005	(58,067)	0	(58,067)
Increase (decrease) between years	<u>28,647</u>	<u>20</u>	<u>28,667</u>

The reasons for major fluctuations noted above are as follows:

An increase in both revenue and expenses during the year resulted in a material change in net loss from operations of \$28,667.

Town of Ringgold, Louisiana
Management Discussion and Analysis
December 31, 2005

Fund Financial Statements - Governmental Funds

The fund financial statements provide more detailed information about the Town's most significant funds - not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for a particular purpose.

The Town currently maintains two individual governmental fund types. These fund types include the General Fund and Special Revenue Fund. Information is presented separately in the Governmental Funds Balance Sheet (Statement C) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (Statements E) for the General Fund and Special Revenue Fund which are both considered to be major funds.

The Town adopts an annual budget for the General Fund and Special Revenue Fund. A statement of revenues, expenditures, and changes in fund balance for the General Fund and Special Revenue Fund is presented in the Required Supplemental Information (Schedule 1), which compares actual revenues and expenditures to the original budget and amended budget figures.

Financial Analysis of the Town's Governmental Funds

The Town's General Fund reported an ending fund balance of \$157,418, which is a decrease of \$228. This decrease is caused by an increase in expenditures. A portion of the fund balance \$117 is restricted for drug law enforcement. The remaining balance of \$157,301 is unreserved.

The Town's Special Revenue Fund reported an ending fund balance of \$204,821, which is an increase of \$9,627. This increase is caused by a decrease in transfers out. The entire remaining balance of \$204,821 is unreserved.

Fund Financial Statements - Proprietary Funds

The Town maintains one proprietary fund. Proprietary funds are used to report the same functions as business-type activities. The Town uses enterprise funds (the first type of proprietary fund) to account for its Water and Sewer Operations. These enterprise funds report the same functions presented as business-type activities in the government-wide financial statements.

Financial Analysis of the Town's Proprietary Fund

The Town's proprietary funds show an increase in ending retained earnings of \$202,585. The 2005 operating income of the Water and Sewer Departments totaling \$202,585 represents a decrease in loss of \$97,559 from fiscal year 2004.

Town of Ringgold, Louisiana
Management Discussion and Analysis
December 31, 2005

In that, financial statements of enterprise funds are presented on the same basis of accounting as in both the governmental-wide financial statements and the individual fund statements. All comments and analysis made under business-type activities apply to these funds.

General Fund Budgetary Highlights

The Town amended its original General Fund and Special Revenue Fund budgets during the course of the year.

The General Fund actual revenue for the current fiscal year was not sufficient to meet all expenditures. The final budgeted revenues and the actual revenues differ by a negative \$73,974 or 32%.

The Special Revenue Fund actual revenue for the current fiscal year was not sufficient to meet all expenditures. The final budget and the actual amounts differ by a positive \$2,080.

Capital Asset and Debt Administration

The total investment in net capital assets as of December 31, 2005 is \$2,393,611.

There were no new major capital assets purchased in fiscal 2005 for governmental activities; however, water lines are in the process of being constructed.

Current Financial Factors

The Town is working on improving the quality of water by replacing the old water lines and working on the water tanks. The Town is working with engineers to complete construction projects concerning the Utility Department.

Requests for Information

This financial report is designed to provide a general overview of the Town of Ringgold's finances for all with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Clerk Jo Ann Basinger, PO Box 565, Ringgold, LA 71068.

EDWARDS, WADE & PERRY

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Ringgold, as of and for the year ended December 31, 2005, which collectively comprise the town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Ringgold's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Ringgold, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2006, on our consideration of the town's internal control over financial reporting and our tests of its compliance and other matters with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information on pages 1 through 6 and 36 through 37 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. We 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, we did not audit the information and express no opinion on it.

Edwards, Wade & Perry

Ruston, Louisiana
June 29, 2006

Town of Ringgold, Louisiana
Statement of Net Assets
December 31, 2005

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and equivalents	\$36,979	\$42,811	\$79,790
Investments	295,117	11,523	306,640
Receivables	50,729	54,048	104,777
Internal balances	(13,788)	879	(12,909)
Noncurrent assets:			
Restricted assets		201,470	201,470
Deferred assets		16,921	16,921
Capital assets (net)	78,951	3,594,952	3,673,903
TOTAL ASSETS	\$447,988	\$3,922,604	\$4,370,592
LIABILITIES			
Current liabilities:			
Accounts, salaries, and other payables	\$6,798	\$8,072	\$14,870
Capital lease obligation	830		830
Bonds payable		26,921	26,921
Interest payable		22,791	22,791
Payable from restricted assets		23,503	23,503
Total current liabilities	7,628	81,287	88,915
Noncurrent liabilities:			
Capital lease obligation	1,946		1,946
Bonds payable (net)		1,205,052	1,205,052
Total noncurrent liabilities	1,946	1,205,052	1,206,998
TOTAL LIABILITIES	9,574	1,286,339	1,295,913
NET ASSETS			
Invested in capital assets, net of related debt	76,175	2,317,436	2,393,611
Restricted	117	121,825	121,942
Unrestricted	362,122	197,004	559,126
TOTAL NET ASSETS	\$438,414	\$2,636,265	\$3,074,679

The accompanying notes are an integral part of this statement.

Town of Ringgold, Louisiana
 Statement of Activities
 Year Ended December 31, 2005

	Program Revenues			Net (Expenses) Revenues and Changes of Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$238,794	\$24,031			(\$214,763)		(\$214,763)
Public safety	141,601	8,706			(132,895)		(132,895)
Highways and streets	20,400				(20,400)		(20,400)
Culture and recreation	5,100				(5,100)		(5,100)
Total governmental activities	405,895	32,737	0	0	(373,158)	0	(373,158)
Business-type activities							
Water and sewer	387,675	305,070		270,683		188,078	188,078
Total business-type activities	387,675	305,070	0	270,683	0	188,078	188,078
Total primary government	\$793,570	\$337,807	\$0	\$270,683	(\$373,158)	\$188,078	(\$185,080)
General revenues:							
Ad valorem taxes					\$15,665	\$29,952	\$45,617
Sales taxes					204,128		204,128
Franchise taxes					39,789		39,789
Licenses and permits					52,661		52,661
Investment earnings					11,714	4,555	16,269
Other general revenues					22,481		22,481
Transfers (net)					20,000	(20,000)	0
Total general revenues and transfers					366,438	14,507	380,945
Change in Net Assets					(6,720)	202,585	195,865
Net assets - beginning					445,134	2,433,680	2,878,814
Net assets - ending					\$438,414	\$2,636,265	\$3,074,679

The accompanying notes are an integral part of this statement.

Town of Ringgold, Louisiana
 Balance Sheet, Governmental Funds
 December 31, 2005

	ASSETS	General Fund	Special Revenue Fund	Total Governmental Funds
Cash and equivalents		\$5,803	\$31,176	\$36,979
Investments		154,202	140,915	295,117
Receivables		<u>12,992</u>	<u>37,737</u>	<u>50,729</u>
TOTAL ASSETS		<u>\$172,997</u>	<u>\$209,828</u>	<u>\$382,825</u>
	LIABILITIES AND FUND BALANCES			
Liabilities:				
Accounts, salaries, and other payables		\$3,741	\$3,057	\$6,798
Due to other funds		<u>11,838</u>	<u>1,950</u>	<u>13,788</u>
Total liabilities		<u>15,579</u>	<u>5,007</u>	<u>20,586</u>
Fund balances:				
Reserved for Drug law enforcement		117		117
Unreserved, reported in:				
General fund		157,301		157,301
Special Revenue fund			<u>204,821</u>	<u>204,821</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$172,997</u>	<u>\$209,828</u>	<u>\$382,825</u>

The accompanying notes are an integral part of this statement.

Town of Ringgold, Louisiana
 Reconciliation of The Governmental Funds Balance Sheet
 to The Government-Wide Financial Statement of Net Assets
 December 31, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund balances, Total governmental funds (Statement C)	\$362,239
Long-term liabilities including capital lease payable are not due and payable in the current period and, therefore, are not reported in the governmental funds	(2,776)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:	
Governmental capital assets	236,395
Less accumulated depreciation	<u>(157,444)</u>
Net Assets of Governmental Activities (Statement A)	<u>78,951</u> <u>\$438,414</u>

The accompanying notes are an integral part of this statement.

Town of Ringgold, Louisiana
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2005

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes:			
Ad valorem	\$15,665		\$15,665
Franchise	39,789		39,789
Sales and use		\$204,128	204,128
Licenses and permits	52,661		52,661
Charges for services	24,031		24,031
Fines and forfeitures	8,706		8,706
Intergovernmental revenues:			
State/parish	1,396		1,396
Investment earnings	4,348	7,366	11,714
Other revenues	21,085		21,085
Total Revenues	<u>167,681</u>	<u>211,494</u>	<u>379,175</u>
EXPENDITURES			
General government	120,043	105,367	225,410
Culture and recreation		5,100	5,100
Public safety	138,866		138,866
Highways and streets		20,400	20,400
Total Expenditures	<u>258,909</u>	<u>130,867</u>	<u>389,776</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(91,228)	80,627	(10,601)
OTHER FINANCING SOURCES (USES)			
Transfers in	91,000		91,000
Transfers out		(71,000)	(71,000)
Total Other Financing Sources (Uses)	<u>91,000</u>	<u>(71,000)</u>	<u>20,000</u>
Net Change in Fund Balance	(228)	9,627	9,399
Fund Balance – beginning	<u>157,646</u>	<u>195,194</u>	<u>352,840</u>
Fund Balance – ending	<u>\$157,418</u>	<u>\$204,821</u>	<u>\$362,239</u>

The accompanying notes are an integral part of this statement.

Town of Ringgold, 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 December 31, 2005

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

Net Change in Fund Balances, Total governmental funds (Statement E)	\$9,399
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0) exceeded depreciation (\$15,371) in the current period.	(15,371)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(746)</u>
Change in Net Assets of Governmental Activities, Statement B	<u><u>(\$6,718)</u></u>

The accompanying notes are an integral part of this statement.

Town of Ringgold, Louisiana
Statement of Net Assets, Proprietary Funds
December 31, 2005

	Water & Sewer	Other Enterprise Fund	Total Proprietary Funds	2004
ASSETS				
Current assets:				
Cash and equivalents	\$42,775	\$36	\$42,811	\$69,183
Investments	11,523		11,523	11,289
Receivables	54,048		54,048	68,497
Due from other funds	879		879	1,414
Total current assets	<u>109,225</u>	<u>36</u>	<u>109,261</u>	<u>150,383</u>
Restricted assets:				
Cash and investments	201,470		201,470	195,833
Non-current assets:				
Deferred bond issuance cost (net)	16,921		16,921	17,667
Capital assets (net of accumulated depreciation)	3,297,447	297,505	3,594,952	3,451,046
Total Non-current assets	<u>3,314,368</u>	<u>297,505</u>	<u>3,611,873</u>	<u>3,468,713</u>
TOTAL ASSETS	<u>\$3,625,063</u>	<u>\$297,541</u>	<u>\$3,922,604</u>	<u>\$3,814,929</u>
LIABILITIES				
Current Liabilities:				
Accounts, salaries, and other payables	\$8,072		\$8,072	\$33,845
Due to other funds			0	558
Bonds and interest payable	49,712		49,712	91,661
Total current liabilities	<u>57,784</u>	<u>\$0</u>	<u>57,784</u>	<u>126,064</u>
Current liabilities payable from restricted assets	<u>23,503</u>		<u>23,503</u>	<u>24,214</u>
Non-current liabilities:				
Bonds payable	1,227,804		1,227,804	1,254,725
Deferred bond discount (net)	(22,752)		(22,752)	(23,754)
Total non-current liabilities	<u>1,205,052</u>	<u>0</u>	<u>1,205,052</u>	<u>1,230,971</u>
Total liabilities	<u>1,286,339</u>	<u>0</u>	<u>1,286,339</u>	<u>1,381,249</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,019,931	297,505	2,317,436	2,211,821
Restricted for:				
Meter deposits	23,503		23,503	9,571
Revenue bond retirement	81,232		81,232	72,522
Construction	17,090		17,090	23,786
Unrestricted	<u>196,968</u>	<u>36</u>	<u>197,004</u>	<u>115,980</u>
TOTAL NET ASSETS	<u>\$2,338,724</u>	<u>\$297,541</u>	<u>\$2,636,265</u>	<u>\$2,433,680</u>

The accompanying notes are an integral part of this statement.

Town of Ringgold, Louisiana
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	Water & Sewer	Other Enterprise Fund	Total Proprietary Funds	2004
Operating Revenues				
Charges for services:				
Water sales	\$210,063		\$210,063	\$173,877
Sewer charges	76,182		76,182	80,435
Penalties/service charges	7,165		7,165	7,630
Other services	<u>11,660</u>		<u>11,660</u>	<u>11,136</u>
Total Operating Revenues	305,070	\$0	305,070	273,078
Operating Expenses				
Personal services	101,882		101,882	106,398
Materials and supplies	25,002		25,002	25,197
Insurance expenses	14,535		14,535	20,710
Repairs and maintenance	30,421		30,421	38,925
Other services & charges	64,520		64,520	42,777
Depreciation	<u>126,777</u>		<u>126,777</u>	<u>125,805</u>
Total Operating Expenses	<u>363,137</u>	<u>0</u>	<u>363,137</u>	<u>359,812</u>
Operating income (loss)	(58,067)	0	(58,067)	(86,734)
Nonoperating revenue (expenses)				
Ad valorem taxes	29,952		29,952	29,671
Donation - property	0		0	7,298
Interest earnings	4,555		4,555	1,285
Interest expense	(23,792)		(23,792)	(66,742)
Bond expense	<u>(746)</u>		<u>(746)</u>	<u>(746)</u>
Total Nonoperating Revenue (Expenses)	<u>9,969</u>	<u>0</u>	<u>9,969</u>	<u>(29,234)</u>
Income before contributions and transfers	(48,098)	0	(48,098)	(115,968)
Capital contributions - CDBG grant		270,683	270,683	26,842
Transfers in			0	11,567
Transfers out	<u>(20,000)</u>		<u>(20,000)</u>	<u>(20,000)</u>
Change in Net Assets	(68,098)	270,683	202,585	(97,559)
Total Net Assets - Beginning	<u>2,406,822</u>	<u>26,858</u>	<u>2,433,680</u>	<u>2,531,239</u>
Total Net Assets - Ending	<u>\$2,338,724</u>	<u>\$297,541</u>	<u>\$2,636,265</u>	<u>\$2,433,680</u>

The accompanying notes are an integral part of this statement.

Town of Ringgold, Louisiana
Statement of Cash Flows, Proprietary Funds
For the Year Ended December 31, 2005

	Water & Sewer	Other Enterprise Fund	Total Proprietary Funds	2004
Cash Flows from Operating Activities				
Receipts from customers and users	\$281,552		\$281,552	\$263,237
Other operating cash receipts	11,660		11,660	11,136
Payments to suppliers	(69,447)		(69,447)	(82,997)
Payments to employees	(101,882)		(101,882)	(106,398)
Other operating cash payments	(64,520)		(64,520)	(42,757)
Net Cash Provided by Operating Activities	<u>57,363</u>	<u>0</u>	<u>57,363</u>	<u>42,221</u>
Cash Flows from Noncapital Financing Activities				
Net transfer to other funds	(20,000)		(20,000)	(12,933)
Net decrease in meter deposits	(711)		(711)	903
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(20,711)</u>	<u>0</u>	<u>(20,711)</u>	<u>(12,030)</u>
Cash Flows from Capital and Related Financing Activities				
Receipt of ad valorem taxes for water/sewer maintenance	29,952		29,952	28,423
Capital contributions - LCDBG grant		\$270,683	270,683	
Purchases of capital assets		(270,683)	(270,683)	0
Principal paid on capital debt	(25,921)		(25,921)	(25,619)
Interest paid on capital debt	(65,740)		(65,740)	(66,792)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(61,709)</u>	<u>0</u>	<u>(61,709)</u>	<u>(63,988)</u>
Cash Flows from Investing Activities				
Interest received	4,555		4,555	1,285
Net contribution/(withdrawal) from investments	22,889		22,889	(165)
Net Cash Provided by Investing Activities	<u>27,444</u>	<u>0</u>	<u>27,444</u>	<u>1,120</u>
Net Increase in Cash and equivalents	2,387	0	2,387	(32,677)
Cash and equivalents, Beginning of Year	132,430	36	132,466	165,143
Cash and equivalents, End of Year	<u>\$134,817</u>	<u>\$36</u>	<u>\$134,853</u>	<u>\$132,466</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities				
Operating income	(\$58,067)		(\$58,067)	(\$86,734)
Depreciation expense	126,777		126,777	125,805
(Increase) decrease in accounts receivable	(12,393)	26,842	14,449	1,295
Increase (decrease) in due from other funds	535		535	
Increase (decrease) in accounts payable	1,069	(26,842)	(25,773)	1,855
Increase (decrease) in due to other funds	(558)		(558)	
Net Cash Provided by Operating Activities	<u>\$57,363</u>	<u>\$0</u>	<u>\$57,363</u>	<u>\$42,221</u>
Reconciliation of total cash and cash investments:				
Current assets - cash and cash investments	\$42,775	\$36	\$172,793	\$69,183
Restricted assets - cash and cash investments	92,042	0	218,809	63,283
Total cash and cash investments	<u>\$134,817</u>	<u>\$36</u>	<u>\$391,602</u>	<u>\$132,466</u>

The accompanying notes are an integral part of this statement.

Town of Ringgold, Louisiana
Statement of Net Assets, Fiduciary Fund
December 31, 2005

		<u>Agency Fund- Payroll Fund</u>
	ASSETS	
Cash and cash equivalents		\$1,495
Due from other funds		<u>12,909</u>
TOTAL ASSETS		<u>\$14,404</u>
	LIABILITIES	
Due to other governmental units		<u>\$14,404</u>
TOTAL LIABILITIES		<u>\$14,404</u>

The accompanying notes are an integral part of this statement.

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

INTRODUCTION

The Town of Ringgold was incorporated under the provisions of the Lawrason Act (Louisiana Revised Statutes 33:321-463). The Town is located in the parish of Bienville in the northwest corner of the state of Louisiana. The Town operates under a mayor-town council form of government. Members of the board are all elected and serve a term of 4 years.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In June, 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (if any).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Government-Wide and Fund Financial Statements

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

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

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. Program revenues include 1) charge 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 financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 and the fiduciary 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 imposed by the provider have been met.

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

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

The Town reports the following major governmental funds:

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

The Special Revenue fund is used to account for the receipt and use of the town's two percent (2%) sales and use tax levied by the Town of Ringgold that is legally restricted to expenditures for specific purposes.

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

The Town reports the following major proprietary funds:

The Water and Sewer fund is to account for the provision of water and sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

Additionally, the government reports the following fund type:

The Agency fund is used to account for assets held by the Town as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated 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. Principal operating revenues of the proprietary funds include water and sewer services to the residents of the Town. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, supplies, 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 Town's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The Town's cash and cash equivalents are considered to be demand deposits, interest-bearing demand deposits, and investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

government backed securities. Investments for the Town are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectives. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Restricted Assets

For the year ended December 31, 2005, the Town received confiscated drug revenues which are restricted for expenditure on drug policing activities. The Town accounts for these revenues in the general fund as allowed by GASB Cod. Sec. 1300.107, which notes that if the purpose is normally financed through the general fund, that fund (instead of a special revenue fund) may be used to account for restricted resources and expenditures as long as applicable legal requirements can be satisfied.

Under the terms of the various bond indentures on outstanding Sewer Revenue Bonds all income and revenues earned or derived from the operation of the utility system are pledged and dedicated to the retirement of said bonds, and are to be maintained and administered in the following order of priority and for the following express purposes:

1. The payment of all reasonable and necessary expenses of operating and maintaining the system.
2. Establishment and maintenance of "Sewer Revenue Bond and Interest Sinking Fund," where monthly deposits shall be made on or before the 20th day of each month of each year a sum equal to one-twelfth (1/12th) the interest falling due on the next interest payment date during the first year of the Bond. Thereafter, a sum equal to the total amount of principal and interest falling due on the next principal and interest date.

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

During the year ended December 31, 1997, per discussion with officials of District Office I of Rural Economic and Community Development, the Town will not be required to set aside monthly payments for the "Sewer Revenue Bond and Interest Sinking Fund." The bond is to be paid on a monthly basis, with the first principal and interest payment to be on January 14, 1996, and monthly thereafter.

3. There shall be set aside into "Revenue Bond Reserve Fund", a sum at least equal to five percent (5%) of the principal and interest payments required by paragraph (2) above, and shall continue until there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the Bond. The money is to be retained solely for the purpose of paying principal and interest on bonds payable from the Revenue Bond and Interest Sinking Fund as to which there would otherwise be default.
4. Funds shall be set aside into a "Revenue Bond Depreciation and Contingency Fund," monthly the sum of \$122 for the Sewer Bond. Money in the Depreciation and Contingency Fund shall be used to care for depreciation, extensions, additions, improvements, and replacements necessary to operate the system properly. Money shall also be used to pay the principal and interest on the bond for which there is not sufficient money in the Revenue Bond and Interest Sinking Fund or the Bond Reserve Fund and Interest Fund or the Bond Reserve Fund, but if so used, such money shall be replaced by the Issuer as soon as possible thereafter.

On September 1, 2001, the Water Revenue Bonds were refunded with the issuance of \$902,000 in Water Revenue Refunding Bonds. The reserves required under the refunded debt are no longer required to be funded under the new issue. Under the new bond issue, a Debt Service Reserve Fund was funded with the proceeds from the new issuance in the amount equal to the reserve fund requirement. The Reserve Fund shall be maintained with a trustee and used to received proceeds of the bonds and to transfer to the Interest Account or Principal Account of the Debt Service Fund such amount necessary to remedy any deficiency therein. The Cost of Issuance Fund shall be used to pay the costs of issuing the Bonds. Amounts shall be deposited into an Interest Account as necessary to pay interest on the Bonds. Amounts shall be deposited into a Principal Account as necessary to pay principal of the Bonds.

Restricted assets include cash and cash investments in the Proprietary funds which are restricted to their use. These restrictions are principally related to requirements of bond issues and utility meter deposits. It is the Town's policy to use restricted assets before unrestricted assets for their intended purposes.

G. 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 government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

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

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	10-40 years
Improvements other than buildings	10-33 years
Vehicles	5-15 years
Equipment	5-10 years

H. Compensated Absences

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

Employees are allowed to accrue ten days of sick leave each year. Employees may carry forward from the previous year any earned but unused sick leave up to a maximum of 10 days or 80 hours. The maximum sick leave an employee may possess at any one time is twenty days. Sick leave may be used only after it has been earned. No payments will be made for unused sick leave.

Vacation leave is granted to each employee who is on the active payroll on the employee's anniversary date, provided the employee has worked a minimum of 1500 hours in the service year preceding their anniversary date. Earned vacations can be accrued by one year and must be used the following year or be lost. An employee who has accumulated one (1) or more years of service who voluntarily or involuntarily terminates his employment shall receive any earned vacation pay at the time of departure.

I. Long-Term Obligations

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

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There are no reservations or designations for the year ended December 31, 2005.

K. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from the estimates.

M. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets The following reconciles the fund balances of governmental funds to the government-wide statement of net assets.

Capital lease payable	\$2,776
Governmental capital assets	236,395
Less accumulated depreciation	<u>(157,444)</u>
Net adjustment	<u><u>\$78,951</u></u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities The following reconciles the net changes in fund balance-total governmental funds to the changes in net assets of governmental activities.

Depreciation	(\$15,371)
Amortization of bond costs	<u>(746)</u>
Net adjustment	<u><u>(\$16,117)</u></u>

N. RISK MANAGEMENT

The Town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the Town maintains commercial insurance policies covering its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded to policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2005.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION The Town uses the following budget practices:

The Town adopted budgets for the year ended December 31, 2005 for the General fund and Special Revenue fund on a basis not consistent with generally accepted accounting principles (GAAP). The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the December meeting, the Town clerk submits to the board of aldermen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and expenses and the means of financing them. During the December meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town clerk is authorized to transfer budgeted amounts between departments

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year. There was one amendment to the original budgets.

3. CASH AND CASH EQUIVALENTS

At December 31, 2005, the Town has cash and cash equivalents (book balances) totaling \$190,725 as follows:

Demand deposits	\$91,435
Interest-bearing demand deposits	99,290
Time deposits	<u>0</u>
Total	<u>\$190,725</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2005, the Town has \$264,069 in deposits (collected bank balances). These deposits are secured from risk by \$111,106 of federal deposit insurance and \$152,963 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

4. INVESTMENTS

Certificates of Deposit - Investments include 1 certificate of deposit all with maturities of 6 months that have been included in cash and equivalents in the basic financial statements. Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Town or its agent in the Town's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name

At fiscal year-end, the Town's certificates of deposit balances were as follows:

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

Type of investment	Category			Carrying amount			Total Carrying Amount
	1	2	3	Fair Value	Amortized Cost	Cost	
Certificate of deposit	\$11,523	\$0	\$0	\$11,523	\$0	\$0	\$11,523
Total investments	\$11,523	\$0	\$0	\$11,523	\$0	\$0	\$11,523

LAMP - The Town has the following amounts invested with the Louisiana Asset Management Pool, Inc. (LAMP) as of December 31, 2005:

General Fund	\$144,202
Enterprise Fund	26,053
Sales Tax Fund	<u>140,915</u>
Total	<u>\$311,170</u>

Investments held at the Town consist of \$311,170 in the LAMP, a local government investment pool. In accordance with GASB Cod Sec. 150.126, the investment in LAMP at the Town is not categorized in the three risk categories provided by GASB Cod Sec. 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA - R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

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. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

Hancock Bank Reserves - With the issuance of Water Revenue Refunding bonds Series 2001, the Town was required to establish several funds to be held by a trustee. Amounts held by the trustee shall be invested by the trustee in eligible investments, which shall mature or be redeemable or be subject to withdrawal or to repurchase by another entity on a date or dates on or prior to the time when monies so invested shall be for expenditures. Investments purchased with funds on deposit in the Reserve Fund shall have an average aggregate weighted term to maturity of not greater than 5 years.

The Town had the following balances held with a trustee as of December 31, 2005:

Debt Reserve Fund	\$64,568
Interest Account	1,417
Principal Account	<u>3</u>
Total	<u><u>\$65,988</u></u>

Red River Valley Bidco, Inc. - On August 19, 2002, the Town purchased 100 shares of Preferred Series A stock in Red River Valley Bidco, Inc. for the amount of \$10,000. The investment was made to participate in funding Red River Valley Bidco, Inc., which is a for-profit entity formed as a financial assistance corporation which provides loan funds for business, industry and job creation over a 10-parish area of Northwest Louisiana. Red River Valley Bidco, Inc. supplements private lenders' efforts by either participating with them on special financing projects or by direct loans to borrowers who cannot qualify under a private lender's rule. The value of the Town's investment in this stock may change over time due to its share of the venture's net income or loss. As of December 31, 2005, it was estimated that there was no change in the fair value of the investment in Red River Valley Bidco, Inc. over the original investment.

5. RECEIVABLES

The receivables of \$104,777 at December 31, 2005, are as follows:

<u>Class of Receivable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Taxes:			
Ad valorem	\$1,056	\$2,150	\$3,206
Sales and use	37,737		37,737
Franchise	9,561		9,561
Intergovernmental	253		253
Accounts		51,898	51,898
Other	<u>2,122</u>		<u>2,122</u>
Total	<u><u>\$50,729</u></u>	<u><u>\$54,048</u></u>	<u><u>\$104,777</u></u>

All receivables are considered fully collectible and, therefore, no allowance for uncollectible amounts is provided. If amounts become uncollectible, they are charged to operations when that determination is made.

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

6. RESTRICTED ASSETS

Restricted assets of business-type activities were applicable to the following at December 31, 2005:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Bond-principal	\$3		\$3
Bond and interest sinking fund	1,417		1,417
Bond reserve fund	64,568	\$16,495	81,063
Bond depreciation & contingency	<u>64,260</u>	<u>17,568</u>	<u>81,828</u>
Total for revenue bonds	130,248	34,063	164,311
Meter deposits-cash			11,106
Meter deposits-investment			<u>26,053</u>
Total			<u>\$201,470</u>

7. AD VALOREM TAXES

For the year ended December 31, 2005, taxes of 14.56 mills were levied on property with assessed valuations totaling \$3,133,030 and were dedicated as follows:

General corporate purposes	5.00 mills
10-year water maintenance tax	4.78 mills
10-year sewer maintenance tax	4.78 mills

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed. The town bills and collects its own property taxes using the assessed valued determined by the Bienville parish tax assessor.

8. SALES AND USE TAX

Proceeds of a 2% sales and use tax levied by the town are dedicated to the following purposes:

Revenues derived from 1% sales and use tax are to be deposited in a special fund and dedicated and used for the purposes of economic development of the town; opening, constructing, paving, resurfacing, improving and/or maintaining streets, alleys, sidewalks, bridges; acquiring, constructing, extending, improving renovation and/or maintaining street lighting facilities, waterworks, sewers and sewerage disposal works, public buildings, public parks and recreational facilities and purchasing and acquiring the necessary land, equipment and furnishings for the foregoing public buildings and facilities, the title to which shall be in the public or for anyone or more of said purpose.

Revenues derived from the 1% sales and use taxes are to be dedicated and used as follows:

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

25% - for acquiring, constructing, improving, operating and/or maintaining sewerage collection lines, including related equipment and facilities, for the town, provided, however that once sewerage collection lines have been constructed which will permit all residences within the town to be connected with such collection lines, then said 25% is to be used for acquiring, constructing, improving, operating and/or maintaining sewerage collection lines and disposal works, including all related facilities and equipment for the town;

20% - for constructing, improving and/or maintaining public roads and drainage improvements within the town, including any equipment required in connection therewith and the operation of such equipment;

5% - for constructing, acquiring, improving, operating and/or maintaining lands, buildings, equipment and facilities for recreation purposes for the town, including the funding of youth recreational programs; and

50% - to be dedicated and used for any lawful corporate purpose of the town.

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2005 is as follows:

Due To/From Other Funds:		
<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
	General fund	(\$11,838)
	Special Revenue fund	(1,950)
Water & sewer fund		879
Payroll fund		<u>12,909</u>
Total		<u><u>\$0</u></u>

The balances consist of allocations for payroll and payroll taxes. The Town's management will determine an action to take in order to reduce the interfunds in approximately 2 years.

10. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2005, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$29,913			\$29,913
Total capital assets not being depreciated	<u>29,913</u>	<u>0</u>	<u>0</u>	<u>29,913</u>
Capital assets being depreciated:				
Buildings and improvements	60,019			60,019
Vehicles	24,213			24,213
Machinery and equipment	<u>122,250</u>			<u>122,250</u>
Total capital assets being depreciated	<u>206,482</u>	<u>0</u>	<u>0</u>	<u>206,482</u>

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and improvements	34,140	\$1,501		35,641
Vehicles	14,660	12,225		26,885
Machinery and equipment	93,273	1,645		94,918
Total accumulated depreciation	<u>142,073</u>	<u>15,371</u>	<u>0</u>	<u>157,444</u>
Total capital assets being depreciated, net	<u>\$94,322</u>	<u>(\$15,371)</u>	<u>\$0</u>	<u>\$78,951</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$1,926			\$1,926
Construction in progress	26,822	\$270,683		297,505
Total capital assets not being depreciated	<u>28,748</u>	<u>270,683</u>	<u>0</u>	<u>299,431</u>
Capital assets being depreciated:				
Improvements other than buildings	4,597,087			4,597,087
Vehicles	68,445			68,445
Machinery and equipment	110,666			110,666
Total capital assets being depreciated	<u>4,776,198</u>	<u>0</u>	<u>0</u>	<u>4,776,198</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,201,578	118,463		1,320,041
Vehicles	68,445			68,445
Machinery and equipment	83,877	8,314		92,191
Total accumulated depreciation	<u>1,353,900</u>	<u>126,777</u>	<u>0</u>	<u>1,480,677</u>
Total capital assets being depreciated, net	<u>\$3,451,046</u>	<u>\$143,906</u>	<u>\$0</u>	<u>\$3,594,952</u>

Depreciation expense of \$15,371 for the year ended December 31, 2005, was charged to the following governmental functions:

General government	\$12,636
Public safety	2,735
Total	<u>\$15,371</u>

11. LEASES

The Town records items under capital leases assets and liabilities in the accompanying financial statements. During 2004, the Town entered into one capital lease of telephone equipment through CenturyTel in the amount of \$4,197.

The following is a schedule of future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments, as of December 31, 2005:

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

Fiscal year ending December 31:	
2006	\$1,082
2007	1,083
2008	<u>1,083</u>
Total minimum lease payments	3,248
Less amount representing interest	<u>(472)</u>
Present value of net minimum lease payments	<u>\$2,776</u>

The Town has operating leases of the following nature:

1. Applied Concepts, Inc. lease of Stalker radar - lease term is 36 months with monthly minimum rent of \$55.
2. Applied Concepts, Inc. lease of Stalker radar - lease term is 36 months with monthly minimum rent of \$54.
3. Minolta Business Systems, Inc. lease of DI351 copier - lease term is 60 months with monthly minimum rent of \$130.

The minimum annual commitments under noncancelable operating leases are as follows:

Fiscal year ending December 31:	
2006	\$1,560
2007	1,560
2008	<u>1,430</u>
Total	<u>\$4,550</u>

The following schedule shows the composition of total rental expenditures for all operating leases except those with terms of a month or less that were not renewed:

	<u>DI351 Minolta</u>	<u>Applied Concepts #1</u>	<u>Applied Concepts #2</u>	<u>Total</u>
Minimum rentals	<u>\$1,560</u>	<u>\$166</u>	<u>\$378</u>	<u>\$2,104</u>

12. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended December 31, 2005:

	<u>Lease- purchase agreements</u>	<u>Water revenue refunding bonds</u>	<u>Sewer revenue bonds</u>	<u>Total</u>
Long-term obligations at 1/1/2005	\$3,524	\$863,000	\$417,645	\$1,284,169
Additions	0	0	0	0
Deductions	<u>(748)</u>	<u>(20,000)</u>	<u>(5,921)</u>	<u>(26,669)</u>
Long-term obligations at 12/31/2005	<u>\$2,776</u>	<u>\$843,000</u>	<u>\$411,724</u>	<u>\$1,257,500</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of December 31, 2005:

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

	Lease- purchase agreements	Water revenue refunding bonds	Sewer revenue bonds	Total
Current portion	\$830	\$21,000	\$6,238	\$28,068
Long-term portion	1,946	822,000	405,486	1,229,432
Total	<u>2,776</u>	<u>843,000</u>	<u>411,724</u>	<u>1,257,500</u>
Less unamortized bond discount		<u>(22,752)</u>		<u>(22,752)</u>
Long-term obligations	<u>\$2,776</u>	<u>\$820,248</u>	<u>\$411,724</u>	<u>\$1,234,748</u>

The bonds payable at December 31, 2005, are comprised of the following individual issues:

	Principal outstanding	Interest to maturity
\$902,000 Water Revenue Refunding Bonds, Series 2001, bearing interest at 3.375% to 5.500% due in semiannual installments through Jan 1, 2028	\$843,000	\$619,210
\$459,000 Sewer Revenue Bonds, dated 12/14/94, bearing interest at 5.25% due in monthly installments of \$2,309 through 12/24/34	<u>\$411,724</u>	<u>\$391,681</u>
Total	<u>\$1,254,724</u>	<u>\$1,010,891</u>

The annual requirements to amortize all debt outstanding at December 31, 2005, including interest of \$95,064 are as follows:

<u>Year Ending December 31,</u>	Water Revenue Refunding Principal	Sewer Revenue Principal	Interest	Total
2006	\$21,000	\$6,238	\$64,615	\$91,853
2007	22,000	6,574	63,414	91,988
2008	23,000	6,927	62,144	92,071
2009	24,000	7,300	60,754	92,054
2010	25,000	7,693	59,361	92,054
2011 - 2015	141,000	45,132	272,692	458,824
2016 - 2020	180,000	58,646	217,582	456,228
2021 - 2025	234,000	76,207	143,443	453,650
2026 - 2030	173,000	99,025	54,048	326,073
2031 - 2034	0	97,982	12,838	110,820
Total	<u>\$843,000</u>	<u>\$411,724</u>	<u>\$1,010,891</u>	<u>\$2,265,615</u>

13. RETIREMENT

Substantially all employees of the Town are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana and Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, or at any age with at least 25 years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. Elected officials receive three and one-half (3 ½) percent. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Blvd., Baton Rouge, LA 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 15.00% of annual covered payroll. Contributions to the System also include one-fourth on one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System under Plan A for the years ending December 31, 2005, 2004, and 2003 were \$15,828, \$12,977, and \$11,726, respectively, equal to the required contributions for each year.

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service, or at age 55 with at least 12 years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Blvd., Baton Rouge, LA 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 21.5% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System for the years ending December 31, 2005, 2004, and 2003 were \$11,799, \$11,574, and \$7,152, respectively, equal to the required contributions for each year.

Town of Ringgold, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

C. Other retirement plans

For employees who do not qualify to participate in either the Municipal Employees Retirement System or the Municipal Police Employees Retirement System, these employees are eligible to participate in a Deferred Variable Annuity through New York Life Insurance. Amounts contributed by employees and the Town (maximum match of 7.5%) is calculated using the same percentages contributed for members of municipal systems based on department of employee.

14. CONTINGENT LIABILITIES

As of December 31, 2005, the Town is party to various legal proceedings as follows:

Matthew Wimberly, et al versus Brian Bell and Town of Ringgold, arises out of an automobile accident between an officer of the Town and Matthew Wimberly. The Town's attorney indicates that the Town is not 100% at fault regarding the occurrence of the accident. The matter has been turned over to the Town's liability carrier and the Town's exposure should be limited to its deductible.

There are other pending lawsuits in which the Town is involved. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, it is the opinion of the Town's management and attorney, that an unfavorable outcome of any claim from these existing cases pending is unlikely.

15. INTERGOVERNMENTAL AGREEMENT

As of August 31, 1999, the Town and the Bienville Parish Hospital District No. 1 entered into an agreement to construct a health and fitness trail on a tract of property owned by the hospital district. The Town shall operate and maintain the trail as a public recreation area. Any permanent improvements shall become the property of the hospital district. The agreement was for a period of five (5) years subject to renewal by agreement of the parties. On July 8, 2004, the agreement was renewed for five more years.

16. ON BEHALF PAYMENTS FOR SALARIES

The Town recognizes as general fund revenues and expenses supplemental pay made by the State of Louisiana to the Town's police employees. For the year ended December 31, 2005, the State made contributions of \$10,800.

17. STATE POLICE INVESTIGATION

The State Police Office is in the process of reviewing data and investigating the collections and remittances of utility payments for Arkla Gas, SWEPCO, Entergy, and Centurytel. The State Police were contacted by the mayor in December, 2005 concerning the collections and remittances to the appropriate agency. The outcome of the investigation is unknown at this time.

REQUIRED SUPPLEMENTAL INFORMATION

Town of Ringgold, Louisiana
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Non GAAP basis
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts CASH Basis</u>	<u>Favorable (Unfavorable) Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Ad valorem	\$18,150	\$18,150	\$14,610	(\$3,540)
Franchise	37,100	38,750	38,347	(403)
Licenses and permits:				
Occupational licenses	31,500	52,000	51,807	(193)
Permits	200	100	100	0
Intergovernmental:				
Parish and municipal beer tax	1,250	1,150	1,143	(7)
State revenue sharing	250	250	256	6
Other grants				0
Fines and forfeitures	25,060	10,000	8,706	(1,294)
Interest income	1,475	3,900	4,341	441
Collections fees	13,015	11,550	11,631	81
Other revenues	<u>25,100</u>	<u>98,350</u>	<u>29,285</u>	<u>(69,065)</u>
Total Revenues	<u>153,100</u>	<u>234,200</u>	<u>160,226</u>	<u>(73,974)</u>
Expenditures				
General government	109,380	190,465	121,947	68,518
Public safety	135,620	134,685	137,250	(2,565)
Recreation	100	50	39	11
Total Expenditures	<u>245,100</u>	<u>325,200</u>	<u>259,236</u>	<u>65,964</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(92,000)	(91,000)	(99,010)	(8,010)
Other Financing Sources (Uses)				
Operating transfers in	<u>92,000</u>	<u>91,000</u>	<u>91,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>92,000</u>	<u>91,000</u>	<u>91,000</u>	<u>0</u>
Net Change in Fund Balance	0	0	(8,010)	(8,010)
Fund Balance at Beginning of Year	<u>150,539</u>	<u>150,539</u>	<u>150,539</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$150,539</u>	<u>\$150,539</u>	<u>\$142,529</u>	<u>(\$8,010)</u>

Notes to the Schedule

- (1) method of budgetary accounting - CASH
(2) explanation of material variances
 budgeted for insurance reimbursement as other revenue

Town of Ringgold, Louisiana
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Non GAAP basis
Special Revenue Fund - Sales tax fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts CASH Basis	Favorable (Unfavorable) Variance
	Original	Final		
Revenues				
Taxes - sales	\$208,000	\$204,000	\$199,655	(\$4,345)
Interest income	1,000	3,850	4,292	442
Total Revenues	<u>209,000</u>	<u>207,850</u>	<u>203,947</u>	<u>(3,903)</u>
Expenditures				
General government	111,000	103,350	97,367	5,983
Highways & streets	20,800	20,400	20,400	0
Recreation	5,200	5,100	5,100	0
Total Expenditures	<u>137,000</u>	<u>128,850</u>	<u>122,867</u>	<u>5,983</u>
Excess (Deficiency) of Revenues over (under) Expenditures	72,000	79,000	81,080	2,080
Other Financing Sources (Uses)				
Operating transfers out	(72,000)	(79,000)	(79,000)	0
Total Other Financing Sources (Uses)	<u>(72,000)</u>	<u>(79,000)</u>	<u>(79,000)</u>	<u>0</u>
Net Change in Fund Balance	0	0	2,080	2,080
Fund Balance at Beginning of Year	<u>150,539</u>	<u>150,539</u>	<u>150,539</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$150,539</u>	<u>\$150,539</u>	<u>\$152,619</u>	<u>\$2,080</u>

Notes to the Schedule

(1) method of budgetary accounting - CASH

OTHER SUPPLEMENTAL SCHEDULES

Town of Ringgold
Schedule of Compensation Paid Board Members
For the Year Ended December 31, 2005

<u>Board Member</u>	<u>Amount</u>
Ben Plunkett, Mayor	\$5,140
Alan Clayborn	1,800
Bobby Guin	2,800
John Hamilton	1,800
Larry Kennedy	2,060
Lloyd Scott	1,800
Jerry Thomas	<u>1,800</u>
Total	<u>\$17,200</u>

OTHER REPORTS

EDWARDS, WADE & PERRY

Certified Public Accountants

A Professional Accounting Corporation

Members: AICPA / Society of LCPA's

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

Mayor and Board Members
Town of Ringgold
Ringgold, Louisiana

We have audited the financial statements of the Town of Ringgold as of and for the year ended December 31, 2005 and have issued our report thereon dated June 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Ringgold's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 05-1, 05-2, and 05-4.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Ringgold's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Town of Ringgold's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 05-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider all items to be material weaknesses.

Because of a limited number of available personnel, it is not possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Our audit did not reveal any significant errors or irregularities resulting from this lack of segregation of employee duties and responsibilities.

We also noted a certain matter that we reported to management of the Town in a separate letter dated June 30, 2006.

This report is intended for the information and use of management and any interested federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Edwards, Wade & Perry

Ruston, Louisiana
June 29, 2006

Town of Ringgold
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2005

We have audited the financial statements of Town of Ringgold as of and for the year ended December 31, 2005, and have issued our report thereon dated June 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 29, 2006 resulted in an unqualified opinion.

A. Summary of Audit Results

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

Internal Control

Material Weaknesses Yes No Reportable Yes No

Compliance

Compliance Material to Financial Statements Yes No

2. Federal Awards

Internal Control

Material Weaknesses Yes No Reportable Yes No

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

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

3. Identification of Major Programs:

CFDA Number(s)

Name of Federal Program (or Cluster)

N/A

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? Yes No

B. Financial Statements Findings

- 05-1. In the May, 2005 minutes, the board approved a donation of \$300 to Experience Works to help defray the costs of cleaning personnel salary. This is in violation of Article VII, Section 14 of the LA Constitution of 1974 which states funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

Recommendation: We recommend the town not loan, pledge, or donate funds, credit, property, or things of value to or for any person, association, or corporation, public or private.

- 05-2. For the year ended December 31, 2005, budgeted revenues exceeded actual revenues by \$69,462, or 9% and actual expenditures exceeded budgeted expenditures by \$77,712, or 10% (more than 5% for the General fund). According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.

Recommendation: We recommend that the district monitor budget and actual figures and amend as necessary.

- 05-3. By trying to test several revenues and disbursements to original documents for support, we determined the overall internal control for the town is inadequate. The following are examples of the town's poor internal control:

- A. Traffic tickets procedures are inadequate as revealed by the following issues:
1. Traffic tickets are not reported to the Department of Public Safety (DPS). Failure to report these violations to DPS results in inaccuracies in the offenders' driving records and is in violation of state law.
 2. There are no detailed written procedures for accounting for, processing receipts, and ensuring collection of unpaid ticket fines of the General fund.
 3. Because of inadequate accounting records, we were unable to determine the accounts receivable for ticket fines and related allowance for uncollectible accounts at December 31, 2005.
- B. There were several (7 of 60) disbursements tested during our fieldwork that did not have supporting documentation or invoices.
- C. A fixed assets listing was provided but was incomplete. Assets were not tagged. A physical inventory was not conducted on an annual basis. State law requires the town to maintain records of assets, purchased or otherwise acquired, including such information as to a detailed description, date of purchase, cost, and location.
- D. The customer deposit liability and the general ledger account should both be reconciled monthly to the detailed listing of customer's meter deposits.

- E. A test of customer payments showed several months worth of supporting documentation could not be located such as the amount billed, gallons used, and amount paid on what date. Also a test comparing gallons billed versus gallons pumped could not be performed due to all relevant data not being available.
- F. During the testing of payroll, the following items were noted involving calculation and remittance of payments on behalf of employees who are eligible to participate in a deferred variable annuity as established by the town:
 - 1. Deposits of employee withholdings for remittance to New York Life IRA accounts are not being paid in accounts on behalf of employees.
 - 2. Payments of state withholding should be made to the Department of Revenue and not the Office of Regulatory Services or Department of Labor.

Recommendation: We recommend the town establish internal controls to monitor all receipts and disbursements.

- 05-4. In August, 2002, the town invested in Red River Valley Bidco, Inc. for the amount of \$10,000. Attorney General Opinion No. 04-0061 states that it is illegal for a political subdivision to invest in Red River Valley Bidco, Inc.

Recommendation: We recommend the town comply with the above opinion.

C. Federal Award Findings and Questioned Costs

None

Town of Ringgold
Summary of Prior Year Findings
For the Year Ended December 31, 2005

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

04-1. Annual reporting requirement

Status: Resolved

04-2. The Town needs to improve controls over payroll reporting.

Status: Unresolved

04-3. The Town needs to improve controls over utility billing and meter deposits.

Status: Unresolved

04-4. Fixed asset records are incomplete.

Status: Unresolved

04-5. The Town needs to improve controls over traffic tickets, fine collection, and payable to other agencies.

Status: Unresolved

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

C. MANAGEMENT LETTER

- Unable to provide timely listing of vacation accrual. Status: Resolved
- Bonds should be deposited into a bank account. Status: Resolved
- Improve procedures for timely preparation and supervisory review and approval of all bank reconciliations. Status: Resolved

EDWARDS, WADE & PERRY

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

MANAGEMENT LETTER

We have audited the financial statements of Town of Ringgold as of and for the year ended December 31, 2005, and have issued our report thereon dated June 29, 2006. As part of the audit, we noted a certain matter that we want to bring to the attention of management for its consideration. We offer the following comment for the Town's consideration:

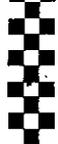
1. Bank accounts in the Town's name

The utility collection accounts are under the Town's name and federal tax identification number even though the Town does not have check writing ability on these accounts.

This letter is intended for the information and use of the management of the Town of Ringgold and is not intended to be, and should not be, used by anyone other than management. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.



Ruston, Louisiana
June 29, 2006



Town of Ringgold
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Ringgold, Louisiana 71068
318-894-4699 • FAX 318-894-5990



Benjamin E. Plunkett
Mayor

Jo Ann Basinger
Clerk

Lawson C. Bradley
Chief of Police

COUNCILMEN

Bobby Guin
John Hamilton
Alan Clayborn
Boyd Scott
Ferry Thomas

June 29, 2006

Stephanie Perry
Edwards, Wade & Perry
Certified Public Accounts
206 Reynolds Drive Suite G-2
Ruston, LA 71270

Response to Audit Findings

1. We will no longer donate to any cause.
2. We will endeavor to have our budget comply with the 5% variance in the future. We will monitor the budget and actual figures and amend as necessary.
3. We have hired extra help and we are in the process of updating procedures that will correct errors made in the past in all departments. Detailed ticket procedures will be put in place. New accounting software will help in this matter and in getting the state paid in a timely manner.

An inventory listing will be updated with equipment tagged and priced, dates of purchase, and detailed information when possible. This is currently being done with new equipment purchased.

All payroll findings are being studied and corrected. Most have already been corrected.

4. We were informed by Red River Valley Bidco, Inc. that the investment is legal and that their auditor has the information to show this is so. However, their auditor was out of town and could not be contacted for this information. We will have this available at a later date.

Sincerely,

Jo Ann Basinger
Jo Ann Basinger