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City of Ruston **LOUISIANA**

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Release Date 5-4-05



**Comprehensive Annual Financial Report
For the Year Ended September 30, 2004**

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Annual Financial Report



of the
City of Ruston, Louisiana
For the Year Ended September 30, 2004

Mayor
Dan Hollingsworth

Introductory Section

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**CITY OF RUSTON, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

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City of Ruston

Ashley Burton
Controller

Pam Womack
Administrative Assistant

January 28, 2005

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

Mayor and Members of the City Council:

I am pleased to submit the Comprehensive Annual Financial Report for the year ended September 30, 2004. The financial statements were prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted government auditing standards by a firm of licensed certified public accountants. I believe this report presents comprehensive information about the City's financial and operating activities during 2004 that is useful to taxpayers, citizens, and other interested persons.

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

In accordance with the Lawrason Act, the City Council is required to provide for an annual independent audit of the accounts and financial transactions of the City by a firm of independent certified public accountants duly licensed to practice in the State of Louisiana. The accounting firm of Warren and Brewer, CPAs, APAC, was selected by the City to conduct its annual audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2004, are free of material misstatement. The independent audit involved examining, on a

test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that the City's financial statements for the fiscal year ended September 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the City of Ruston

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

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

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

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

Budgetary Control

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

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

Local economy. The City's local economy is very much reflective of the nation's economy. Building permit valuations were \$31.7 million for the fiscal year.

The City of Ruston and Lincoln Parish continue to gain in population in recent decades. The City added approximately 3,000 residents between 1970 and 2000 and the Parish grew by nearly 8,000 persons.

Plans are taking place to build a ten screen state of the art movie theater in Ruston. The project is expected to cost \$13 million for a Baton Rouge developer. The movie theater will bring with it a number of restaurants and about 300 permanent local jobs. A Chili's restaurant was opened on the I-20 service road and this should spur additional economic development. This project will provide an ideal location for new businesses.

Overall, the local economy is stable and the outlook is good.

Long-term financial planning. Until the economy improves, the City cannot expect any real growth in our largest general revenue source which is sales taxes. In the General Fund, sales tax represents 47% of the revenues and transfers in. Increasing trends in retirement costs and health insurance make it difficult to balance the budget now and in the future. We expect rate increases in both water and sewer services in order to provide needed improvements in the infrastructure of the systems.

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

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

insured or collateralized. The City's policy is not to have uninsured/uncollateralized funds which it controls.

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

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

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

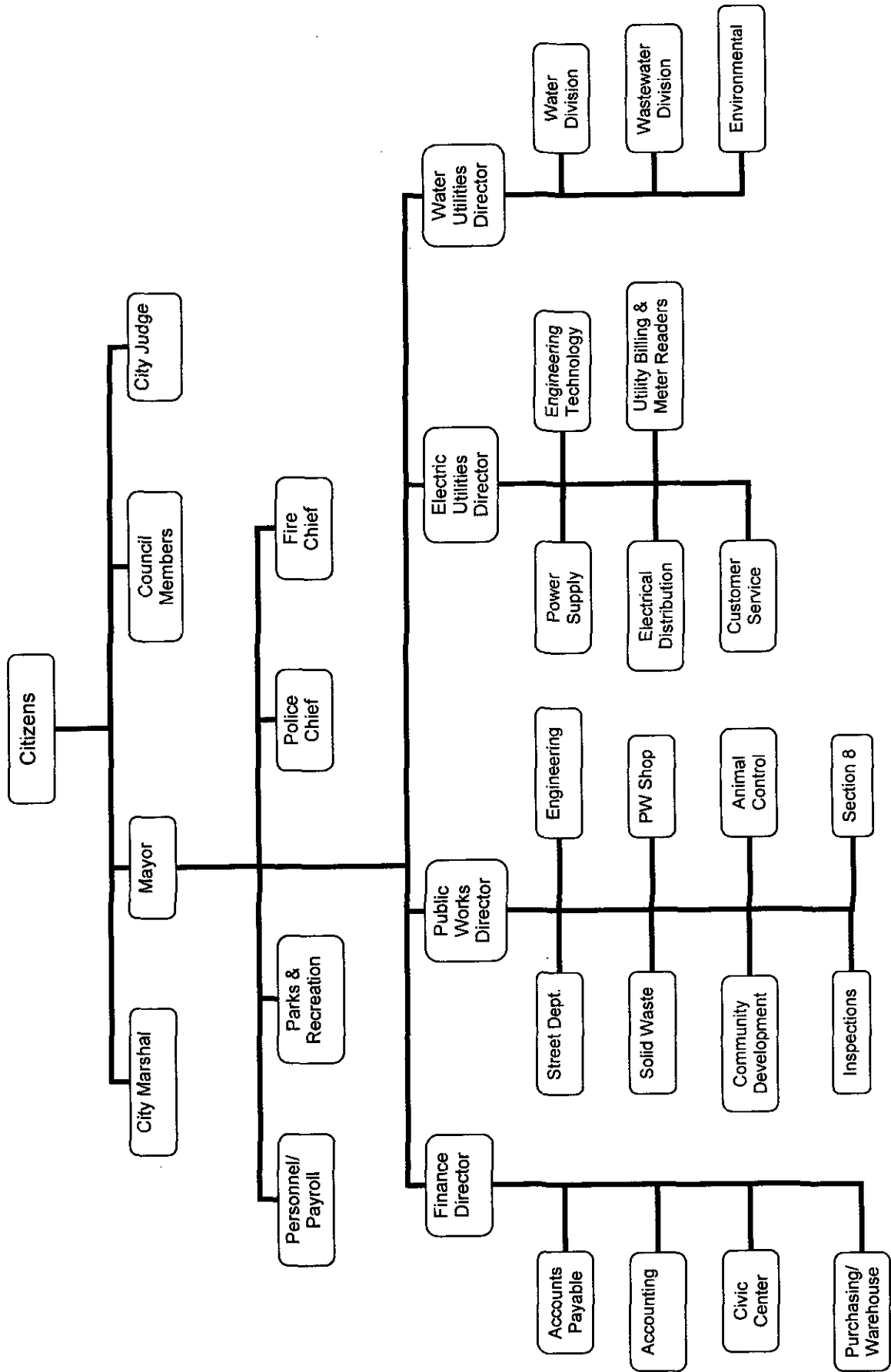
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also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

Sincerely,



Ashley Burton
Controller

ORGANIZATIONAL CHART



CITY OF RUSTON, LOUISIANA

PRINCIPAL OFFICIALS

Dan Hollingworth
Mayor

George Byrnside
Mayor Appointee

Members of City Council

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

Financial Section

Warren & Brewer

Certified Public Accountants
A Professional Accounting Corporation
112 East Carolina Avenue
Ruston, Louisiana 71270

Joan L. Warren, CPA
Douglas A. Brewer, CPA

Telephone: (318) 251-1317
Fax: (318) 251-2108

Independent Auditors' Report

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ruston (the City) as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the Table of Contents. We have also audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, and internal service funds presented as supplementary information in the accompanying combining fund financial statements as of and for the year ended September 30, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise and internal service funds of the City, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information listed as Required Supplemental Information in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund schedules and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we express no opinion on it.

Warren a Brewer CPA- APAC

Ruston, Louisiana
January 28, 2005

Management's Discussion and Analysis

We offer readers of the City of Ruston's financial statements this narrative overview and analysis of the financial activities of the City of Ruston for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. This discussion focuses on the primary government of the City.

Financial Highlights

Key financial highlights for the year ended September 30, 2004 include the following:

- The assets of the City exceeded its liabilities at September 30, 2004 by \$82,141,777 (net assets). Of this amount, \$26,263,905 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$5,331,774 for the year ended September 30, 2004. Net assets of governmental activities increased \$6,112,774 and net assets of business-type activities decreased \$781,000.
- As of September 30, 2004, the City's governmental funds reported combined ending fund balances of \$17,410,916, an increase of \$4,923,417 from the prior year. Of this amount \$13,412,717 was unreserved, undesignated, and available for spending; \$2,198,616 was unreserved but designated for subsequent years' expenditures; \$845,953 was reserved for debt service; \$926,422 was reserved for encumbrances; \$25,883 was reserved for inventories; and \$1,325 was reserved for prepaid items.
- At the end of the current fiscal year, unreserved, undesignated fund balances for the General Fund was \$5,526,699 or 45.3 % of total General Fund expenditures and transfers out.
- The City's total long-term liabilities increased by \$397,903 during the current fiscal year primarily due to an agreement with the State of Louisiana, Department of Transportation and Development.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City of Ruston's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

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

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

Financial Analysis of Government-wide Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City's, assets exceeded liabilities by \$82,141,777 at the close of the current fiscal year.

The largest portion of the City of Ruston's net assets totaling approximately \$54.6 million (66.5%) reflects its investment in capital assets (e.g., land, buildings, streets, drainage, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Ruston's Net Assets September 30, 2004

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$19,823,587	\$14,151,575	\$13,680,842	\$14,334,166	\$33,504,429	\$28,485,741
Capital assets	24,436,804	23,996,265	32,857,483	32,322,484	57,294,287	56,318,749
Total assets	44,260,391	38,147,840	46,538,325	46,656,650	90,798,716	84,804,490
Current and other liabilities	1,033,411	973,619	2,657,591	2,452,834	3,691,002	3,426,453
Long-term liabilities	1,454,531	1,514,546	3,511,406	3,053,488	4,965,937	4,568,034
Total liabilities	2,487,942	2,488,165	6,168,997	5,506,322	8,656,939	7,994,487
Net assets:						
Invested in capital assets, net of related debt	24,214,804	23,700,673	30,409,203	29,555,834	54,624,007	53,256,507
Restricted	845,953	1,299,341	407,912	537,047	1,253,865	1,836,388
Unrestricted	16,711,692	10,659,661	9,552,213	11,057,447	26,263,905	21,717,108
Total net assets	\$41,772,449	\$35,659,675	\$40,369,328	\$41,150,328	\$82,141,777	\$76,810,003

1.5% of net assets represent resources that are subject to external restriction on how they may be used. Accounts reserved for debt service account for the total of restricted net assets. The remaining balance of unrestricted net assets of \$26,263,905 may be used to meet the City of Ruston's ongoing obligations to citizens and creditors.

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

The City of Ruston's net assets increased by \$5,331,774 during the current fiscal year. Key elements of this increase are as follows:

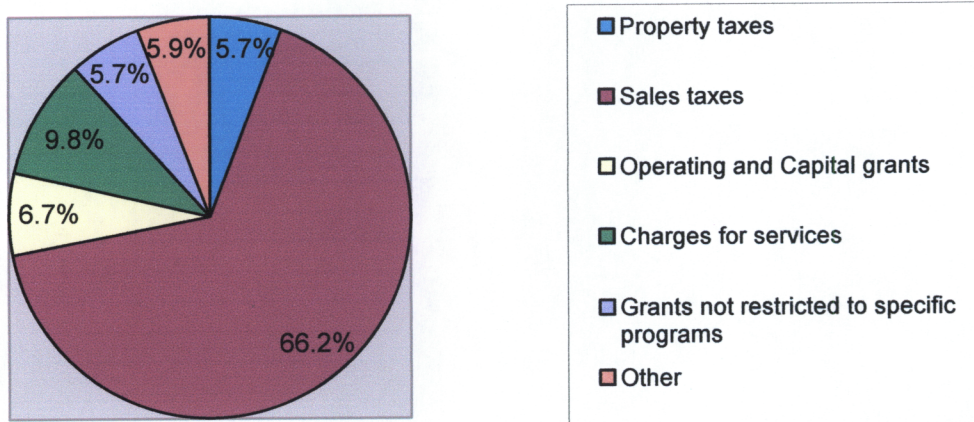
City of Ruston's Changes in Net Assets

Revenues:	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Program revenues:						
Charges for services	\$1,659,361	\$1,563,991	\$23,041,499	\$24,460,050	\$24,700,860	\$26,024,041
Operating grants and contributions	1,131,818	1,655,812	-	-	1,131,818	1,655,912
Capital grants and contributions	10,374	394,229	173,366	999,330	183,740	1,393,559
General revenues:						
Property taxes	970,171	949,775	-	-	970,171	949,775
Sales taxes	11,230,905	8,891,931	-	-	11,230,905	8,891,931
Other taxes	642,080	586,828	-	-	642,080	586,828
Grants and contributions not restricted to specific programs	964,989	1,124,421	-	-	964,989	1,124,421
Other	351,676	368,139	801,704	991,993	1,153,380	1,360,132
Total revenues	16,961,374	15,535,226	24,016,569	26,451,373	40,977,943	41,986,599
Expenses:						
General government	2,661,330	3,344,985	-	-	2,661,330	3,344,985
Public safety	5,117,551	5,111,037	-	-	5,117,551	5,111,037
Public works	4,285,623	3,194,233	-	-	4,285,623	3,194,233
Cultural and recreation	726,927	695,941	-	-	726,927	695,941
City Judge's Office and Marshal	384,448	373,225	-	-	384,448	373,225
Interest on long-term debt	20,418	57,771	-	-	20,418	57,771
Electric	-	-	17,256,127	19,814,204	17,256,127	19,814,204
Water	-	-	2,048,063	1,550,257	2,048,063	1,550,257
Sewer	-	-	2,476,322	2,282,921	2,476,322	2,282,921
Regional airport	-	-	398,921	392,527	398,921	392,527
Ambulance service	-	-	270,439	292,837	270,439	292,837
Total expenses	13,196,297	12,777,192	22,449,872	24,332,746	35,646,169	37,109,938
Increase in net assets before transfers	3,765,077	2,758,034	1,566,697	2,118,627	5,331,774	4,876,661
Transfers	2,347,697	2,178,038	(2,347,697)	(2,178,038)	-	-
Increase (decrease) in net assets	6,112,774	4,936,072	(781,000)	(59,411)	5,331,774	4,876,661
Net assets at beginning of year	35,659,675	30,723,603	41,150,328	41,209,739	76,810,003	71,933,342
Net assets at end of year	\$41,772,449	\$35,659,675	\$40,369,328	\$41,150,328	82,141,777	\$76,810,003

Revenues for the City's governmental activities for the year ended September 30, 2004 were \$16,961,374 compared to \$15,535,226 in 2003. The increase of \$1,426,148 was largely attributable to an increase in general revenues, specifically sales tax. Sales tax increased \$2,338,974.

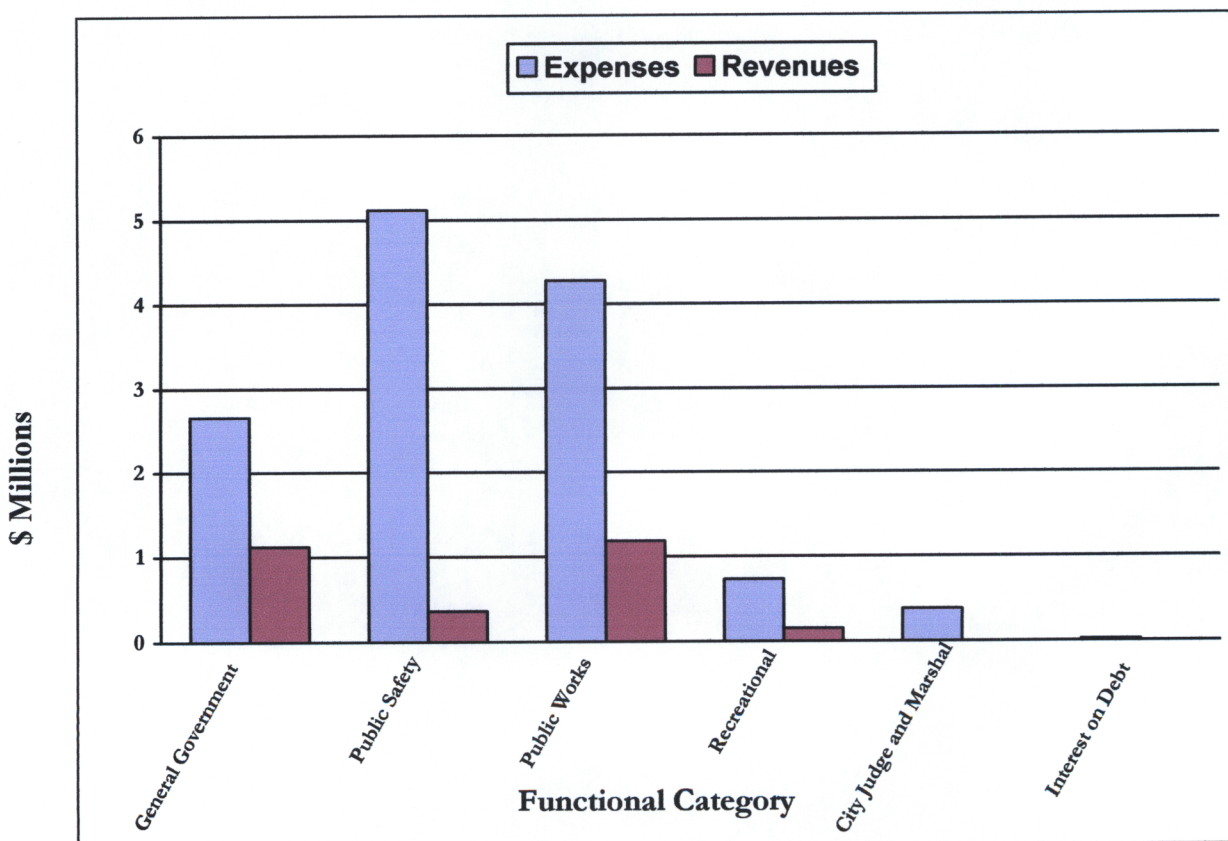
General revenues, specifically sales tax (66.2%), are the largest component of revenues.

Revenues by Sources – Governmental Activities



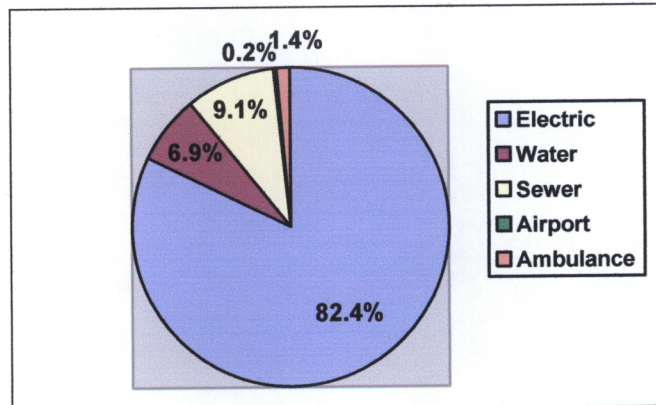
The cost of all governmental activities this year was \$13,196,297, an increase of approximately \$419,000 from 2003. The City's largest programs are general government, public safety, and public works. The graph below shows the expenses and program revenues generated by governmental activities.

Expenses and Program Revenues – Governmental Activities



Business-type Activities. Charges for services for the City of Ruston's business-type activities were \$23,041,499, a decrease of \$1,418,551 from 2003. The majority of this resulted from a decrease in fuel adjustment revenue of \$1,365,000. The decrease occurred because of a decrease in the consumption of energy.

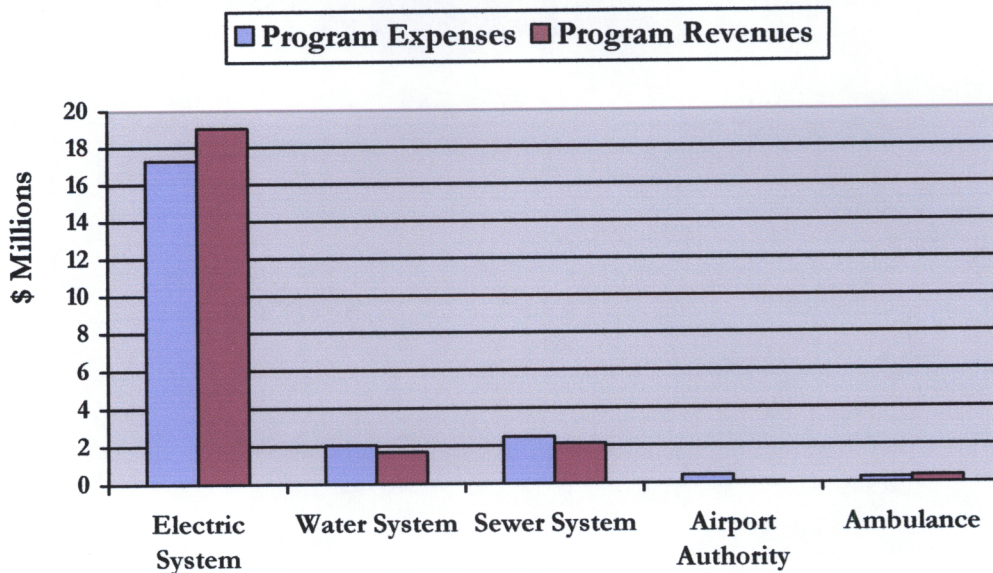
Revenue by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities

The costs of these activities were \$22,449,872, a decrease of \$1,882,874 from 2003. This decrease was due primarily to the decrease in the cost of electricity for the Electric fund of approximately \$2,702,000. This decrease occurred because the consumption of energy decreased. The Electric and Water funds also had increases in the cost of the maintenance to the distribution system of approximately \$867,000. This increase relates to the payable to the State of Louisiana, Department of Transportation and Development. For more information on this payable, see the notes to the basic financial statements.

Program Expenses and Revenues – Business-type Activities



Financial Analysis of the City of Ruston's Funds

Governmental Funds

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

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

- As of the close of the current fiscal year, the City of Ruston's governmental funds reported a combined ending fund balance of \$17,410,916, an increase of \$4,923,417 in comparison with the prior fiscal year. Of this amount, \$13,412,717 or 77.0% was unreserved, undesignated and available for spending. \$2,198,616 is designated for subsequent years' expenditures. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the prior period (\$926,422), (2) to pay debt service (\$845,953), or (3) for other restricted purposes (\$27,208).
- The General Fund is the chief operating fund of the City of Ruston. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5,394,756. The total (undesignated) is available for spending at the City Council's discretion. The fund balance of the General Fund increased by \$475,159. A key factor in this growth is an increase in transfers in from the Electric, Water, and Sewer funds for payments in lieu of taxes and indirect costs.
- The 1968 Sales Tax Fund has a total fund balance of \$2,382,597 all of which is unreserved, undesignated and available for spending. Fund balance increased \$1,012,644 as a result of an increase in sales taxes received due to a special settlement received during the year.
- The 1985 Sales Tax Fund has a total fund balance of \$2,692,866 all of which is unreserved, undesignated and available for spending. Fund balance increased \$1,407,780 as a result of an increase in sales taxes received due to a special settlement received during the year.
- The 1990 Sales Tax Fund has a total fund balance of \$2,120,695 all of which is unreserved, undesignated and available for spending. Fund balance increased \$1,008,014 as a result of an increase in sales taxes received due to a special settlement received during the year.

Proprietary funds

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

- Unrestricted net assets of the Electric System at the end of the year amounted to \$6,589,488. Total net assets for the Electric System increased \$651,339 as a result of a decrease in the cost of electricity purchased.
- The unrestricted net assets for the Water System amounted to \$1,489,409. Total net assets for the Water System decreased \$617,305 primarily as a result of an increase in the cost of the maintenance of the distribution system. This increase resulted from the payable to the State of Louisiana, Department of Development and Transportation.
- The unrestricted net assets for the Sewer System were \$1,427,406. Total net assets for the Sewer System decreased \$574,823 as a result of an increase in salaries paid due to hiring additional personnel, an increase in depreciation expense due to the acquisition of additional capital, an increase in transfers out to the General fund for indirect costs, and a decrease in interest revenue earned.
- The unrestricted net assets for the Airport Authority were \$90,049. Total net assets for the Airport Authority decreased \$320,584 as a result of a decrease in capital contributions received from the Federal Aviation Administration related to improvements of the airport runway.

General Fund Budgetary Highlights

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

The original budget for the General Fund of the City of Ruston was adopted on September 15, 2003. During the year, the City Council revised the City's budget several times. Changes were made as new information indicated a need. The major difference between the original budget and the final budget was primarily the increase of \$1,585,869 to appropriate open purchase orders as of September 30, 2003. The increase for open purchase orders was spread throughout all departments. Differences between the budget and the actual results of the General Fund are as follows:

Revenues

- Licenses and permits were expected to be similar to prior year revenues. Actual revenues were more than budget by \$122,796 due to an increase in insurance taxes and franchise taxes received.
- Intergovernmental revenues were expected to be similar to prior year revenues. Actual revenues were more than budget by \$246,356 due primarily to an increase in solid waste management fees received.

Expenditures

- Executive improvements and equipment expenditures were under budget by \$233,879 as a result of encumbrances open at the end of the year.
- Executive operating expenditures were under budget by \$90,376 as a result of consulting expenditures being lower than projected.

- Inspections operating expenditures were under budget by \$97,075 as a result of a decrease in housing demolition expenditures.
- Street lighting expenditures were under budget by \$91,107 as a result of utility costs being lower than expected.
- Street department expenditures were under budget by \$454,052 as a result of street maintenance encumbrances open at the end of the year and the postponement of hiring additional personnel.
- Solid waste department expenditures were under budget by \$143,491 as a result of the postponement of hiring additional personnel.

Capital Assets and Debt Administration

Capital assets. The City of Ruston's investment in capital assets as of September 30, 2004 amounts to \$57,294,287, net of depreciation. This investment in capital assets includes land, buildings and improvements, streets, drainage, furniture and equipment, and construction in progress. The table below shows the value at the end of the fiscal year.

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

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Land and land improvements	\$6,872,197	\$6,872,197	\$608,721	\$474,016	\$7,480,918	\$7,346,213
Buildings	2,330,935	2,443,522	1,111,001	1,145,429	3,441,936	3,588,951
System Improvement	-	-	19,615,227	21,296,151	19,615,227	21,296,151
Improvements other than buildings	2,935,783	2,118,087	3,827,536	4,166,520	6,763,319	6,284,607
Equipment	4,215,333	3,690,243	5,171,948	4,627,665	9,387,281	8,317,908
Infrastructure	6,490,412	6,731,642	-	-	6,490,412	6,731,642
Construction in progress	1,592,144	2,140,574	2,523,050	612,703	4,115,194	2,753,277
Total	<u>\$24,436,804</u>	<u>\$23,996,265</u>	<u>\$32,857,483</u>	<u>32,322,484</u>	<u>\$57,294,287</u>	<u>56,318,749</u>

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

- The purchase of a trash truck for the Solid Waste department for approximately \$128,000.
- The completion of the Cook Park Project for approximately \$117,000 and the Greenwood project for approximately \$111,000, both for the Parks and Recreation department.
- The completion of the Sewer Southwest project for the Sewer Southwest grant fund for approximately \$947,000.
- The purchase of land for the new Operations Complex for the Electric fund for approximately \$138,000.

- The completion of the GIS project for the Electric fund for approximately \$135,000.
- A project to repaint the water storage tank for the water fund for approximately \$189,000.
- The sewer system corrective action plan for the sewer fund for approximately \$232,000.

Long-term debt. At the end of the current fiscal year, the City of Ruston had total debt outstanding of \$3,453,025. The following table summarizes bonds outstanding at September 30, 2004.

	Outstanding Debt					
	Governmental		Business-type		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$122,000	\$239,000	-	-	\$122,000	\$239,000
Revenue bonds	100,000	100,000	\$2,448,280	\$2,766,650	2,548,280	2,866,650
Due to State	-	-	782,745	-	782,745	-
Total	<u>\$222,000</u>	<u>\$339,000</u>	<u>\$3,231,025</u>	<u>\$2,766,650</u>	<u>\$3,453,025</u>	<u>\$3,105,650</u>

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

Economic Factors and Next Year's Budgets and Rates

In setting the budgets for 2005, the City dealt with a number of issues with City-wide impact. One of the factors was the national economy. Although the local economy is stable, the City is not immune to national economic trends. Sales tax collections, excluding special settlements, increased 2% from 2002 to 2003 and 8% from 2003 to 2004. Sales tax collections are only expected to grow 2% in 2004. Unemployment rates for September 2004 were down to 5.3% compared to 6.5% at September 2003. Employment in services and in the retail/wholesale sectors is growing the fastest which mirror the national trend.

Spiraling health care costs nationwide continue to have an impact on City budgets, in addition to increasing retirement costs. In 2005, the budgets will be required to provide more than \$1.8 million to pay the City's portion of health care premiums.

All of these factors were considered in preparing the City's budget for the 2005 fiscal year.

Requests for Information

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

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Basic Financial Statements

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CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 7,814,262	\$ 5,797,095	\$ 13,611,357	\$ 355,872
Investments	10,142,806	4,732,568	14,875,374	40,705
Receivables, net	1,488,812	1,143,682	2,632,494	1,567
Unbilled revenue	75,180	1,742,369	1,817,549	-
Due from other governments	-	28,623	28,623	6,157
Internal balances	237,848	(237,848)	-	-
Inventories	25,883	448,561	474,444	-
Prepaid items	1,325	4,443	5,768	3,302
Bond issue costs, net	37,471	21,349	58,820	-
Capital assets:				
Land and construction in progress	8,464,341	3,131,771	11,596,112	-
Other capital assets, net of depreciation	15,972,463	29,725,712	45,698,175	75,985
Total assets	<u>44,260,391</u>	<u>46,538,325</u>	<u>90,798,716</u>	<u>483,588</u>
LIABILITIES				
Accounts payable	536,865	1,739,210	2,276,075	5,140
Accrued liabilities	267,441	128,184	395,625	907
Accrued interest payable	3,168	140,983	144,151	-
Claims	225,387	-	225,387	-
Deposits	550	649,214	649,764	-
Non-current liabilities:				
Due within one year	122,500	439,584	562,084	-
Due in more than one year	1,332,031	3,071,822	4,403,853	-
Total liabilities	<u>2,487,942</u>	<u>6,168,997</u>	<u>8,656,939</u>	<u>6,047</u>
NET ASSETS				
Invested in capital assets, net of related debt	24,214,804	30,409,203	54,624,007	75,985
Restricted for:				
Debt service	845,953	407,912	1,253,865	-
Unrestricted	16,711,692	9,552,213	26,263,905	401,556
Total net assets	<u>\$ 41,772,449</u>	<u>\$ 40,369,328</u>	<u>\$ 82,141,777</u>	<u>\$ 477,541</u>

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

CITY OF RUSTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				
General government	\$ 2,661,330	\$ 100,216	\$ 1,008,382	\$ 10,374
Public safety	5,117,551	258,602	99,926	-
Public works	4,285,623	1,155,536	23,510	-
Cultural and recreation	726,927	145,007	-	-
City Judge and Marshal	384,448	-	-	-
Interest on long-term debt	20,418	-	-	-
Total governmental activities	<u>13,196,297</u>	<u>1,659,361</u>	<u>1,131,818</u>	<u>10,374</u>
Business-type activities:				
Electric System	17,256,127	18,984,615	-	22,763
Water System	2,048,063	1,578,423	-	107,571
Sewer System	2,476,322	2,125,479	-	-
Ruston Airport Authority	398,921	19,674	-	26,123
Ambulance	270,439	333,308	-	16,909
Total business-type activities	<u>22,449,872</u>	<u>23,041,499</u>	<u>-</u>	<u>173,366</u>
Total primary government	<u>\$35,646,169</u>	<u>\$24,700,860</u>	<u>\$ 1,131,818</u>	<u>\$ 183,740</u>
Component units:				
City Judge	373,238	440,138	-	-
City Marshall	254,576	245,344	-	-
Total component units	<u>\$ 627,814</u>	<u>\$ 685,482</u>	<u>-</u>	<u>-</u>

General revenues:

Taxes:

- Property taxes levied for general purposes
- Property taxes levied for recreation facilities and programs
- Sales taxes levied for general purposes
- Sales taxes levied for recreation facilities and programs
- Sales taxes levied for street and drainage facilities
- Sales taxes levied for fire protection
- Sales taxes levied for police protection
- Sales taxes levied for drug prevention programs
- Sales taxes levied for debt service
- Insurance taxes
- Alcoholic beverage taxes
- Franchise taxes
- Intergovernmental
- Investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in Net Assets

Net assets - beginning

Net assets - ending

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

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

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,542,358)	-	\$ (1,542,358)	-
(4,759,023)	-	(4,759,023)	-
(3,106,577)	-	(3,106,577)	-
(581,920)	-	(581,920)	-
(384,448)	-	(384,448)	-
(20,418)	-	(20,418)	-
<u>(10,394,744)</u>	<u>-</u>	<u>(10,394,744)</u>	<u>-</u>
-	\$ 1,751,251	1,751,251	-
-	(362,069)	(362,069)	-
-	(350,843)	(350,843)	-
-	(353,124)	(353,124)	-
-	79,778	79,778	-
-	<u>764,993</u>	<u>764,993</u>	<u>-</u>
<u>(10,394,744)</u>	<u>764,993</u>	<u>(9,629,751)</u>	<u>-</u>
-	-	-	\$ 66,900
-	-	-	(9,232)
-	-	-	<u>57,668</u>
674,014	-	674,014	-
296,157	-	296,157	-
5,657,616	-	5,657,616	-
291,879	-	291,879	-
600,000	-	600,000	-
1,579,902	-	1,579,902	-
1,579,901	-	1,579,901	-
20,000	-	20,000	-
1,501,607	-	1,501,607	-
312,802	-	312,802	-
7,125	-	7,125	-
322,153	-	322,153	-
964,989	-	964,989	-
154,265	146,079	300,344	5,092
197,411	655,625	853,036	-
2,347,697	(2,347,697)	-	-
<u>16,507,518</u>	<u>(1,545,993)</u>	<u>14,961,525</u>	<u>5,092</u>
6,112,774	(781,000)	5,331,774	62,760
35,659,675	41,150,328	76,810,003	414,781
<u>\$ 41,772,449</u>	<u>\$ 40,369,328</u>	<u>\$82,141,777</u>	<u>\$ 477,541</u>

CITY OF RUSTON, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

	<u>General</u>	<u>1968 Sales Tax</u>	<u>1985 Sales Tax</u>
ASSETS			
Cash and cash equivalents	\$ 2,383,282	\$ 1,004,137	-
Investments	3,561,812	5,523,808	-
Receivables, net	340,723	196,741	\$ 295,111
Unbilled revenues	75,180	-	-
Due from other funds	248,433	-	2,418,135
Inventories, at cost	25,883	-	-
Prepaid items	1,325	-	-
Total assets	<u>\$ 6,636,638</u>	<u>\$ 6,724,686</u>	<u>\$ 2,713,246</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 330,840	-	-
Accrued liabilities	255,519	-	-
Due to other funds	43,032	\$ 4,342,089	\$ 20,380
Deposits and deferred charges	-	-	-
Total liabilities	<u>629,391</u>	<u>4,342,089</u>	<u>20,380</u>
Fund Balances:			
Reserved for:			
Debt service	5,557	-	-
Encumbrances	579,726	-	-
Inventories	25,883	-	-
Prepaid items	1,325	-	-
Unreserved, undesignated	5,394,756	2,382,597	2,692,866
Unreserved, designated reported in nonmajor:			
Capital project funds	-	-	-
Unreserved, undesignated, reported in nonmajor:			
Special revenue funds	-	-	-
Total fund balances	<u>6,007,247</u>	<u>2,382,597</u>	<u>2,692,866</u>
Total liabilities and fund balances	<u>\$ 6,636,638</u>	<u>\$ 6,724,686</u>	<u>\$ 2,713,246</u>

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

<u>1990 Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	\$ 3,900,142	\$ 7,287,561
-	-	9,085,620
\$ 196,741	384,291	1,413,607
-	-	75,180
1,923,954	155,273	4,745,795
-	-	25,883
-	-	1,325
<u>\$ 2,120,695</u>	<u>\$ 4,439,706</u>	<u>\$ 22,634,971</u>
-	\$ 121,901	\$ 452,741
-	6,801	262,320
-	102,943	4,508,444
-	550	550
-	<u>232,195</u>	<u>5,224,055</u>
-	840,396	845,953
-	346,696	926,422
-	-	25,883
-	-	1,325
2,120,695	-	12,590,914
-	2,198,616	2,198,616
-	821,803	821,803
<u>2,120,695</u>	<u>4,207,511</u>	<u>17,410,916</u>
<u>\$ 2,120,695</u>	<u>\$ 4,439,706</u>	<u>\$ 22,634,971</u>

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CITY OF RUSTON, LOUISIANA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

Fund balances - total governmental funds		\$ 17,410,916
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	37,214,490	
Less accumulated depreciation	<u>(12,802,325)</u>	24,412,165
<p>Other assets used in governmental activities that are not financial resources and therefore are not reported in the governmental funds.</p>		
Unamortized bond issuance costs		37,471
<p>Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Accrued interest payable	(3,168)	
Compensated absences	(1,203,559)	
Bonds, notes, and loans payable	<u>(222,000)</u>	(1,428,727)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.</p>		
		<u>1,340,624</u>
Net assets of governmental activities		<u><u>\$ 41,772,449</u></u>

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>General</u>	<u>1968 Sales Tax</u>	<u>1985 Sales Tax</u>
REVENUES			
Taxes:			
Property	\$ 674,014	-	-
Sales	-	\$ 2,779,802	\$ 4,169,693
Licenses and permits	742,296	-	-
Intergovernmental	1,174,607	-	-
Charges for services	1,149,069	-	-
Fines and forfeitures	265,069	-	-
Investment earnings	75,221	17,966	16,512
Miscellaneous	186,044	-	-
Total revenues	<u>4,266,320</u>	<u>2,797,768</u>	<u>4,186,205</u>
EXPENDITURES			
Current:			
General government	2,555,944	29,624	26,321
Public safety	5,146,582	-	-
Public works	3,979,337	-	-
Culture and recreation	-	-	-
City Court and Marshal	379,154	-	-
Debt service:			
Principal	57,000	-	-
Interest and other charges	9,793	-	-
Capital outlay	-	-	-
Total expenditures	<u>12,127,810</u>	<u>29,624</u>	<u>26,321</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,861,490)</u>	<u>2,768,144</u>	<u>4,159,884</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	8,404,385	-	-
Transfers out	(67,736)	(1,755,500)	(2,752,104)
Total other financing sources and (uses)	<u>8,336,649</u>	<u>(1,755,500)</u>	<u>(2,752,104)</u>
Net change in fund balances	475,159	1,012,644	1,407,780
Fund balances - beginning	5,532,088	1,369,953	1,285,086
Fund balances - ending	<u>\$ 6,007,247</u>	<u>\$ 2,382,597</u>	<u>\$ 2,692,866</u>

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

<u>1990 Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	\$ 296,157	\$ 970,171
\$ 2,779,803	1,501,607	11,230,905
-	-	742,296
-	932,573	2,107,180
-	145,007	1,294,076
-	-	265,069
14,540	30,026	154,265
-	11,367	197,411
<u>2,794,343</u>	<u>2,916,737</u>	<u>16,961,373</u>
17,829	791,059	3,420,777
-	-	5,146,582
-	-	3,979,337
-	651,278	651,278
-	-	379,154
-	60,000	117,000
-	6,270	16,063
-	675,462	675,462
<u>17,829</u>	<u>2,184,069</u>	<u>14,385,653</u>
<u>2,776,514</u>	<u>732,668</u>	<u>2,575,720</u>
-	2,435,164	10,839,549
(1,768,500)	(2,148,012)	(8,491,852)
<u>(1,768,500)</u>	<u>287,152</u>	<u>2,347,697</u>
1,008,014	1,019,820	4,923,417
1,112,681	3,187,691	12,487,499
<u>\$ 2,120,695</u>	<u>\$ 4,207,511</u>	<u>\$ 17,410,916</u>

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CITY OF RUSTON, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Net change in fund balances - total governmental funds		\$ 4,923,417
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	3,124,647	
Depreciation expense	<u>(1,200,284)</u>	1,924,363
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, write offs, and donations) is to decrease net assets.</p>		
		(1,508,462)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of these differences in the treatment of long-term debt and related items is as follows:</p>		
Principal payments		117,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Amortization of issuance costs	(5,937)	
Increase in compensated absences	(54,593)	
Decrease in accrued interest	<u>1,582</u>	(58,948)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.</p>		
		<u>715,404</u>
Change in net assets of governmental activities		<u><u>\$ 6,112,774</u></u>

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2004

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Fund			
	Major Funds		Airport Authority	Ambulance		Total	
Electric System	Water System	Sewer System					
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 4,958,934	\$ 111,824	\$ 402,120	\$ 80,503	\$ 86,433	\$ 5,639,814	\$ 526,701
Investments	500,000	1,567,553	1,597,403	-	-	3,664,956	1,057,186
Receivables, net	809,532	89,257	89,006	-	155,887	1,143,682	75,205
Unbilled revenue	1,441,650	142,408	158,311	-	-	1,742,369	-
Due from other funds	468,267	15,345	-	-	-	483,612	497
Due from other governments	-	-	-	26,123	2,500	28,623	-
Inventories	304,982	109,598	33,981	-	-	448,561	-
Travel advances	3,800	43	600	-	-	4,443	-
Total current assets	8,487,165	2,036,028	2,281,421	106,626	244,820	13,156,060	1,659,589
Noncurrent assets:							
Restricted:							
Cash and cash equivalents	8,832	2,914	145,535	-	-	157,281	-
Investments	807,119	149,776	110,717	-	-	1,067,612	-
Capital assets:							
Land	191,611	75,070	203,801	138,239	-	608,721	-
Construction in progress	224,700	581,155	1,691,072	26,123	-	2,523,050	-
Buildings	2,087,046	139,934	114,130	407,215	-	2,748,325	13,080
Improvements other than buildings	-	-	-	5,565,082	-	5,565,082	-
Equipment	19,718,114	691,634	1,709,102	27,604	374,463	22,520,917	48,123
Distribution and collection systems	17,414,638	8,841,991	17,912,241	-	-	44,168,870	-
Less accumulated depreciation	(28,397,633)	(5,428,615)	(9,369,357)	(1,782,942)	(298,935)	(45,277,482)	(36,564)
Total capital assets (net of accumulated depreciation)	11,238,476	4,901,169	12,260,989	4,381,321	75,528	32,857,483	24,639
Deferred bond costs, at cost less amortization	-	-	21,349	-	-	21,349	-
Total noncurrent assets	12,054,427	5,053,859	12,538,590	4,381,321	75,528	34,103,725	24,639
Total assets	20,541,592	7,089,887	14,820,011	4,487,947	320,348	47,259,785	1,684,228

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Fund			
	Major Funds			Ambulance		Total	
Electric System	Water System	Sewer System	Airport Authority				
LIABILITIES							
Current liabilities							
Accounts payable	1,276,954	46,645	343,739	7,252	64,620	1,739,210	84,126
Accrued liabilities	90,328	12,793	19,364	-	5,699	128,184	5,121
Due to other funds	50,712	-	469,302	9,325	192,121	721,460	-
Claims and judgments	-	-	-	-	-	-	225,387
Compensated absences	4,500	13,500	1,500	-	3,112	22,612	-
Total current liabilities	1,422,494	72,938	833,905	16,577	265,552	2,611,466	314,634
Current liabilities payable from restricted assets:							
Customer deposits	648,184	-	1,030	-	-	649,214	-
Bonds payable	-	100,000	230,000	-	-	330,000	-
Due to LADOTD	37,148	49,824	-	-	-	86,972	-
Accrued interest	140,983	-	-	-	-	140,983	-
Total current liabilities payable from restricted assets	826,315	149,824	231,030	-	-	1,207,169	-
Noncurrent liabilities:							
Compensated absences	167,634	25,269	41,459	-	23,407	257,769	28,970
Bonds payable	-	108,280	2,010,000	-	-	2,118,280	-
Due to LADOTD	297,185	398,588	-	-	-	695,773	-
Total noncurrent liabilities	464,819	532,137	2,051,459	-	23,407	3,071,822	28,970
Total liabilities	2,713,628	754,899	3,116,394	16,577	288,959	6,890,457	343,604
NET ASSETS							
Invested in capital assets, net of related debt	11,238,476	4,692,889	10,020,989	4,381,321	75,528	30,409,203	24,639
Restricted for debt service	-	152,690	255,222	-	-	407,912	-
Unrestricted (deficit)	6,589,488	1,489,409	1,427,406	90,049	(44,139)	9,552,213	1,315,985
Total net assets (deficit)	\$ 17,827,964	\$ 6,334,988	\$ 11,703,617	\$ 4,471,370	\$ 31,389	\$ 40,369,328	\$ 1,340,624

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CITY OF RUSTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Business-type Activities							Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Fund		Total	Total	
	Major Funds		Ambulance	Total				
Electric System	Water System	Sewer System	Airport Authority	Ambulance				
OPERATING REVENUES								
Charges for services	\$ 18,984,615	\$ 1,578,423	\$ 2,125,479	\$ 19,674	\$ 333,308	\$ 23,041,499	\$ 172,500	\$ 2,415,740
Charges to other funds	-	-	-	-	-	-	-	186,807
Premiums paid by retired employees	-	-	-	-	-	-	-	-
Rent income	35,149	-	-	19,930	-	55,079	-	-
Miscellaneous	544,593	39,491	16,269	193	-	600,546	89,208	-
Total operating revenues	<u>19,564,357</u>	<u>1,617,914</u>	<u>2,141,748</u>	<u>39,797</u>	<u>333,308</u>	<u>23,697,124</u>	<u>2,864,255</u>	
OPERATING EXPENSES								
Personal services	1,961,706	448,197	672,665	-	185,623	3,268,191	162,961	13,914
Operating services	1,767,365	1,028,975	651,113	44,108	14,936	3,506,497	4,119	551
Materials and supplies	12,021,185	138,535	261,887	8	30,631	12,452,246	8,595	1,555,088
Travel and other	26,147	5,885	10,260	-	11,127	53,419	-	417,307
Depreciation	1,409,317	405,501	794,424	354,805	28,122	2,992,169	-	2,162,535
Claims	-	-	-	-	-	-	-	701,720
Insurance premiums	-	-	-	-	-	-	-	-
Total operating expenses	<u>17,185,720</u>	<u>2,027,093</u>	<u>2,390,349</u>	<u>398,921</u>	<u>270,439</u>	<u>22,272,522</u>	<u>2,162,535</u>	
Operating income (loss)	<u>2,378,637</u>	<u>(409,179)</u>	<u>(248,601)</u>	<u>(359,124)</u>	<u>62,869</u>	<u>1,424,602</u>		
NONOPERATING REVENUES (EXPENSES)								
Investment earnings	72,320	35,840	36,381	943	595	146,079	13,684	-
Interest expense	(24,651)	(15,352)	(67,902)	-	-	(107,905)	-	-
Amortization	-	(1,630)	(2,669)	-	-	(4,299)	-	-
Loss on disposal of fixed assets	(45,756)	(3,988)	(15,402)	-	-	(65,146)	-	-
Total nonoperating revenues (expenses)	<u>1,913</u>	<u>14,870</u>	<u>(49,592)</u>	<u>943</u>	<u>595</u>	<u>(31,271)</u>	<u>13,684</u>	
Income (loss) before contributions and transfers	2,380,550	(394,309)	(298,193)	(358,181)	63,464	1,393,331	715,404	-
Capital contributions	22,763	107,571	-	26,123	16,909	173,366	-	-
Transfers in	-	-	-	11,474	-	11,474	-	-
Transfers out	(1,751,974)	(330,567)	(276,630)	-	-	(2,359,171)	-	-
Change in net assets	651,339	(617,305)	(574,823)	(320,584)	80,373	(781,000)	715,404	625,220
Total net assets (deficit) - beginning	17,176,625	6,952,293	12,278,440	4,791,954	(48,984)	41,150,328	625,220	
Total net assets (deficit) - ending	<u>\$ 17,827,964</u>	<u>\$ 6,334,988</u>	<u>\$ 11,703,617</u>	<u>\$ 4,471,370</u>	<u>\$ 31,389</u>	<u>\$ 40,369,328</u>	<u>\$ 1,340,624</u>	

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Business-type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Major Funds			Nonmajor Fund		
	Electric System	Water System	Sewer System	Airport Authority	Ambulance	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from operations	\$ 18,987,439	\$ 1,601,122	\$ 2,134,021	\$ 13,481	\$ 322,088	\$ 23,058,151
Payments to suppliers	(14,097,940)	(1,164,805)	(137,915)	(29,889)	(183,237)	(15,613,786)
Payments to employees	(1,953,650)	(465,856)	(654,617)	-	(190,031)	(3,264,154)
Claim payments	-	-	-	-	-	(1,429,824)
Other receipts	579,742	39,491	16,269	193	-	635,695
	3,515,591	9,952	1,357,758	(16,215)	(51,180)	4,815,906
Net cash provided by operating activities						647,954
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in	-	-	-	11,474	-	11,474
Transfers out	(1,751,974)	(330,567)	(276,630)	-	-	(2,359,171)
Net cash provided by (used in) noncapital financing activities	(1,751,974)	(330,567)	(276,630)	11,474	-	(2,347,697)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(931,081)	(725,515)	(1,903,051)	(24,892)	(7,777)	(3,592,316)
Capital contributions	22,763	107,571	-	26,123	16,909	173,366
Payable to State	334,333	448,412	-	-	-	782,745
Principal paid on debt	-	(95,000)	(225,000)	-	-	(320,000)
Interest paid on debt	(17,524)	(15,352)	(67,902)	-	-	(100,778)
Net cash used in capital and related financing activities	(591,509)	(279,884)	(2,195,953)	1,231	9,132	(3,056,983)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sales and maturities of investments	455,929	530,474	1,545,573	-	-	2,531,976
Purchase of investments	(1,019,418)	(529,279)	(530,842)	-	-	(2,079,539)
Interest and dividends received	72,320	35,840	36,381	943	595	146,079
Net cash provided by (used in) investing activities	(491,169)	37,035	1,051,112	943	595	598,516
Net increase (decrease) in cash and cash equivalents	680,939	(563,464)	(63,713)	(2,567)	(41,453)	9,742
Cash and cash equivalents, beginning of year	4,286,827	678,202	611,368	83,070	127,886	5,787,353
Cash and cash equivalents, end of year	\$ 4,967,766	\$ 114,738	\$ 547,655	\$ 80,503	\$ 86,433	\$ 5,797,095
Noncash item:						
Amortization	-	1,630	2,669	-	-	4,299
Loss on disposal of fixed assets	45,756	3,988	15,402	-	-	65,146

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Major Funds			Nonmajor Fund			
	Electric System	Water System	Sewer System	Airport Authority	Ambulance	Total	
	\$ 2,378,637	\$ (409,179)	\$ (248,601)	\$ (359,124)	\$ 62,869	\$ 1,424,602	\$ 701,720
Operating income (loss)	1,409,317	405,501	794,424	354,805	28,122	2,992,169	8,595
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation and amortization							
(Increase) Decrease in assets:							
Receivables	457,190	(21,196)	(3,541)	-	(11,220)	421,233	(75,205)
Due from other funds	(463,989)	43,895	11,383	-	182	(408,529)	(497)
Due from other governments	-	-	-	(26,123)	-	(26,123)	-
Inventories	(23,758)	6,300	(2,262)	-	-	(19,720)	-
Prepaid items	(3,300)	(43)	(600)	-	-	(3,943)	-
Increase (Decrease) in liabilities:							
Accounts payable	(230,504)	13,772	326,925	5,127	22,091	137,411	23,934
Accrued liabilities	9,323	746	3,544	-	824	14,437	1,093
Due to other funds	(28,981)	(11,482)	460,682	9,100	(148,816)	280,503	(233)
Customers' deposits	9,623	-	700	-	-	10,323	-
Claims	-	-	-	-	-	-	(13,844)
Compensated absences	2,033	(18,362)	15,104	-	(5,232)	(6,457)	2,391
Total adjustments	1,136,954	419,131	1,606,359	342,909	(114,049)	3,391,304	(53,766)
Net cash provided by operating activities	\$ 3,515,591	\$ 9,952	\$ 1,357,758	\$ (16,215)	\$ (51,180)	\$ 4,815,906	\$ 647,954

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

Operating income (loss)

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

 Depreciation and amortization

 (Increase) Decrease in assets:

 Receivables

 Due from other funds

 Due from other governments

 Inventories

 Prepaid items

 Increase (Decrease) in liabilities:

 Accounts payable

 Accrued liabilities

 Due to other funds

 Customers' deposits

 Claims

 Compensated absences

 Total adjustments

Net cash provided by operating activities

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2004

	<u>Ruston City Judge's Office</u>	<u>Ruston City Marshal's Office</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 336,228	\$ 19,644	\$ 355,872
Investments	-	40,705	40,705
Receivables	-	1,567	1,567
Prepaid items	2,847	455	3,302
Due from governmental units	6,157	-	6,157
Capital assets, net of depreciation	45,999	29,986	75,985
Total assets	<u>391,231</u>	<u>92,357</u>	<u>483,588</u>
LIABILITIES			
Accounts payable	5,140	-	5,140
Accrued liabilities	907	-	907
Total liabilities	<u>6,047</u>	<u>-</u>	<u>6,047</u>
NET ASSETS			
Invested in capital assets, net of related debt	45,999	29,986	75,985
Unrestricted	339,185	62,371	401,556
Total net assets	<u>\$ 385,184</u>	<u>\$ 92,357</u>	<u>\$ 477,541</u>

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Program Revenues</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>			
	<u>Charges for Services</u>	<u>Ruston City Judge's Office</u>	<u>Ruston City Marshal's Office</u>	<u>Total</u>	
<u>Expenses</u>					
City Judge Judicial	\$ 373,238	\$ 440,138	\$ 66,900	-	\$ 66,900
City Marshal Judicial	<u>254,576</u>	<u>245,344</u>	<u>-</u>	<u>\$ (9,232)</u>	<u>(9,232)</u>
	<u>\$ 627,814</u>	<u>\$ 685,482</u>	66,900	(9,232)	57,668
General Revenues:					
Interest earnings		<u>3,245</u>	<u>1,847</u>		<u>5,092</u>
Change in net assets		<u>70,145</u>	<u>(7,385)</u>		<u>62,760</u>
Net assets - beginning		<u>315,039</u>	<u>99,742</u>		<u>414,781</u>
Net assets - ending		<u>\$ 385,184</u>	<u>\$ 92,357</u>		<u>\$ 477,541</u>

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

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CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

BLENDING COMPONENT UNIT

The Ruston Parks and Recreation Board is responsible for providing recreation facilities and programs to the citizens of the City of Ruston and Lincoln Parish. The Board consists of eight members appointed by the City of Ruston. Although the Board is legally separate, the City acts as its financial agent and has the ability to modify and approve its budget. Separate financial statements are not issued for the Board since it has been historically included as a fund within the City's financial statements. Since the Board provides services almost entirely to the City and due to the significance of the financial dependency relationship, it has been blended with the City's financial statements.

DISCRETELY PRESENTED COMPONENT UNITS

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

City Judge's Office

The Ruston City Judge's Office was created by special legislative act. Its jurisdiction includes the incorporated area of the City. The City Judge is elected and cannot be removed by City officials. The City Judge's Office is fiscally dependent on the City. The City has the ability to modify or approve its budget which comes from the General Fund. There are certain funds collected by the City Judge's Office, pursuant to state statute, which are under the control of the Court. The City Judge's Office serves the citizenry of the City. The financial statements of the City Judge's Office included in the accompanying financial statements are as of and for the fiscal year ended September 30, 2004.

City Marshal

The Ruston City Marshal is an elected official. The City Marshal is fiscally dependent on the City. The City has the ability to modify or approve the budget which comes from the General Fund.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2004

Certain funds are collected such as court costs, pursuant to state statute, which are under the control of the City Marshal. The City Marshal serves the citizenry of the City. The financial statements of the City Marshal included in the accompanying financial statements are as of and for the fiscal year ended September 30, 2004.

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

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

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

OTHER RELATED ORGANIZATIONS

Housing Authority

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

Lincoln Parish Sales and Use Tax Commission

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

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

Ruston Housing Authority
1615 North Farmerville
Ruston, Louisiana 71270

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

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

a. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2004

reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense is identified by function and is included in the direct expense of each function. Interest on general long-term debt of governmental activities is considered an indirect expense and is reported separately on the statement of activities. Interest on long-term debt of business-type activities is recorded as direct expenses. Program revenues include 1) fees, fines, and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements (FFS) are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the FFS with nonmajor governmental, nonmajor enterprise and internal service funds being reported on an aggregated basis.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for franchise tax revenues which are considered available if collected within 90 days and grant revenue if collected within one year. Property taxes are recognized as revenues in the year in which final approval is received from the Louisiana Tax Commission, at which time a valid claim exists, to the extent considered available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2004

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

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

Governmental Funds

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

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

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

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

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

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

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

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

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

Proprietary Funds

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

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

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

The City reports the following major enterprise funds:

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

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

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

Airport Authority Fund – Accounts for the activities involved in operating the Ruston Municipal Airport.

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

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for sales and services. Operating expenses for *enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets*. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

c. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the GWFS and the proprietary funds. Capital assets are recorded at historical cost or estimated historical cost for assets where actual historical cost is not available and depreciated over their estimated useful lives. Donated capital assets are recorded at estimated fair value at the date of donation. The City maintains a threshold level for capitalization of capital assets except land and construction in progress. All land and construction in progress is capitalized, regardless of the amount. All other capital assets are capitalized utilizing a threshold of \$500. The

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

Capital assets are not reported in the governmental FFS.

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

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

d. LONG-TERM LIABILITIES

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

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

e. INVESTMENTS

For all funds, investments are stated at fair value based on quoted market prices. The investments at September 30, 2004 were primarily Certificates of Deposit, U.S. government and U.S. government agency securities (see note 2 for the City's investment policy.)

f. PREPAID ITEMS

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

CITY OF RUSTON, LOUISIANA
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g. INVENTORIES

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

h. REFUNDABLE DEPOSITS

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

i. VACATION AND SICK LEAVE

City employees are granted vacation and sick leave in varying amounts. Employees are permitted to use sick leave toward retirement up to a maximum of six months, if they have sufficient time to qualify for retirement. Only unpaid vacation pay for the employees has been accrued, and sick leave for the employees eligible for retirement benefits has been accrued. All other sick leave is recorded as an expenditure when paid. The estimated liability for unused vacation for governmental funds is recorded in the GWFS. Vacation leave of governmental funds is recorded as an expenditure when paid. Accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as it is earned by the employees.

j. PENSION PLANS

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

k. RESTRICTED ASSETS

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

l. FUND EQUITY

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

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

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

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

Specific reservations of the fund balance accounts are summarized below:

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

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

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

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

m. INTERFUND RECEIVABLES AND PAYABLES

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

n. PROPERTY TAXES

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

o. GRANTS FROM OTHER GOVERNMENTAL AGENCIES

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

CITY OF RUSTON, LOUISIANA
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p. CASH AND CASH EQUIVALENTS

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

q. SELF-INSURANCE CLAIMS

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

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

r. ESTIMATES

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

2. CASH AND INVESTMENTS

All deposits of the City are held by area financial institutions. At September 30, 2004, the carrying amount of the City's deposits was \$26,776,764 and the bank balance was \$28,732,380. The difference is due to the outstanding checks and deposits in transit at September 30, 2004.

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

State statutes authorize the City to invest in United States bonds, treasury notes, government agencies' securities, certificates and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana, or mutual or trust fund institutions which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. During the year ending September 30, 2004, the City invested in certificates of deposit and U.S. government and U.S. government agency securities.

The City's investments are categorized below to give an indication of the level of custodial credit risk assumed by the City at September 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

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	<u>CATEGORY</u>			Carrying Amount & Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. government and U.S. government agency securities	<u>\$207,115</u>	<u>\$ --</u>	<u>\$ --</u>	\$207,115
Louisiana Asset Management Pool				<u>1,502,852</u>
Total Investments				1,709,967
Total Deposits				<u>26,776,764</u>
Total cash, cash equivalents & investments, including restricted cash and investments				<u>\$28,486,731</u>

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

Discretely Presented Component Units – Deposits

All deposits of the component units are held by area financial institutions. At the respective year ends, all deposits are insured or collateralized with securities held in the component unit's name by its agent (the trust department of a bank other than the pledging bank). The securities have a fair value of \$173,035 at September 30, 2004.

3. PROPERTY TAXES

The City levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the City on property values assessed by the Lincoln Parish Assessor and approved by the State of Louisiana Tax Commission. Total assessed value was \$112,100,777 and \$99,770,865 in 2004 and 2003, respectively. The distribution of the City's levy (tax rate per \$1,000 assessed value) was as follows for 2004 and 2003:

	<u>Levy</u>	
	<u>2004</u>	<u>2003</u>
General Fund	6.04	6.76
Recreation Tax	2.65	2.97
	<u>8.69</u>	<u>9.73</u>

CITY OF RUSTON, LOUISIANA
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4. RECEIVABLES

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

	<u>Customers</u>	<u>Taxes</u>	<u>Other</u>	<u>Allowance for uncollectible accounts</u>	<u>Net Receivable</u>
Governmental activities:					
General	\$94,424	-	\$297,042	(\$50,743)	\$340,723
1968 Sales Tax	-	\$196,741	-	-	196,741
1985 Sales Tax	-	295,111	-	-	295,111
1990 Sales Tax	-	196,741	-	-	196,741
Nonmajor governmental funds	-	365,756	18,535	-	384,291
Internal service funds	-	-	75,205	-	75,205
Total governmental activities	<u>\$94,424</u>	<u>\$1,054,349</u>	<u>\$390,782</u>	<u>(\$50,743)</u>	<u>\$1,488,812</u>
Business-type activities:					
Electric System	1,353,504	-	26,992	(570,964)	809,532
Water System	171,961	-	4,166	(86,870)	89,257
Sewer System	195,800	-	4,135	(110,929)	89,006
Ambulance	564,749	-	35,461	(444,323)	155,887
Total business-type activities	<u>\$2,286,014</u>	<u>-</u>	<u>\$70,754</u>	<u>(\$1,213,086)</u>	<u>\$1,143,682</u>

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance September 30, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2004</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$6,872,197	-	-	\$6,872,197
Construction in progress	2,140,574	\$728,251	(\$1,276,681)	1,592,144
Total capital assets, not being depreciated	<u>9,012,771</u>	<u>728,251</u>	<u>(1,276,681)</u>	<u>8,464,341</u>
Capital assets, being depreciated:				
Buildings	4,167,825	-	(2,787)	4,165,038
Improvements other than buildings	4,602,854	946,783	(1,255)	5,548,382
Equipment	8,273,549	1,449,613	(274,425)	9,448,737
Infrastructure	9,649,196	-	-	9,649,196
Total capital assets being depreciated	26,693,424	2,396,396	(278,467)	28,811,353
Less accumulated depreciation for:				
Buildings	(1,724,303)	(112,214)	2,414	(1,834,103)
Improvements other than buildings	(2,484,767)	(128,356)	524	(2,612,599)
Equipment	(4,583,306)	(727,078)	76,980	(5,233,404)
Infrastructure	(2,917,554)	(241,230)	-	(3,158,784)
Total accumulated depreciation	<u>(11,709,930)</u>	<u>(1,208,878)</u>	<u>79,918</u>	<u>(12,838,890)</u>
Total capital assets, being depreciated, net	<u>14,983,494</u>	<u>1,187,518</u>	<u>(198,549)</u>	<u>15,972,463</u>
Governmental activities capital assets, net	<u>\$23,996,265</u>	<u>\$1,915,769</u>	<u>(\$1,475,230)</u>	<u>\$24,436,804</u>

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

Construction in progress for governmental activities consisted of \$1,503,515 for an I-20 Infrastructure project; \$37,170 for the software conversion project; and \$51,459 for the downtown development project.

	Balance September 30, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2004</u>
Business-type activities:				
Electric System				
Capital assets, not being depreciated:				
Land	\$53,506	\$138,105	-	\$191,611
Construction in progress	<u>133,474</u>	<u>254,639</u>	<u>(\$163,413)</u>	<u>224,700</u>
Total capital assets, not being depreciated	<u>186,980</u>	<u>392,744</u>	<u>163,413</u>	<u>416,311</u>
Capital assets, being depreciated:				
Buildings	2,064,336	22,710	-	2,087,046
System Improvement	18,806,168	329,727	(1,721,257)	17,414,638
Equipment	<u>18,068,801</u>	<u>1,897,304</u>	<u>(247,991)</u>	<u>19,718,114</u>
Total capital assets being depreciated	38,939,305	2,249,741	(1,969,248)	39,219,798
Less accumulated depreciation for:				
Buildings	(1,455,635)	(36,205)	-	(1,491,840)
System Improvement	(11,375,840)	(819,672)	1,138,622	(11,056,890)
Equipment	<u>(14,532,342)</u>	<u>(1,643,786)</u>	<u>327,225</u>	<u>(15,848,903)</u>
Total accumulated depreciation	<u>(27,363,817)</u>	<u>(2,499,663)</u>	<u>1,465,847</u>	<u>(28,397,633)</u>
Total capital assets, being depreciated, net	<u>11,575,488</u>	<u>(249,922)</u>	<u>(503,401)</u>	<u>10,822,165</u>
Electric System capital assets, net	<u>\$11,762,468</u>	<u>\$142,822</u>	<u>(\$666,814)</u>	<u>\$11,238,476</u>

Construction in progress for the electric system consisted of \$181,294 for the Kentucky Avenue Substation; and \$43,406 on the software conversion project.

	Balance September 30, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2004</u>
Water System				
Capital assets, not being depreciated:				
Land	\$75,070	-	-	\$75,070
Construction in progress	<u>200,285</u>	<u>\$601,634</u>	<u>(\$220,764)</u>	<u>581,155</u>
Total capital assets, not being depreciated	<u>275,355</u>	<u>601,634</u>	<u>(220,764)</u>	<u>656,225</u>
Capital assets, being depreciated:				
Buildings	139,934	-	-	139,934
System Improvement	8,576,121	265,870	-	8,841,991
Equipment	<u>622,483</u>	<u>80,705</u>	<u>(11,554)</u>	<u>691,634</u>
Total capital assets being depreciated	9,338,538	346,575	(11,554)	9,673,559

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For the Year Ended September 30, 2004

	Balance September 30, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2004</u>
Less accumulated depreciation for:				
Buildings	(78,988)	(4,116)	-	(83,104)
System Improvement	(4,526,107)	(284,171)	-	(4,810,278)
Equipment	<u>(423,655)</u>	<u>(133,221)</u>	<u>21,643</u>	<u>(535,233)</u>
Total accumulated depreciation	<u>(5,028,750)</u>	<u>(421,508)</u>	<u>21,643</u>	<u>(5,428,615)</u>
Total capital assets, being depreciated, net	<u>4,309,788</u>	<u>(74,933)</u>	<u>10,089</u>	<u>(4,244,944)</u>
Water System capital assets, net	<u>\$4,585,143</u>	<u>\$526,701</u>	<u>(\$210,675)</u>	<u>\$4,901,169</u>

Construction in progress for the water system consisted of \$189,315 for the concrete ground water storage project; \$349,759 for the Phase II and III Cypress Springs Water Distribution project; and \$42,081 for the software conversion project.

	Balance September 30, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2004</u>
Sewer System				
Capital assets, not being depreciated:				
Land	\$203,801	-	-	\$203,801
Construction in progress	<u>278,944</u>	<u>\$1,647,241</u>	<u>(\$235,113)</u>	<u>1,691,072</u>
Total capital assets, not being depreciated	<u>482,745</u>	<u>1,647,241</u>	<u>(235,113)</u>	<u>1,894,873</u>
Capital assets, being depreciated:				
Buildings	114,130	-	-	114,130
System Improvement	17,868,630	43,611	-	17,912,241
Equipment	<u>1,303,070</u>	<u>463,390</u>	<u>(57,358)</u>	<u>1,709,102</u>
Total capital assets being depreciated	<u>19,285,830</u>	<u>507,001</u>	<u>(57,358)</u>	<u>19,735,473</u>
Less accumulated depreciation for:				
Buildings	(33,223)	(4,477)	-	(37,700)
System Improvement	(8,052,821)	(633,654)	-	(8,686,475)
Equipment	<u>(514,766)</u>	<u>(175,050)</u>	<u>44,634</u>	<u>(645,182)</u>
Total accumulated depreciation	<u>(8,600,810)</u>	<u>(813,181)</u>	<u>44,634</u>	<u>(9,369,357)</u>
Total capital assets, being depreciated, net	<u>10,685,020</u>	<u>(306,180)</u>	<u>(12,724)</u>	<u>10,366,116</u>
Sewer System capital assets, net	<u>\$11,167,765</u>	<u>\$1,341,061</u>	<u>(\$247,837)</u>	<u>\$12,260,989</u>

Construction in progress consisted of \$1,460,877 for the Wastewater Treatment Plant Upgrade; \$46,083 for a lift station at West Kentucky and Hilton Pasture; \$99,595 on the Phase II of the Sewer System Improvements; \$47,347 for the Gravity Sewer Rehabilitation project; and \$37,170 for the software conversion project.

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	Balance September 30, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2004</u>
Airport Authority				
Capital assets, not being depreciated:				
Land	\$141,639	-	(\$3,400)	\$138,239
Construction in progress	=	<u>\$26,123</u>	=	<u>26,123</u>
Total capital assets, not being depreciated	141,639	26,123	(3,400)	164,362
Capital assets, being depreciated:				
Buildings	407,215	-	-	407,215
Runways, aprons, and taxiways	5,561,682	3,400	-	5,565,082
Equipment	<u>27,604</u>	=	=	<u>27,604</u>
Total capital assets being depreciated	5,996,501	3,400	-	5,999,901
Less accumulated depreciation for:				
Buildings	(12,340)	(12,340)	-	(24,680)
Runways, aprons, and taxiways	(1,395,162)	(342,384)	-	(1,737,546)
Equipment	<u>(19,403)</u>	<u>(1,313)</u>	=	<u>(20,716)</u>
Total accumulated depreciation	<u>(1,426,905)</u>	<u>(356,037)</u>	=	<u>(1,782,942)</u>
Total capital assets, being depreciated, net	<u>4,569,596</u>	<u>(352,637)</u>	=	<u>4,216,959</u>
Airport Authority capital assets, net	<u>\$4,711,235</u>	<u>(\$326,514)</u>	<u>(\$3,400)</u>	<u>\$4,381,321</u>

Construction in progress consisted of \$26,123 for the Land Acquisition Project.

	Balance September 30, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2004</u>
Ambulance Fund				
Capital assets, being depreciated:				
Equipment	\$430,069	\$7,777	(\$63,383)	\$374,463
Less accumulated depreciation for:	<u>(334,196)</u>	<u>(28,280)</u>	<u>63,541</u>	<u>(298,935)</u>
Total capital assets, being depreciated, net	<u>\$95,873</u>	<u>(\$20,503)</u>	<u>158</u>	<u>\$75,528</u>
Business-type activities capital assets				
Capital assets, not being depreciated:				
Land	\$474,016	\$138,105	(\$3,400)	\$608,721
Construction in progress	<u>612,703</u>	<u>2,529,637</u>	<u>(619,290)</u>	<u>2,523,050</u>
Total capital assets, not being depreciated	<u>1,086,719</u>	<u>2,667,742</u>	<u>(622,690)</u>	<u>3,131,771</u>
Capital assets, being depreciated:				
Buildings	2,725,615	22,710	-	2,748,325
System Improvement	45,250,919	639,208	(1,721,257)	44,168,870
Runways, aprons, and taxiways	5,561,682	3,400	-	5,565,082
Equipment	<u>20,452,027</u>	<u>2,449,176</u>	<u>(380,286)</u>	<u>22,520,917</u>
Total capital assets being depreciated	73,990,243	3,114,494	(2,101,543)	75,003,194

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2004

	Balance September 30, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2004</u>
Less accumulated depreciation for:				
Buildings	(1,580,186)	(57,138)	-	(1,637,324)
System Improvement	(23,954,768)	(1,737,497)	1,138,622	(24,553,643)
Runways, aprons, and taxiways	(1,395,162)	(342,384)	-	(1,737,546)
Equipment	<u>(15,824,362)</u>	<u>(1,981,650)</u>	<u>457,043</u>	<u>(17,348,969)</u>
Total accumulated depreciation	<u>(42,754,478)</u>	<u>(4,118,669)</u>	<u>1,595,665</u>	<u>(45,277,482)</u>
Total capital assets, being depreciated, net	<u>31,235,765</u>	<u>(1,004,175)</u>	<u>(505,878)</u>	<u>29,725,712</u>
Business-type activities capital assets, net	<u>\$32,322,484</u>	<u>\$1,663,567</u>	<u>(\$1,128,568)</u>	<u>\$32,857,483</u>

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

Governmental activities:

General government	\$178,589
Public safety	210,287
Public works, including depreciation of general infrastructure assets	745,236
Recreation	<u>66,172</u>

Total depreciation expense-governmental activities \$1,200,284

Business-type activities:

Electric System	\$1,409,317
Water System	405,501
Sewer System	794,424
Airport Authority	354,805
Ambulance	<u>28,122</u>

Total depreciation expense-business-type activities \$2,992,169

6. LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2004 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental activities:					
Revenue bonds payable	\$100,000	-	-	\$100,000	-
Certificates of Indebtedness	239,000	-	\$117,000	122,000	\$60,000
Compensated absences	<u>1,175,546</u>	<u>\$620,049</u>	<u>563,064</u>	<u>1,232,531</u>	<u>62,500</u>
Governmental activities					
Total long-term liabilities	<u>\$1,514,546</u>	<u>\$620,049</u>	<u>\$680,064</u>	<u>\$1,454,531</u>	<u>\$122,500</u>

CITY OF RUSTON, LOUISIANA
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For the Year Ended September 30, 2004

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Business-type activities:					
Electric System:					
Due to other governments	-	\$370,479	\$36,146	\$334,333	\$37,148
Compensated absences	<u>\$170,101</u>	<u>108,357</u>	<u>106,324</u>	<u>172,134</u>	<u>4,500</u>
Electric System long-term liabilities	<u>\$170,101</u>	<u>\$478,836</u>	<u>\$142,470</u>	<u>\$506,467</u>	<u>\$41,648</u>
Water System:					
Revenue bonds	\$305,000	-	\$95,000	\$210,000	\$100,000
Deferred loss on refunding	(3,350)	\$1,630	-	(1,720)	-
Due to other governments	-	496,891	48,479	448,412	49,824
Compensated absences	<u>57,131</u>	<u>35,458</u>	<u>53,820</u>	<u>38,769</u>	<u>13,500</u>
Water System long-term liabilities	<u>\$358,781</u>	<u>\$533,979</u>	<u>\$197,299</u>	<u>\$695,461</u>	<u>\$163,224</u>
Sewer System:					
Revenue bonds	\$2,465,000	-	\$225,000	\$2,240,000	\$230,000
Compensated absences	<u>27,855</u>	<u>\$44,203</u>	<u>29,099</u>	<u>42,959</u>	<u>1,500</u>
Sewer System long-term liabilities	<u>\$2,492,855</u>	<u>\$44,203</u>	<u>\$254,099</u>	<u>\$2,282,959</u>	<u>\$231,500</u>
Ambulance Fund:					
Compensated absences	<u>\$31,751</u>	<u>\$9,097</u>	<u>\$14,329</u>	<u>\$26,519</u>	<u>\$3,112</u>
Business-type activities long-term liabilities					
Revenue bonds	\$2,770,000	-	\$320,000	\$2,450,000	\$330,000
Deferred loss on refunding	(3,350)	\$1,630	-	(1,720)	-
Due to other governments	-	867,370	84,625	782,745	86,972
Compensated absences	<u>286,838</u>	<u>197,115</u>	<u>203,572</u>	<u>280,381</u>	<u>22,612</u>
Business-type activity long-term liabilities	<u>\$3,053,488</u>	<u>\$1,066,115</u>	<u>\$608,197</u>	<u>\$3,511,406</u>	<u>\$439,584</u>

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

Bonds payable at September 30, 2004 are comprised of the following issues:

<u>Governmental Activities:</u> <u>Certificates of Indebtedness</u>	<u>Outstanding</u> <u>09-30-04</u>
\$500,000 - 1996 Certificate of Indebtedness dated 5-23-96, due in annual installments of \$60,000 to \$62,000 through 5-1-06, interest at 5.48% (this issue is secured by pledge and dedication of the excess annual revenue of the City of Ruston)	<u>\$122,000</u>
Total General Obligation Certificates of Indebtedness	<u>\$122,000</u>

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For the Year Ended September 30, 2004

Tax Increment Bonds

\$2,000,000 – 2001 Sales Tax Increment Revenue Bonds dated 12-21-01, of \$100,000 due 9-1-13, interest at 4.59%	<u>\$100,000</u>
Total Tax Increment Bonds	<u>\$100,000</u>

Revenue Bonds

\$1,620,000 authorized 1993 Sewer Revenue Bonds \$1,432,536 issued, interest at 2.45%, payable in annual installments of \$70,000 to \$90,000 through October 1, 2014.	<u>\$800,000</u>
\$1,655,000 2003 Sewer Utility Revenue Refunding Bonds dated 5-22-03 due in annual installments of \$160,000 to \$195,000 through October 1, 2012, interest at 1.800% to 4.000%.	<u>1,440,000</u>
\$850,000 1996 Water Utility Revenue Refunding Bonds dated 12-23-96 due in annual installments of \$100,000 to \$110,000 through October 1, 2006, interest at 5.027% to 5.079%. Refunding resulted in a deferred loss of \$25,650, which is being amortized over the life of the debt. Net deferred loss at 9/30/04 was \$1,720 and amortization was \$1,630.	<u>208,280</u>
Total Revenue Bonds	<u>\$2,448,280</u>

Due to Other Governments

\$869,716 (\$334,333 for the Electric System and \$448,412 for the Water System) due to the State of Louisiana, Department of Transportation and Development, payable in annual installments of \$86,972 (\$37,148 from the Electric System and \$49,824 from the Water System) through April 1, 2013.	<u>\$782,745</u>
Total Due to Other Governments	<u>\$782,745</u>

The annual requirements to amortize all debt outstanding as of September 30, 2004, including interest requirements are as follows:

Year ending September 30:	Governmental activities		Business-type activities		Total
	Principal	Interest	Principal	Interest	
2005	\$60,000	\$11,276	\$416,972	\$74,244	\$475,520
2006	62,000	7,988	431,972	64,622	479,610
2007	-	4,590	331,972	53,690	303,280
2008	-	4,590	341,972	47,602	307,192
2009		4,590	351,972	40,454	310,044
2010-2014	<u>100,000</u>	<u>18,360</u>	<u>1,357,885</u>	<u>76,894</u>	<u>1,205,254</u>
	<u>\$222,000</u>	<u>\$51,394</u>	<u>\$3,232,745</u>	<u>\$357,506</u>	<u>\$3,080,900</u>

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

In May 2003, the City issued \$1,655,000 in Sewer Utilities Revenue Refunding Bonds to advance refund \$2,005,000 of outstanding 1990 Utilities Revenue Bonds. The proceeds, net of issuance

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Notes to Financial Statements
For the Year Ended September 30, 2004

costs, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 Utilities Revenue Bonds. The 1990 bonds are considered to be defeased and have been removed from the City's financial statements. The principal outstanding at September 30, 2004 on the refunded bonds was \$1,680,000.

During December 1996, the City issued \$850,000 in Water Utilities Revenue Refunding Bonds to advance refund \$855,000 of outstanding 1986 Utilities Revenue Bonds. The proceeds, net of issuance costs, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1986 Utilities Revenue Bonds. The 1986 Utilities Revenue Bonds are considered to be defeased and have been removed from the City's financial statements. The principal outstanding at September 30, 2004 on the refunded bonds was \$330,000.

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

The amount of long-term debt that can be incurred by the City is limited by state statute. State law allows a maximum of 10% of the assessed valuation of bonded debt for any one purpose or 35% of the total assessed value for all purposes. The City assessed property value at December 31, 2004, was \$112,100,777. The maximum debt allowable for any one purpose and total debt allowable by state law as of December 31, 2004, is \$11,210,078 and \$39,235,272 respectively. The City currently has \$122,000 of general bonded debt outstanding.

7. SALES TAX

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

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

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

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

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For the Year Ended September 30, 2004

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

Municipal Employees' Retirement System

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

Funding Policy - Covered employees are required to contribute 9.25% of their annual compensation and the City is required to contribute 15% of annual compensation. The contribution requirements are established and may be amended by State statute. The City's contributions to the System for the years ended September 30, 2004, 2003, and 2002 were \$611,395, \$436,619, and \$348,553, respectively, equal to the required contributions for each year. In accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*, the net pension obligation was determined to be zero. Prior to adoption of GASB 27, the City did not report a pension liability.

Statewide Firefighter's Retirement System (SFRS)

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

Funding Policy - Covered employees are required to contribute 8% of their annual compensation and the City is required to contribute 9% of annual compensation excluding overtime but including State supplemental pay. The contribution requirements are established and may be amended by State statute. The City's contributions to SFRS for the years ended September 30, 2004, 2003, and 2002 were \$101,135, \$120,117, and \$98,184, respectively, equal to the required contributions for each year. In accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*, the net pension obligation was determined to be zero. Prior to adoption of GASB 27, the City did not report a pension liability.

Municipal Police Employees' Retirement System (MPERS)

Plan Description - The City of Ruston contributes to the Municipal Police Employees' Retirement System Pension Plan, a cost sharing multiple employer defined benefit pension plan administered by the Municipal Police Employees' Retirement System. MPERS covers any full-time police officer, empowered to make arrests, employed by any municipality of the State and engaged in law enforcement, earning at least \$375 per month excluding state supplemental pay, or an elected Chief of Police whose salary is at least \$100 per month, and any employee of

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this system may participate in the MPERS. Benefits are established by State statutes. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Board of Trustees of the Municipal Police Employees' Retirement System, 8401 United Plaza Blvd., Room 305, Baton Rouge, Louisiana 70806 or by calling 1-800-443-4248.

Funding Policy - Plan members are required to contribute 7.5% of their annual compensation and the City is required to contribute 15.25% of annual compensation excluding overtime but including State supplemental pay. The contribution requirements are established and may be amended by State statute. The City's contributions to MPERS for the years ended September 30, 2004, 2003, and 2002 were \$258,375, \$156,944, and \$130,446, respectively, equal to the required contributions for each year.

9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

a. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at September 30, 2004 were as follows:

<u>DUE TO OTHER FUNDS</u>	<u>DUE FROM OTHER FUNDS</u>							<u>Total</u>
	<u>General Fund</u>	<u>1985 Sales Tax</u>	<u>1990 Sales Tax</u>	<u>Electric System</u>	<u>Water System</u>	<u>Nonmajor Govern- mental Funds</u>	<u>Internal Service funds</u>	
General Fund	-	-	-	-	\$8,543	\$33,992	\$497	\$43,032
1968 Sales Tax	-	\$2,418,135	\$1,923,954	-	-	-	-	4,342,089
1985 Sales Tax	-	-	-	-	-	20,380	-	20,380
Electric System	\$43,910	-	-	-	6,802	-	-	50,712
Sewer System	1,035	-	-	\$468,267	-	-	-	469,302
Airport Authority	9,325	-	-	-	-	-	-	9,325
Nonmajor governmental	2,294	-	-	-	-	100,649	-	102,943
Nonmajor enterprise	<u>191,869</u>	=	=	=	=	<u>252</u>	=	<u>192,121</u>
Total	<u>\$248,433</u>	<u>\$2,418,135</u>	<u>\$1,923,954</u>	<u>\$468,267</u>	<u>\$15,345</u>	<u>\$155,273</u>	<u>\$497</u>	<u>\$5,229,904</u>

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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2004

b. INTERFUND TRANSFERS

Transfers for the year ended September 30, 2004 were as follows:

TRANSFERS OUT	TRANSFERS IN			Total
	General Fund	Airport Authority	Nonmajor Governmental Funds	
General Fund	-	-	\$67,736	\$67,736
1968 Sales Tax	\$1,755,500	-	-	1,755,500
1985 Sales Tax	2,400,540	-	351,564	2,752,104
1990 Sales Tax	1,768,500	-	-	1,768,500
Electric System	1,676,974	\$11,474	63,526	1,751,974
Water System	330,567	-	-	330,567
Sewer System	276,630	-	-	276,630
Nonmajor governmental	<u>195,674</u>	-	<u>1,952,338</u>	<u>2,148,012</u>
Total transfers	<u>\$8,404,385</u>	<u>\$11,474</u>	<u>\$2,435,164</u>	<u>\$10,851,023</u>

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

c. DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

The Section 8 Modrehab Housing Fund had a deficit fund balance of \$30,570 at September 30, 2004. This deficit is expected to be funded by transfers from the Section 8 Voucher Housing Fund in subsequent years.

d. EXCESS OF EXPENDITURES OVER BUDGET

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

<u>Fund</u>	<u>Budget</u>	<u>Actual on a budgetary basis</u>	<u>Negative variance</u>
General Fund:			
General government:			
Executive – Materials & supplies	\$35,262	\$35,370	(\$108)
Civic Center – Materials & supplies	15,200	15,652	(452)
Engineering – Materials & supplies	5,400	5,548	(148)

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For the Year Ended September 30, 2004

<u>Fund</u>	<u>Budget</u>	<u>Actual on a budgetary basis</u>	<u>Negative variance</u>
General Fund:			
Public Safety:			
Police – Regular salaries	1,583,272	1,588,081	(4,809)
Police – Overtime salaries	156,000	159,556	(3,556)
Police – Materials & supplies	94,000	94,235	(235)
Fire – Regular salaries	1,039,097	1,079,483	(40,386)
Fire – Operating services	154,449	155,819	(1,370)
Section 8 – Vouchers - Operating services	763,708	764,223	(515)

The unfavorable variances in Executive, Civic Center, and Engineering are due to higher than anticipated supply expenditures. The unfavorable variance in Police salaries is due to a change in the pay plan. The unfavorable variance in Police materials and supplies is due to an increase in the price of fuel. The unfavorable variance in Fire salaries is due to the payout of accumulated benefit hours on a retiree. The unfavorable variance in fire operating services is due to an increase in auto and truck repair. The unfavorable variance in Section 8 – Vouchers is due to higher than anticipated housing assistance payments.

10. FEDERAL AND STATE FINANCIAL ASSISTANCE

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

11. POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides dental and medical care coverage for any retirees who were participating in the group health insurance plan prior to their retirement date. The City is self-insured for medical benefits including post-retirement health care benefits. Currently, there are 66 retirees who are eligible to receive benefits. During 2004, expenses of \$206,323 were recognized for post-retirement health care. The expense is recognized when costs are incurred. The costs are funded on a pay-as-you-go basis. At year-end, an estimate is made for incurred but not reported claims.

12. COMMITMENTS AND CONTINGENCIES

Construction projects

There are certain construction projects in progress at September 30, 2004. In 2001, the City issued \$2,000,000 in sales tax increment bonds for the purpose of providing engineering and construction expenditures related to the I-20 Service Road Project. The project is estimated to cost approximately \$12 million. The City is planning to sell additional bonds to cover the costs. In 2004, the City expended approximately \$51,459 to improve the downtown area. This City is in

CITY OF RUSTON, LOUISIANA
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the process of converting the accounting software and spent approximately \$159,800 in 2004. The City is in building a new substation for the electric system. Approximately \$170,500 was expended in 2002 through 2004 for engineering and construction. The City has also paid \$189,300 to construct a concrete ground storage tank for the water system and \$350,000 for the Cypress Springs Water Distribution project. In 2003 and 2004, the City paid \$46,000 for improvements and renovations to the Kentucky Road lift station. The City also paid \$99,595 for Phase II of the Sewer System improvements and \$1,460,877 to upgrade the wastewater treatment plant.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance for risks related to (1) Public Official Errors and Omissions Liability, (2) General Liability, (3) Business Auto Liability, (4) Law Enforcement Professional Liability, and (5) Fire and Extended coverage. Settled claims resulting from these risks did not exceed commercial insurance coverage in the current year. The General Liability and Business Auto Liability are subject to a \$500,000 per occurrence limit. The Public Official Errors and Omissions Liability and Law Enforcement Professional Liability are subject to a \$500,000 per occurrence limit with a \$1,000 deductible. The City maintained property insurance during the year on approximately \$90 million in City property, subject to a \$75,000 per occurrence retention for property claims.

Worker's Compensation

The City established a limited risk management program for worker's compensation in 1988. Premiums are paid into the Workmen's Compensation Self-Insurance Fund by other funds and are available to pay claims, claim reserves, and administrative costs of the program. An excess coverage insurance policy covers individual claims in excess of \$175,000. Reported and an estimate of incurred but not reported claims of \$107,851 have been accrued as a liability based upon the service company's loss reserve report. Interfund premiums are based upon the approximate premium. Payments to the worker's compensation fund are accounted for as an expenditure/expense of the paying fund. The Workmen's Compensation Self-Insurance Fund has net assets of \$315,420 at September 30, 2004. There was no increase in insurance coverage from the prior year. No claims exceeded the City's insurance coverage for each of the past three fiscal years.

General Self-Insurance

The City established a limited risk management program for employee medical coverage in 1988. Amounts paid into the General Self-Insurance Fund stem from employee contributions, payments by retired employees, and payments by other funds, and are available to pay claims, claim reserves and administrative costs of the program. During the year ended September 30, 2004, a total of \$1,738,378 was paid in benefits and administrative costs. The insurance fund has net assets of \$1,006,329 at September 30, 2004. An excess coverage co-insurance policy covers individual claims in excess of \$70,000 per calendar year. Incurred but not reported claims of \$117,536 have been accrued as a liability based upon information provided by the claims administrators. Interfund payments are based on total operating expenses minus employee contributions and payments by retired employees. Payments to the General Self-Insurance Fund are accounted for as an expenditure/expense of the paying fund. There were no reductions in insurance coverage from the prior year. No claims exceeded the City's insurance coverage for each of the past three fiscal years.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2004

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

	<u>Accrued claims October 1</u>	<u>Claims incurred</u>	<u>Claims paid</u>	<u>Accrued claims September 30</u>
Worker's Compensation:				
2003	\$57,460	\$149,263	\$103,579	\$103,144
2004	103,144	234,017	229,310	107,851
General Insurance:				
2003	116,867	1,661,461	1,642,241	136,087
2004	136,087	1,415,980	1,434,531	117,536

Litigation

The City is defendant in several lawsuits in which the outcome is uncertain at the present time. In the opinion of the City Attorney, the City's ultimate exposure will not have a material adverse affect on the financial condition of the City. The City believes they are adequately covered by insurance should the Court find in favor of the plaintiffs. Management of the City, including the City Attorney, is not aware of any liability that should be recorded under Statement of Financial Accounting Standard No. 5.

Grant Disallowances

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

Revenues from the State of Louisiana

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

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Required Supplementary Information

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CITY OF RUSTON, LOUISIANA
 General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2004
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 645,000	\$ 645,000	\$ 674,014	\$ 29,014
Licenses and Permits	619,500	619,500	742,296	122,796
Intergovernmental	750,000	928,251	1,174,607	246,356
Charges for services	1,102,000	1,102,000	1,149,069	47,069
Fines and forfeitures	311,000	315,000	265,069	(49,931)
Investment earnings	60,000	60,000	75,221	15,221
Miscellaneous	76,200	86,700	186,044	99,344
Total revenues	<u>3,563,700</u>	<u>3,756,451</u>	<u>4,266,320</u>	<u>509,869</u>
EXPENDITURES				
General government:				
Executive:				
Regular salaries	604,702	604,702	546,760	57,942
Other employee benefits	176,666	178,568	157,911	20,657
Total salaries, wages, and employee benefits	<u>781,368</u>	<u>783,270</u>	<u>704,671</u>	<u>78,599</u>
Operating services	551,204	654,104	563,728	90,376
Materials and supplies	30,442	35,262	35,370	(108)
Travel and other	25,000	64,000	48,821	15,179
Improvements and equipment	136,000	331,000	97,121	233,879
Total executive	<u>1,524,014</u>	<u>1,867,636</u>	<u>1,449,711</u>	<u>417,925</u>
City Court	187,511	196,334	218,168	(21,834)
Marshal	166,688	166,688	160,986	5,702
Civic center/city hall:				
Regular salaries	125,745	125,745	103,261	22,484
Overtime salaries	4,000	4,000	3,412	588
Other employee benefits	43,325	67,708	80,536	(12,828)
Total salaries, wages, and employee benefits	<u>173,070</u>	<u>197,453</u>	<u>187,209</u>	<u>10,244</u>
Operating services	153,908	187,098	147,086	40,012
Materials and supplies	15,200	15,200	15,652	(452)
Travel and other	6,000	6,000	1,363	4,637
Improvements and equipment	55,000	56,200	52,459	3,741
Total civic center/city hall	<u>403,178</u>	<u>461,951</u>	<u>403,769</u>	<u>58,182</u>
Section 8:				
Regular salaries	90,391	90,391	66,337	24,054
Other employee benefits	28,776	28,776	22,042	6,734
Total salaries, wages, and employee benefits	<u>119,167</u>	<u>119,167</u>	<u>88,379</u>	<u>30,788</u>
Operating services	22,291	27,125	17,293	9,832
Materials and supplies	7,000	7,500	5,555	1,945
Travel and other	8,000	8,000	2,339	5,661
Improvements and equipment	15,500	15,500	15,325	175
Total Section 8	<u>171,958</u>	<u>177,292</u>	<u>128,891</u>	<u>48,401</u>
Engineering:				
Regular salaries	82,997	82,997	67,088	15,909
Other employee benefits	23,351	23,351	15,999	7,352
Total salaries, wages, and employee benefits	<u>106,348</u>	<u>106,348</u>	<u>83,087</u>	<u>23,261</u>

CITY OF RUSTON, LOUISIANA

(Continued)

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2004
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating services	57,004	78,364	56,862	21,502
Materials and supplies	5,400	5,400	5,548	(148)
Travel and other	9,200	9,200	824	8,376
Improvements and equipment	15,000	15,000	11,244	3,756
Total engineering	192,952	214,312	157,565	56,747
Community development:				
Regular salaries	74,233	74,233	66,979	7,254
Overtime salaries	1,200	1,200	268	932
Other employee benefits	20,449	21,380	24,419	(3,039)
Total salaries, wages, and employee benefits	95,882	96,813	91,666	5,147
Operating services	12,700	12,700	8,860	3,840
Materials and supplies	7,815	7,815	7,424	391
Travel and other	6,100	6,100	2,923	3,177
Improvements and equipment	5,000	90,400	89,503	897
Total community development	127,497	213,828	200,376	13,452
Inspections:				
Regular salaries	135,888	135,888	135,402	486
Overtime salaries	800	800	-	800
Other employee benefits	39,606	41,377	39,898	1,479
Total salaries, wages, and employee benefits	176,294	178,065	175,300	2,765
Operating services	86,018	86,018	15,450	70,568
Materials and supplies	9,857	9,857	7,156	2,701
Travel and other	20,000	20,767	4,647	16,120
Improvements and equipment	18,000	18,000	13,079	4,921
Total inspections	310,169	312,707	215,632	97,075
Total general government	3,083,967	3,610,748	2,935,098	675,650
Public safety:				
Police:				
Regular salaries	1,534,756	1,583,272	1,588,081	(4,809)
Overtime salaries	150,000	156,000	159,556	(3,556)
Other employee benefits	678,836	692,731	652,299	40,432
Total salaries, wages, and employee benefits	2,363,592	2,432,003	2,399,936	32,067
Operating services	182,543	184,390	179,950	4,440
Materials and supplies	90,000	94,000	94,235	(235)
Travel and other	35,000	35,400	32,799	2,601
Improvements and equipment	86,000	132,074	103,543	28,531
Total police	2,757,135	2,877,867	2,810,463	67,404
Fire:				
Regular salaries	1,039,097	1,039,097	1,079,483	(40,386)
Overtime salaries	36,000	81,000	76,777	4,223
Other employee benefits	614,348	614,348	562,056	52,292
Total salaries, wages, and employee benefits	1,689,445	1,734,445	1,718,316	16,129
Operating services	123,949	154,449	155,819	(1,370)
Materials and supplies	49,350	50,080	46,277	3,803
Travel and other	35,856	39,856	38,473	1,383
Improvements and equipment	52,980	149,480	130,647	18,833
Total fire	1,951,580	2,128,310	2,089,532	38,778

(Continued)

CITY OF RUSTON, LOUISIANA

(Continued)

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2004
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Street lighting:				
Operating services	276,200	276,200	185,093	91,107
Total street lighting	276,200	276,200	185,093	91,107
Probation	97,938	99,045	61,494	37,551
Total public safety	5,082,853	5,381,422	5,146,582	234,840
Public works:				
Administration:				
Regular salaries	191,729	191,729	189,238	2,491
Overtime salaries	2,000	2,000	1,518	482
Other employee benefits	42,600	45,717	43,114	2,603
Total salaries, wages, and employee benefits	236,329	239,446	233,870	5,576
Operating services	97,004	97,878	79,970	17,908
Materials and supplies	7,000	7,113	7,112	1
Travel and other	12,000	12,000	3,458	8,542
Improvements and equipment	40,000	40,000	36,834	3,166
Total administration	392,333	396,437	361,244	35,193
Streets:				
Regular salaries	520,151	520,151	492,849	27,302
Overtime salaries	20,000	20,000	15,279	4,721
Other employee benefits	262,132	275,556	248,938	26,618
Total salaries, wages, and employee benefits	802,283	815,707	757,066	58,641
Operating services	626,829	1,031,437	703,171	328,266
Materials and supplies	139,080	157,173	116,979	40,194
Travel and other	4,000	4,000	542	3,458
Improvements and equipment	199,900	208,642	185,149	23,493
Total streets	1,772,092	2,216,959	1,762,907	454,052
Solid waste:				
Regular salaries	565,723	565,723	497,298	68,425
Overtime salaries	30,000	30,000	20,294	9,706
Other employee benefits	237,287	238,223	209,675	28,548
Total salaries, wages, and employee benefits	833,010	833,946	727,267	106,679
Operating services	220,891	172,487	161,923	10,564
Materials and supplies	125,900	125,900	122,536	3,364
Travel and other	4,000	4,000	120	3,880
Improvements and equipment	20,000	270,000	250,996	19,004
Total solid waste	1,203,801	1,406,333	1,262,842	143,491
Repair shop:				
Regular salaries	299,517	301,517	299,525	1,992
Overtime salaries	10,000	10,000	7,476	2,524
Other employee benefits	98,780	102,953	101,703	1,250
Total salaries, wages, and employee benefits	408,297	414,470	408,704	5,766
Operating services	21,434	21,734	14,242	7,492
Materials and supplies	28,790	28,790	24,620	4,170
Travel and other	6,200	6,200	3,221	2,979
Improvements and equipment	5,000	5,000	3,424	1,576
Total repair shop	469,721	476,194	454,211	21,983

(Continued)

CITY OF RUSTON, LOUISIANA

(Continued)

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2004
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Animal Control:				
Regular salaries	67,253	67,753	67,197	556
Overtime salaries	6,000	6,000	3,029	2,971
Other employee benefits	35,367	36,276	36,225	51
Total salaries, wages, and employee benefits	108,620	110,029	106,451	3,578
Operating services	30,797	31,524	21,265	10,259
Materials and supplies	11,130	11,130	9,230	1,900
Travel and other	7,500	7,500	1,187	6,313
Improvements and equipment	2,500	2,500	-	2,500
Total animal control	160,547	162,683	138,133	24,550
Total public works	3,998,494	4,658,606	3,979,337	679,269
Debt service:				
Certificate of Indebtedness Principal	57,000	57,000	57,000	-
Certificate of Indebtedness Interest	9,793	9,793	9,793	-
Total debt service	66,793	66,793	66,793	-
Total expenditures	12,232,107	13,717,569	12,127,810	1,589,759
Excess (deficiency) of revenues over (under) expenditures	(8,668,407)	(9,961,118)	(7,861,490)	2,099,628
OTHER FINANCING SOURCES (USES)				
Transfers in	8,392,051	8,392,051	8,404,385	(12,334)
Transfers out	(67,736)	(67,736)	(67,736)	-
Total other financing sources and uses	8,324,315	8,324,315	8,336,649	(12,334)
Net change in fund balance	(344,092)	(1,636,803)	475,159	2,111,962
Fund balances - beginning	5,532,088	5,532,088	5,532,088	-
Fund balances - ending	\$ 5,187,996	\$ 3,895,285	\$ 6,007,247	\$ 2,111,962

CITY OF RUSTON, LOUISIANA
 1968 Sales Tax Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on Budgetary Basis
 For the Year Ended September 30, 2004
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,765,000	\$ 1,765,000	\$ 2,779,802	\$ 1,014,802
Investment earnings	20,000	20,000	17,966	(2,034)
Total revenues	<u>1,785,000</u>	<u>1,785,000</u>	<u>2,797,768</u>	<u>1,012,768</u>
EXPENDITURES				
General government:				
Collection and administrative	29,500	31,500	29,624	1,876
Total expenditures	<u>29,500</u>	<u>31,500</u>	<u>29,624</u>	<u>1,876</u>
Excess of revenues over expenditures	<u>1,755,500</u>	<u>1,753,500</u>	<u>2,768,144</u>	<u>1,014,644</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,755,500)	(1,755,500)	(1,755,500)	-
Total other financing sources and uses	<u>(1,755,500)</u>	<u>(1,755,500)</u>	<u>(1,755,500)</u>	<u>-</u>
Net change in fund balance	-	(2,000)	1,012,644	1,014,644
Fund balances - beginning	<u>1,369,953</u>	<u>1,369,953</u>	<u>1,369,953</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,369,953</u>	<u>\$ 1,367,953</u>	<u>\$ 2,382,597</u>	<u>\$ 1,014,644</u>

See accompanying independent auditors' report.

CITY OF RUSTON, LOUISIANA
 1985 Sales Tax Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on Budgetary Basis
 For the Year Ended September 30, 2004
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,648,000	\$ 2,648,000	\$ 4,169,693	\$ 1,521,693
Investment earnings	20,000	20,000	16,512	(3,488)
Total revenues	<u>2,668,000</u>	<u>2,668,000</u>	<u>4,186,205</u>	<u>1,518,205</u>
EXPENDITURES				
<i>General government:</i>				
Collection and administrative	24,100	29,100	26,321	2,779
Total expenditures	<u>24,100</u>	<u>29,100</u>	<u>26,321</u>	<u>2,779</u>
Excess of revenues over expenditures	<u>2,643,900</u>	<u>2,638,900</u>	<u>4,159,884</u>	<u>1,520,984</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,643,900)	(2,643,900)	(2,752,104)	(108,204)
Total other financing sources and uses	<u>(2,643,900)</u>	<u>(2,643,900)</u>	<u>(2,752,104)</u>	<u>(108,204)</u>
Net change in fund balance	-	(5,000)	1,407,780	1,412,780
Fund balances - beginning	<u>1,285,086</u>	<u>1,285,086</u>	<u>1,285,086</u>	-
Fund balances - ending	<u>\$ 1,285,086</u>	<u>\$ 1,280,086</u>	<u>\$ 2,692,866</u>	<u>\$ 1,412,780</u>

See accompanying independent auditors' report.

CITY OF RUSTON, LOUISIANA
1990 Sales Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual on Budgetary Basis
For the Year Ended September 30, 2004
(unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,765,000	\$ 1,765,000	\$ 2,779,803	\$ 1,014,803
Investment earnings	20,000	20,000	14,540	(5,460)
Total revenues	<u>1,785,000</u>	<u>1,785,000</u>	<u>2,794,343</u>	<u>1,009,343</u>
EXPENDITURES				
General government:				
Collection and administrative	16,500	19,500	17,829	1,671
Total expenditures	<u>16,500</u>	<u>19,500</u>	<u>17,829</u>	<u>1,671</u>
Excess of revenues over expenditures	<u>1,768,500</u>	<u>1,765,500</u>	<u>2,776,514</u>	<u>1,011,014</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,768,500)	(1,768,500)	(1,768,500)	-
Total other financing sources and uses	<u>(1,768,500)</u>	<u>(1,768,500)</u>	<u>(1,768,500)</u>	<u>-</u>
Net change in fund balance	-	(3,000)	1,008,014	1,011,014
Fund balances - beginning	<u>1,112,681</u>	<u>1,112,681</u>	<u>1,112,681</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,112,681</u>	<u>\$ 1,109,681</u>	<u>\$ 2,120,695</u>	<u>\$ 1,011,014</u>

See accompanying independent auditors' report.

CITY OF RUSTON, LOUISIANA
Notes to Budgetary Comparison Schedules
For the Year Ended September 30, 2004
(Unaudited)

Budget and Budgetary Accounting

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

- (1) The Treasurer's Office compiles for the Mayor estimates of revenues and requests for appropriations of the annual budget.
- (2) During August, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (3) A public hearing is then conducted, after proper official journal notification, to obtain taxpayer comments.
- (4) Prior to September 30, the budget is legally enacted through passage of an ordinance.
- (5) *The budget ordinance is structured such that revenues are budgeted by source, and appropriations are budgeted by department and by principal object of expenditure. Budgetary control is exercised at the departmental code level, with the exception of salaries, regular and overtime, which are at the line item level, or by projects, and the City Court and Probation (total combined), and City Marshal departments, which are budgeted at the department level. The Council may revise or amend the budget at its discretion during legally convened sessions. For the year ended September 30, 2004, amendments were made to the budget, including Police department overtime necessary due to personal injuries, vacation, vacancies, and workload; Rural Health Grant revenue and expenditures to account for amounts not available at time of the initial budget submission; Parks and Recreation capital assets to provide funds to complete capital projects; and maintenance of streets to appropriate open purchase orders as of the end of the prior year.*
- (6) Comparison of budgeted and actual amounts as shown in the accompanying financial statements includes the General Fund and those special revenue funds which are included in the annual operating budget. (1968 Sales Tax, 1985 Sales Tax, 1990 Sales Tax, Parks and Recreation, Section 8 Mod Rehab, and Section 8 Vouchers). Annual operating budgets are not prepared for the D.A.R.T. Grant Program, Central Shop Construction, Hazard Mitigation Grant, Sewer Demonstrated Needs Grant, and I-20 funds, but rather these funds are budgeted on a project basis. The capital budget ordinances which encompass the capital projects funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial statements for these funds. Budgetary control for the debt service funds is achieved through general bond indenture provisions.
- (7) All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Appropriations which are not expended lapse at year end.

CITY OF RUSTON, LOUISIANA
Notes to Budgetary Comparison Schedules
For the Year Ended September 30, 2004
(Unaudited)

- (8) The City is legally required to prepare annual operating budgets for the Electric System, Water System, Sewer System, Ruston Airport Authority, Ambulance Fund, Workmen's Compensation, General Insurance, and Purchasing/Warehouse Funds. The City is not, however, required to present an actual-to-budget comparison for the enterprise and internal service funds.

Excess of Expenditures over Budget

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

<u>Fund</u>	<u>Budget</u>	Actual on a budgetary basis	<u>Negative variance</u>
General Fund:			
General government:			
Executive – Materials & supplies	\$35,262	\$35,370	(\$108)
Civic Center – Materials & supplies	15,200	15,652	(452)
Engineering – Materials & supplies	5,400	5,548	(148)
Public Safety:			
Police – Regular salaries	1,583,272	1,588,081	(4,809)
Police – Overtime salaries	156,000	159,556	(3,556)
Police – Materials & supplies	94,000	94,235	(235)
Fire – Regular salaries	1,039,097	1,079,483	(40,386)
Fire – Operating services	154,449	155,819	(1,370)

The unfavorable variances in Executive, Civic Center, and Engineering are due to higher than anticipated supply expenditures. The unfavorable variance in Police salaries is due to a change in the pay plan. The unfavorable variance in Police materials and supplies is due to an increase in the price of fuel. The unfavorable variance in Fire salaries is due to the payout of accumulated benefit hours on a retiree. The unfavorable variance in fire operating services is due to an increase in auto and truck repair.

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Combining Fund Statements

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Nonmajor Governmental Funds Special Revenue Funds

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

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

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

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

Capital Projects Funds

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

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

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

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

Sewer Southwest LCDBG Grant – This fund accounts for receipts and disbursements of a grant received from the Louisiana Community Development Block Grant for sewer improvements.

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

Debt Service Fund

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

CITY OF RUSTON, LOUISIANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2004

	Special Revenue Funds					
	Ruston Parks & Recreation Board	D.A.R.T. Grant Program	Section 8 Modrehab Housing	Section 8 Voucher Housing	Total	Debt Service Fund
ASSETS						
Cash and cash equivalents	\$ 129,374	-	\$ 70,977	\$ 680,077	\$ 880,428	\$ 474,640
Accounts receivable, net	85	\$ 5,719	-	2,357	8,161	365,756
Due from other funds	54,624	-	-	100,649	155,273	-
Total assets	<u>\$ 184,083</u>	<u>\$ 5,719</u>	<u>\$ 70,977</u>	<u>\$ 783,083</u>	<u>\$ 1,043,862</u>	<u>\$ 840,396</u>
LIABILITIES AND FUND BALANCES						
<i>Liabilities:</i>						
Accounts payable	\$ 8,986	\$ 5,719	\$ 898	\$ 95,924	\$ 111,527	-
Deposits	550	-	-	-	550	-
Due to other funds	-	-	100,649	2,294	102,943	-
Accrued Salaries	6,801	-	-	-	6,801	-
Total liabilities	<u>16,337</u>	<u>5,719</u>	<u>101,547</u>	<u>98,218</u>	<u>221,821</u>	<u>-</u>
<i>Fund balances:</i>						
<i>Reserved for:</i>						
Encumbrances	238	-	-	-	238	-
Debt service	-	-	-	-	-	\$ 840,396
Unreserved, undesignated	167,508	-	(30,570)	684,865	821,803	-
Total fund balances	<u>167,746</u>	<u>-</u>	<u>(30,570)</u>	<u>684,865</u>	<u>822,041</u>	<u>840,396</u>
Total liabilities and fund balances	<u>\$ 184,083</u>	<u>\$ 5,719</u>	<u>\$ 70,977</u>	<u>\$ 783,083</u>	<u>\$ 1,043,862</u>	<u>\$ 840,396</u>

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

Capital Project Funds

Central Shop Construction	Hazard Mitigation Grant	Sewer Demonstrated Needs Grant	Sewer Southwest Grant	I-20 Fund	Total	Total Nonmajor Governmental Funds
\$ 125,886	\$ 5,490	\$ 2,476	-	\$ 2,411,222	\$ 2,545,074	\$ 3,900,142
-	-	-	\$ 10,374	-	10,374	384,291
-	-	-	-	-	-	155,273
<u>\$ 125,886</u>	<u>\$ 5,490</u>	<u>\$ 2,476</u>	<u>\$ 10,374</u>	<u>\$ 2,411,222</u>	<u>\$ 2,555,448</u>	<u>\$ 4,439,706</u>
-	-	-	\$ 10,374	-	\$ 10,374	\$ 121,901
-	-	-	-	-	-	550
-	-	-	-	-	-	102,943
-	-	-	-	-	-	6,801
-	-	-	10,374	-	10,374	232,195
-	-	-	-	\$ 346,458	346,458	346,696
-	-	-	-	-	-	840,396
<u>\$ 125,886</u>	<u>\$ 5,490</u>	<u>\$ 2,476</u>	<u>-</u>	<u>2,064,764</u>	<u>2,198,616</u>	<u>3,020,419</u>
<u>125,886</u>	<u>5,490</u>	<u>2,476</u>	<u>-</u>	<u>2,411,222</u>	<u>2,545,074</u>	<u>4,207,511</u>
<u>\$ 125,886</u>	<u>\$ 5,490</u>	<u>\$ 2,476</u>	<u>\$ 10,374</u>	<u>\$ 2,411,222</u>	<u>\$ 2,555,448</u>	<u>\$ 4,439,706</u>

CITY OF RUSTON, LOUISIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Special Revenue Funds					Debt Service Fund
	Ruston Parks & Recreation Board	D.A.R.T. Grant Program	Section 8 Modrehab Housing	Section 8 Voucher Housing	Total	
REVENUES						
Taxes	\$ 296,157	-	-	-	\$ 296,157	\$ 1,501,607
Intergovernmental	-	\$ 25,988	\$ 888	\$ 895,323	922,199	-
Charges for services	145,007	-	-	-	145,007	-
Investment earnings	1,875	-	-	6,777	8,652	1,943
Miscellaneous	11,367	-	-	-	11,367	-
Total revenues	<u>454,406</u>	<u>25,988</u>	<u>888</u>	<u>902,100</u>	<u>1,383,382</u>	<u>1,503,550</u>
EXPENDITURES						
Current:						
General Government	-	25,988	848	764,223	791,059	-
Recreation	651,278	-	-	-	651,278	-
Capital outlay	227,421	-	-	-	227,421	-
Bond principal	-	-	-	-	-	60,000
Bond interest	-	-	-	-	-	6,270
Total expenditures	<u>878,699</u>	<u>25,988</u>	<u>848</u>	<u>764,223</u>	<u>1,669,758</u>	<u>66,270</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(424,293)</u>	<u>-</u>	<u>40</u>	<u>137,877</u>	<u>(286,376)</u>	<u>1,437,280</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	421,146	-	-	-	421,146	61,680
Transfers out	(66,782)	-	(38)	(128,854)	(195,674)	(1,952,338)
Total other financing sources and uses	<u>354,364</u>	<u>-</u>	<u>(38)</u>	<u>(128,854)</u>	<u>225,472</u>	<u>(1,890,658)</u>
Net change in fund balances	<u>(69,929)</u>	<u>-</u>	<u>2</u>	<u>9,023</u>	<u>(60,904)</u>	<u>(453,378)</u>
Fund balances - beginning	237,675	-	(30,572)	675,842	882,945	1,293,774
Fund balances - ending	<u>\$ 167,746</u>	<u>\$ -</u>	<u>\$ (30,570)</u>	<u>\$ 684,865</u>	<u>\$ 822,041</u>	<u>\$ 840,396</u>

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

Capital Project Funds

Central Shop Construction	Hazard Mitigation Grant	Sewer Demonstrated Needs Grant	Sewer Southwest Grant	I-20 Fund	Total	Total Nonmajor Governmental Funds
-	-	-	-	-	-	\$ 1,797,764
-	-	-	\$ 10,374	-	\$ 10,374	932,573
-	-	-	-	-	-	145,007
\$ 1,014	\$ 41	\$ 17	-	\$ 18,359	19,431	30,026
-	-	-	-	-	-	11,367
<u>1,014</u>	<u>41</u>	<u>17</u>	<u>10,374</u>	<u>18,359</u>	<u>29,805</u>	<u>2,916,737</u>
-	-	-	-	-	-	791,059
-	-	-	-	-	-	651,278
645	-	-	10,374	437,022	448,041	675,462
-	-	-	-	-	-	60,000
-	-	-	-	-	-	6,270
<u>645</u>	<u>-</u>	<u>-</u>	<u>10,374</u>	<u>437,022</u>	<u>448,041</u>	<u>2,184,069</u>
<u>369</u>	<u>41</u>	<u>17</u>	<u>-</u>	<u>(418,663)</u>	<u>(418,236)</u>	<u>732,668</u>
-	-	-	-	1,952,338	1,952,338	2,435,164
-	-	-	-	-	-	(2,148,012)
-	-	-	-	1,952,338	1,952,338	287,152
369	41	17	-	1,533,675	1,534,102	1,019,820
125,517	5,449	2,459	-	877,547	1,010,972	3,187,691
<u>\$ 125,886</u>	<u>\$ 5,490</u>	<u>\$ 2,476</u>	<u>\$ -</u>	<u>\$ 2,411,222</u>	<u>\$ 2,545,074</u>	<u>\$ 4,207,511</u>

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Internal Service Funds

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

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

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

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

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CITY OF RUSTON, LOUISIANA
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2004

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>Total Internal Service Funds</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 49,372	\$ 449,101	\$ 28,228	\$ 526,701
Investments	303,308	753,878	-	1,057,186
Receivables, net	75,205	-	-	75,205
Due from other funds	-	-	497	497
Total current assets	<u>427,885</u>	<u>1,202,979</u>	<u>28,725</u>	<u>1,659,589</u>
Noncurrent Assets:				
Capital Assets:				
Buildings	-	-	13,080	13,080
Equipment	-	-	48,123	48,123
Less accumulated depreciation	-	-	(36,564)	(36,564)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>24,639</u>	<u>24,639</u>
Total assets	<u>427,885</u>	<u>1,202,979</u>	<u>53,364</u>	<u>1,684,228</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	4,614	79,114	398	84,126
Accrued liabilities	-	-	5,121	5,121
Claims and judgments	107,851	117,536	-	225,387
Total current liabilities	<u>112,465</u>	<u>196,650</u>	<u>5,519</u>	<u>314,634</u>
Noncurrent Liabilities:				
Compensated absences	-	-	28,970	28,970
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>28,970</u>	<u>28,970</u>
Total liabilities	<u>112,465</u>	<u>196,650</u>	<u>34,489</u>	<u>343,604</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	-	24,639	24,639
Unrestricted	315,420	1,006,329	(5,764)	1,315,985
Total net assets	<u>\$ 315,420</u>	<u>\$ 1,006,329</u>	<u>\$ 18,875</u>	<u>\$ 1,340,624</u>

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

CITY OF RUSTON, LOUISIANA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES				
Premiums paid by retired employees	-	\$ 186,807	-	\$ 186,807
Charges to other funds	\$ 235,898	2,179,842	-	2,415,740
Charges for services	-	-	\$ 172,500	172,500
Other income	75,000	1,513	12,695	89,208
Total operating revenues	<u>310,898</u>	<u>2,368,162</u>	<u>185,195</u>	<u>2,864,255</u>
OPERATING EXPENSES				
Cost of Services:				
Salaries, wages and employee benefits	-	-	162,961	162,961
Operating services	-	-	13,914	13,914
Materials and supplies	-	-	4,119	4,119
Travel and other	-	-	551	551
Depreciation	-	-	8,595	8,595
Total cost of services	<u>-</u>	<u>-</u>	<u>190,140</u>	<u>190,140</u>
Claims	139,108	1,415,980	-	1,555,088
Insurance premiums	94,909	322,398	-	417,307
Total operating expenses	<u>234,017</u>	<u>1,738,378</u>	<u>190,140</u>	<u>2,162,535</u>
Operating income (loss)	<u>76,881</u>	<u>629,784</u>	<u>(4,945)</u>	<u>701,720</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	3,100	9,726	858	13,684
Change in net assets	79,981	639,510	(4,087)	715,404
Total net assets - beginning	235,439	366,819	22,962	625,220
Total net assets - ending	<u>\$ 315,420</u>	<u>\$ 1,006,329</u>	<u>\$ 18,875</u>	<u>\$ 1,340,624</u>

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

CITY OF RUSTON, LOUISIANA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:				
Receipts from operations	\$ 160,693	\$ 2,368,162	\$ 172,003	\$ 2,700,858
Payments to suppliers	(235,448)	(297,431)	(18,419)	(551,298)
Payments to employees	-	-	(159,477)	(159,477)
Claims	4,707	(1,434,531)	-	(1,429,824)
Other receipts	75,000	-	12,695	87,695
Net cash provided by (used in) operating activities	<u>4,952</u>	<u>636,200</u>	<u>6,802</u>	<u>647,954</u>
Cash flows from capital financing activities:				
Acquisition and construction of capital assets	-	-	(45,502)	(45,502)
Capital contributions	-	-	12,268	12,268
Net cash provided by (used in) noncapital activities	<u>-</u>	<u>-</u>	<u>(33,234)</u>	<u>(33,234)</u>
Cash flows from investing activities:				
Purchases on investments	(101,425)	(503,878)	-	(605,303)
Interest on investments	3,100	9,726	858	13,684
Net cash provided by (used in) investing activities	<u>(98,325)</u>	<u>(494,152)</u>	<u>858</u>	<u>(591,619)</u>
Net increase (decrease) in cash and cash equivalents	(93,373)	142,048	(25,574)	23,101
Cash and cash equivalents - beginning of year	142,745	307,053	53,802	503,600
Cash and cash equivalents - end of year	<u>\$ 49,372</u>	<u>\$ 449,101</u>	<u>\$ 28,228</u>	<u>\$ 526,701</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 76,881	\$ 629,784	\$ (4,945)	\$ 701,720
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	8,595	8,595
(Increase) Decrease in assets:				
Receivables	(75,205)	-	-	(75,205)
Due from other funds	-	-	(497)	(497)
Increase (Decrease) in liabilities:				
Accounts payable	(1,431)	24,967	398	23,934
Accrued liabilities	-	-	1,093	1,093
Due to other funds	-	-	(233)	(233)
Compensated absences	-	-	2,391	2,391
Claims and judgments	4,707	(18,551)	-	(13,844)
Total adjustments	<u>(71,929)</u>	<u>6,416</u>	<u>11,747</u>	<u>(53,766)</u>
Net cash provided by (used in) operating activities	<u>\$ 4,952</u>	<u>\$ 636,200</u>	<u>\$ 6,802</u>	<u>647,954</u>

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

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Individual Fund Schedules

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CITY OF RUSTON, LOUISIANA
RUSTON PARKS AND RECREATION BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 285,000	\$ 285,000	\$ 296,157	\$ 11,157
Charges for services	75,000	75,000	145,007	70,007
Investment earnings	3,000	3,000	1,875	(1,125)
Miscellaneous	17,000	52,000	11,367	(40,633)
Total revenues	<u>380,000</u>	<u>415,000</u>	<u>454,406</u>	<u>39,406</u>
EXPENDITURES				
Current:				
Recreation:				
Salaries, wages and employee benefits	336,529	378,628	360,312	18,316
Operating services	225,363	273,111	256,003	17,108
Materials and supplies	31,000	31,289	26,731	4,558
Travel and other	10,000	10,000	8,232	1,768
Improvements and equipment	8,034	272,534	227,421	45,113
Total expenditures	<u>610,926</u>	<u>965,562</u>	<u>878,699</u>	<u>86,863</u>
Deficiency of revenues over expenditures	<u>(230,926)</u>	<u>(550,562)</u>	<u>(424,293)</u>	<u>126,269</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	297,736	384,736	421,146	36,410
Transfers out	(66,810)	(66,810)	(66,782)	28
Total other financing sources (uses)	<u>230,926</u>	<u>317,926</u>	<u>354,364</u>	<u>36,438</u>
Net change in fund balance	-	(232,636)	(69,929)	162,707
Fund balances - beginning	<u>237,675</u>	<u>237,675</u>	<u>237,675</u>	-
Fund balances - ending	<u>\$ 237,675</u>	<u>\$ 5,039</u>	<u>\$ 167,746</u>	<u>\$ 162,707</u>

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

CITY OF RUSTON, LOUISIANA
SECTION 8 MODREHAB HOUSING
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 1,786	\$ 888	\$ (898)
EXPENDITURES			
Current:			
General Government:			
Operating services	<u>1,664</u>	<u>848</u>	<u>816</u>
Excess of revenues over expenditures	<u>122</u>	<u>40</u>	<u>(82)</u>
OTHER FINANCING USE			
Transfers out	<u>(122)</u>	<u>(38)</u>	<u>(84)</u>
Net change in fund balance	-	2	2
Fund balances - beginning	<u>(30,572)</u>	<u>(30,572)</u>	<u>-</u>
Fund balances - ending	<u>\$ (30,572)</u>	<u>\$ (30,570)</u>	<u>\$ 2</u>

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

CITY OF RUSTON, LOUISIANA
SECTION 8 VOUCHER HOUSING
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 991,247	\$ 895,323	\$ (95,924)
Investment earnings	4,600	6,777	2,177
Total revenues	<u>995,847</u>	<u>902,100</u>	<u>(93,747)</u>
EXPENDITURES			
Current:			
General Government:			
Operating services	763,708	764,223	(515)
Excess of revenues over expenditures	<u>232,139</u>	<u>137,877</u>	<u>(94,262)</u>
OTHER FINANCING USE			
Transfers out	<u>(140,225)</u>	<u>(128,854)</u>	<u>(11,371)</u>
Net change in fund balance	91,914	9,023	(82,891)
Fund balances - beginning	<u>675,842</u>	<u>675,842</u>	<u>-</u>
Fund balances - ending	<u>\$ 767,756</u>	<u>\$ 684,865</u>	<u>\$ (82,891)</u>

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

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City of Ruston, Louisiana
OMB Circular A-133 Report
For The Year Ended September 30, 2004
(With Independent Auditors' Reports Thereon)

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 _____

City of Ruston, Louisiana

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**Independent Auditors' Report on Internal Control Over Financial
Reporting And on Compliance And Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards**

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ruston, Louisiana (the City) as of and for the year ended September 30, 2004, which collectively comprise the City's basic government financial statements and have issued our report thereon dated January 28, 2005. 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.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic government 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 04-1 and 04-2.

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

This report is intended solely for the information and use of management of the City of Ruston, Louisiana, the Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is to be distributed by the Legislative Auditor as a public document.

Warren ~ Brewer CPA, APAC

Ruston, Louisiana
January 28, 2005

Warren & Brewer
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A Professional Accounting Corporation
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Ruston, Louisiana 71270

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Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana

Compliance

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

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 04-1 and 04-2.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2004, and have issued our report thereon dated January 28, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management the City of Ruston, Louisiana, the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is to be distributed by the Legislative Auditor as a public document.

Warren ~ Brewer CPA ~ APAC

Ruston, Louisiana
January 28, 2005

City of Ruston, Louisiana
Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2004

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Housing and Urban Development:		
Section 8 - Housing Choice Vouchers	14.871	\$ 895,932
Section 8 - Moderate Rehabilitation	14.856	886
Pass through Louisiana Office of Community Development:		
D.A.R.T. CDBG Program	14.231	25,989
Louisiana Community Development Block Grant	14.228	10,374
Total United States Department of Housing and Urban Development		<u>933,181</u>
United States Department of Justice:		
Local Law Enforcement Block Grant	16.592	16,801
Department of Homeland Security:		
Assistance to Firefighters Grant	97.044	82,125
Homeland Security Grant Program	97.067	88,583
Total Department of Homeland Security		<u>170,708</u>
Federal Aviation Administration:		
Airport Improvement Program	20.106	19,099
United States Department of Health and Human Services:		
Pass through Louisiana Office of Rural Health Policy:		
Rural Health Outreach	93.912	85,182
Bioterrorism Grant	93.889	13,709
Total United States Department of Health and Human Services		<u>98,891</u>
Total Federal Awards		\$ <u>1,238,680</u>

See accompanying notes to schedule of expenditures of federal awards.

City of Ruston, Louisiana
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2004

1. General

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

2. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>		<u>Amount Provided To Subrecipients</u>
D.A.R.T. CDBG Program	14.231	\$	25,989
Rural Health Outreach	93.912		85,182
Bioterrorism Grant	93.889		13,709

City of Ruston, Louisiana
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2004

SUMMARY OF AUDIT RESULTS

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

City of Ruston, Louisiana
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2004 (continued)

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

04-1 Housing Quality Standards - Quality Control Reinspections

Condition:

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

Criteria:

The City must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards and the City must conduct quality control reinspections on failed units. If Housing Quality Standard deficiencies are not correct within the allotted time period, the Housing Assistance Payment must be abated. The City must prepare a unit inspection report.

Effect:

By not properly following up on inspections of failed units within the Housing Authority Approved time extension, the landlord was paid a Housing Assistance Payment when HUD regulations require the payment to be abated.

Recommendation:

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

Response:

This was an unusual occurrence. It is the department's policy to follow up on all failed inspections. The Section 8 department will continue to reinspect all failed inspections as HUD requires.

This finding resulted in no questioned costs.

City of Ruston, Louisiana
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2004 (continued)

04-2 Utility Allowance Payment

Condition:

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

Criteria:

Annually the City must review its schedule of utility allowances and revise its allowance for a utility category if there has been a change of ten percent or more in the utility rate since the last time the utility allowance was revised. At reexamination, the City must use the current utility allowance schedule.

Effect:

By not properly following the current utility allowance schedule, the City overpaid all tenants in 2, 3, and 4 bedroom occupancies.

Recommendation:

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

Response:

It is the department's policy to use the most current utility allowance schedule. The Section 8 department will continue to update the utility allowance schedule as prescribed by HUD and use the current utility allowance schedule on all tenant admissions and reexaminations.

City of Ruston, Louisiana
Summary Schedule of Prior Findings
For The Year Ended September 30, 2004

Federal Award Findings and Questioned Costs

03-01 Section 8 Housing Choice Vouchers

Condition

The City did not maintain proper supporting documentation showing proof that a HUD Form 50058 was submitted for one particular tenant. In addition, the City did not maintain proper supporting documentation in a tenant file to support HUD Form 50058 that was submitted for another tenant.

Recommendation

The City should maintain all records supporting compliance with applicable requirements.

Status

This item has been cleared.

Management Letter

The City of Ruston, Louisiana, was audited by other auditors for the year ended September 30, 2003. A management letter dated January 16, 2004 was issued. Two comments were made regarding capital assets:

Condition

The City's fixed asset accounting procedures have not been updated recently to address new reporting requirements for capital assets.

Recommendation

The City should adopt the new policy that has been drafted to take into consideration the new reporting requirements.

Status

The City is in the process of converting to a new accounting system and is in the process of implementing the fixed asset policy with the new software systems for capital assets.

Condition

The accumulated depreciation subledgers are not reconciled to the general ledger.

Recommendation

The City should implement procedures to reconcile the accumulated depreciation subledgers to the general ledger on a monthly basis.

Status

The City is taking steps to reconcile the accumulated depreciation subledgers to the general ledger on a regular basis. This process will be finalized in future periods.

City of Ruston, Louisiana
Management's Corrective Action Plan
For The Year Ended September 30, 2004

Federal Award Findings and Questioned Costs

04-1 Housing Quality Standards - Quality Control Reinspections

Condition:

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

Recommendation:

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

Response:

This was an unusual occurrence. It is the department's policy to follow up on all failed inspections. The Section 8 department will continue to reinspect all failed inspections as HUD requires.

04-2 Utility Allowance Payment

Condition:

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

Recommendation:

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

Response:

It is the department's policy to use the most current utility allowance schedule. The Section 8 department will continue to update the utility allowance schedule as prescribed by HUD and use the current utility allowance schedule on all tenant admissions and reexaminations.

Management Letter

No management letter was issued for the year ended September 30, 2004.