

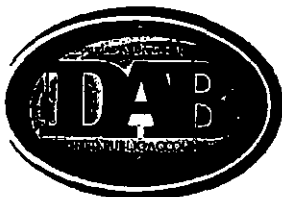
City of Ruston, Louisiana

**OMB Circular A-133 Report
For The Year Ended September 30, 2010**

(With Independent Auditor's Report 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 4/6/11



Douglas A. Brewer, LLC
Certified Public Accountant

**City of Ruston, Louisiana
Table of Contents**

	<u>Page</u>
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	3-4
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7-8
Summary Schedule of Prior Audit Findings	9

Douglas A. Brewer, LLC

Certified Public Accountant

500 North Trenton

P.O. Box 1250

Ruston, LA 71273-1250

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

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

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ruston, Louisiana (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued my report thereon dated March 25, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 10-1.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. I did not audit the City's responses and, accordingly, I express no opinion on them.

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

Douglas A. Brewer, LLC

March 25, 2011
Ruston, Louisiana

Douglas A. Brewer, LLC

Certified Public Accountant

500 North Trenton

P.O. Box 1250

Ruston, LA 71273-1250

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana

Compliance

I have audited the compliance of the City of Ruston, Louisiana (the City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Ruston, Louisiana's major federal programs for the year ended September 30, 2010. The City's major federal programs are 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 each of its major federal programs is the responsibility of the City's management. My responsibility is to express an opinion on the City's compliance based on my audit.

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

In my opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 10-1.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2010, and have issued my report thereon dated March 25, 2011, which contained unqualified opinions on those financial statements. My audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Douglas A. Brewer, LLC

Ruston, Louisiana
March 25, 2011

City of Ruston, Louisiana
Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2010

<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	\$ 1,259,092
Pass through Louisiana Office of Community Development:		
D.A.R.T. CDBG Program	14.231	21,486
Total United States Department of Housing and Urban Development		1,280,578
Department of Homeland Security:		
Pass through Louisiana State Police		
Law Enforcement Terrorism Prevention	97.074	18,927
Homeland Security Grant Program	97.067	15,642
Total Department of Homeland Security		34,569
United States Department of Justice:		
Pass through Lincoln Parish Police Jury		
Edward Byrne Memorial Justice Assistance Grant	16.738	44,256
Total United States Department of Justice		44,256
Federal Aviation Administration:		
Airport Improvement Program	20.106	325,331
United States Environmental Protection Agency:		
Pass through Louisiana Department of Environmental Quality:		
Capitalization Grant For Drinking Water State Revolving Funds	66.468	1,313,364
Capitalization Grant - ARRA Portion	66.468	1,089,272
		2,402,636
Total Federal Awards		\$ 4,087,370

See accompanying notes to schedule of expenditures of federal awards.

City of Ruston, Louisiana
Notes to Schedule of Federal Awards
For The Year Ended September 30, 2010

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 Capitalization Grants for Drinking Water, and the Airport Improvement Program, which are presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>		<u>Amount Provided To Subrecipients</u>
D.A.R.T. CDBG Program	14.231	\$	21,486

City of Ruston, Louisiana
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2010

Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic government financial statements of the City of Ruston, Louisiana.
2. No significant deficiencies were disclosed during the audit of the financial statements are reported in the Report on Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards* and on the Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133.
3. One instance of noncompliance was disclosed during the audit, which would be required to be reported in accordance with *Government Auditing Standards*.
4. No significant deficiencies were disclosed during the audit of the major federal award programs are reported in the Independent Auditor's Report On Compliance With Requirements That Could Have a Direct And Material Effect On Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City of Ruston, Louisiana expresses an unqualified opinion on all major federal programs. One instance of noncompliance was disclosed.
6. Audit findings that are required to be reported in accordance with Sections 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included the Department of Housing and Urban Development Voucher Program, CFDA No. 14.857; and the United States Environmental Protection Agency pass-through the Louisiana Department of Health and Hospitals – Capitalization Grants for Drinking Water, CFDA No. 66.468.
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, 2010

Findings And Questioned Costs – Major Federal Award Programs Audit

10-1 Section 8 – Re-examination of Family Income and Composition

Condition:

During the testwork for the Section 8 program, it was found that two of forty sampled family files were not re-examined as required of PHAs in accordance with the eligibility requirements found in the 2010 A-133 Compliance Supplement.

Criteria:

According to the 2010 A-133 Compliance Supplement, section E:1:e, part of the eligibility requirement for PHAs is to have the tenant's family income and composition re-examined and verified by third-party documentation every twelve months.

Effect:

When the PHA fails to adhere to the requirements set forth by the governing agency in the Compliance Supplement, they put the program at risk to having its Federal funding revoked.

Recommendation:

City of Ruston Section 8 program should make sure that all tenant family files contain an annual recertification and have current third-party information in the family file.

Response:

The new program director stated that these discrepancies occurred during a transitional period between managers. This is not expected to be a problem in the future.

**City of Ruston, Louisiana
Summary Schedule of Prior Findings
For The Year Ended September 30, 2010**

Federal Award Findings and Questioned Costs

09-1 Section 8 - Signed Information Release Forms

Condition:

During the testwork for the Section 8 program, it was found that four of thirty-one sampled family files did not contain the necessary federal information release forms that are required to be kept by PHAs in accordance with the eligibility requirements found in the Compliance Supplement.

Recommendation:

City of Ruston Section 8 program should make sure that all tenants who come in for new admission and annual recertification have current signed information release forms in the family file.

Status:

Cleared.

Management Letter

No management letter was issued for the year ended September 30, 2009.

Comprehensive Annual Financial Report



of the
City of Ruston, Louisiana
For the Year Ended September 30, 2010

Mayor
Dan Hollingsworth

Prepared by the
Finance Department
Emmett Gibbs, Treasurer

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Introductory Section

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**CITY OF RUSTON, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
Organizational Chart.....	v
Principal Officials.....	vi
 FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	20
Reconciliation of the Governmental Funds Balance Sheet to The Statement of Net Assets.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities....	27
Statement of Net Assets – Proprietary Funds.....	28
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	31
Statement of Cash Flows – Proprietary Funds.....	32
Statement of Net Assets – Component Units.....	34
Statement of Activities – Component Units.....	35
Notes to the Financial Statements.....	37
Required Supplementary Information (Unaudited):	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a Budgetary Basis – General Fund.....	67
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a Budgetary Basis – 1968 Sales Tax Fund.....	71
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a Budgetary Basis – 1985 Sales Tax Fund.....	72
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a Budgetary Basis – 1990 Sales Tax Fund.....	73
Notes to Budgetary Comparison Schedules.....	74

**CITY OF RUSTON, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS (Continued)

	Page
Combining Fund Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	81
Combining Statement of Net Assets – Internal Service Funds.....	85
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds.....	86
Combining Statement of Cash Flows – Internal Service Funds.....	87
Individual Fund Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a Budgetary Basis (Unaudited):	
Ruston Parks and Recreation Board.....	91
Section 8 Voucher Housing.....	92



CITY OF RUSTON

Mayor Dan Hollingsworth

Board of Aldermen
Glenda Howard - District 1
Elmore Mayfield - District 2
Jedd Lewis - District 3
Jim Pearce - District 4
Marie Riggs - District 5

March 25, 2011

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, 2010. 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 2010 that is useful to taxpayers, citizens, and other interested persons.

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

In accordance with the Lawrason Act, the City Council is required to provide for an annual independent audit of the accounts and financial transactions of the City by a firm of independent certified public accountants duly licensed to practice in the State of Louisiana. The accounting firm of Douglas A. Brewer, LLC was selected by the City to conduct its annual audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2010, 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, 2010, 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.

Lewis Love, City Administrator
401 North Trenton Street • Post Office Box 2069 • Ruston, Louisiana 71273-2069
Phone: 318.251.8652 • Fax: 318.255.1781 • CityClerk@ruston.org
www.ruston.org

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 21 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. Although the local economy has taken a downturn in economic growth and development over the past fiscal year, it has not experienced the same severity that the national economy has. Building permit valuations were \$28.5 million for the fiscal year which was a 30% increase over the previous fiscal year.

The City of Ruston and Lincoln Parish have experienced steady population growth from 1970 to 2010 with approximately 4,300 new City residents and about 12,200 new parish residents.

The Tax Increment District continues to create new economic activity for the City and parish, and the new commercial activities have increased the sales tax revenue of the City.

Louisiana Tech University is still a mainstay in the local economy both as the major employer of the area and as a strong partner in the development efforts of the community. There are several firms in the university's business incubator that could become the foundation for a complete transformation of the local market structure by creating new high tech industrial activities in the community.

The City of Ruston, Lincoln Parish and Louisiana Tech University continue to enjoy economic growth and are excited about the future despite the present economic slowdown that the country is experiencing.

Long-term financial planning. Recently, the City has experienced a slight decline in our largest general revenue source which is sales taxes. In the General Fund, sales tax represents 52.3% of the revenues and transfers in. Because of the decline on sales taxes and increasing trends in retirement costs and health insurance, difficulty to balance the budget will exist now and in the future. Rates have increased in both water and sewer services in order to provide needed improvements in the infrastructure of the systems.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, or obligations of the U.S. Treasury. The maturities of the investments range from 90 days to two years.

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

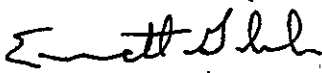
Risk management. The City partially retains the risk for property, liability, workers compensation, and general health insurance. As part of this comprehensive plan, resources are being accumulated in the respective funds to meet potential losses. In addition, various risk control techniques including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

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

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

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

Sincerely,



Emmett Gibbs
Treasurer



Kathleen Dupree
Controller

**City of Ruston
Organizational Chart**

Dan Hollingsworth
Mayor

Lewis Love
Public Works Director/ City
Administrator

Ed Pittman
Asst. Public Works
Director/City Administrator

Richard Allet
Director of Engineering
Services

Earl Albritton
Assistant to Mayor for
Consumer Services

Jennifer Croxton
Executive Assistant

Gaye LeBaron
Clerk/Receptionist

Emmett Gibbs
Director of Finance

Darrell Caraway
Public Utility Manager

Stephen Rogers
Police Chief

Troy Whitman
Water Utility Operations
Manager

James Austin
Fire Chief

Kristi Lumpkin
Economic Development
Administrator

Wes Barton
Park & Recreation Director

Pat Cargill
Personnel Director

Logan Dugard
Intern I I

Cathy Aycock
Benefits Coordinator

Dianne Futch
Personnel Assistant

CITY OF RUSTON, LOUISIANA

PRINCIPAL OFFICIALS

Dan Hollingsworth
Mayor

Members of City Council

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

Financial Section

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Douglas A. Brewer, LLC

Certified Public Accountant

500 North Trenton

P.O. Box 1250

Ruston, LA 71273-1250

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ruston, Louisiana, (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. I have also audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, and internal service funds presented as supplementary information in the accompanying combining fund financial statements as of and for the year ended September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the Ruston City Judge's Office, which represents 91%, 91%, and 65%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to me, and my opinion, insofar as it relates to the amounts included for the Ruston City Judge's Office, is based on the reports of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit and the reports of the other auditors provide a reasonable basis for my opinions.

In my opinion, based on my audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ruston, Louisiana, as of September 30, 2010, and the respective changes in its financial position and, where applicable, its cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise and internal service funds of the City, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 25, 2011, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information listed as Required Supplemental Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

Douglas A. Bremer, LLC

Ruston, Louisiana
March 25, 2011

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, 2010. 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, 2010, include the following:

- The assets of the City exceeded its liabilities at September 30, 2010, by \$124,607,776 (net assets). Of this amount, \$15,072,368 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$4,760,839 for the year ended September 30, 2010. Net assets of governmental activities increased \$1,483,660 and net assets of business-type activities increased \$3,277,179.
- As of September 30, 2010, the City's governmental funds reported combined ending fund balances of \$13,548,966, a decrease of \$3,641,046 from the prior year. Of this amount \$7,629,357 was unreserved, undesignated, and available for spending; \$1,514,454 was unreserved but designated for subsequent years' expenditures; \$1,685,151 was reserved for debt service; \$2,652,817 was reserved for encumbrances; \$58,842 was reserved for inventories; and \$8,345 was reserved for prepaid items.
- At the end of the current fiscal year, unreserved, undesignated fund balances for the General Fund was \$3,488,849, or 17.18% of total General Fund expenditures and transfers out.
- The City's total long-term liabilities increased by \$434,946 during the current fiscal year due to the issuance of water revenue bonds partially offset by the payment of debt as it becomes due.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

The City maintains eleven individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, 1968 Sales Tax Special Revenue Fund, 1985 Sales Tax Special Revenue Fund, 1990 Sales Tax Special Revenue Fund, and I-20 Capital Project Fund, all of which are considered to be major funds. Data for the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, and sewer systems, and 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 workman's compensation, general insurance, purchasing-warehouse and general and auto liability 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, and sewer systems, which are considered to be major funds of the City of Ruston. Data from the other proprietary funds are also presented although they are not considered major funds.

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

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

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

Financial Analysis of Government-wide Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$124,607,776 at the

close of the current fiscal year. The largest portion of the City of Ruston's net assets, totaling approximately \$107.5 million (86%), reflects its investment in capital assets (e.g., land, buildings, streets, drainage, machinery, and equipment); less any related debt that is still outstanding used to acquire those assets. 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, 2010

	Governmental Activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$17,580,164	\$21,597,816	\$10,446,083	\$8,968,475	\$28,026,247	\$30,566,291
Capital assets	71,699,189	66,471,058	61,013,825	57,797,173	132,713,014	124,268,231
Total assets	89,279,353	88,068,874	71,459,908	66,765,648	160,739,261	154,834,522
Current and other liabilities	1,324,528	1,831,435	3,162,753	2,746,246	4,487,281	4,577,681
Long-term liabilities	11,792,199	11,558,876	19,851,602	18,851,028	31,643,801	30,409,904
Total liabilities	13,116,727	13,390,311	23,014,355	21,597,274	36,131,082	34,987,585
Net assets:						
Invested in capital assets, net of related debt	63,274,189	57,501,058	44,230,218	40,339,980	107,504,407	97,841,038
Restricted	1,685,151	2,197,598	345,850	313,560	2,031,001	2,511,158
Unrestricted	11,202,883	14,979,907	3,869,485	4,514,834	15,072,368	19,494,741
Total net assets	\$76,162,223	\$74,678,563	\$48,445,553	\$45,168,374	\$124,607,776	\$119,846,937

1.6% 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 \$15,072,368 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 \$4,760,839 during the current fiscal year. Key elements of this increase are as follows:

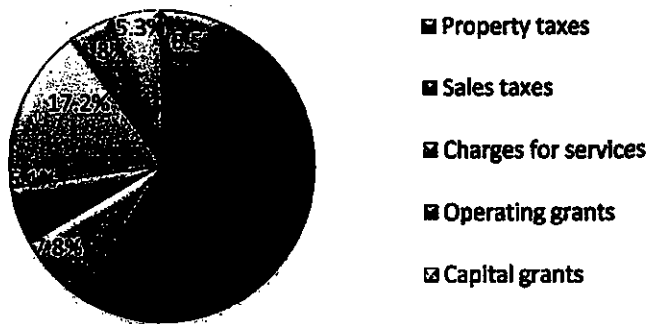
City of Ruston's Changes in Net Assets

Revenues:	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Program revenues:						
Charges for services	\$1,751,499	\$1,752,526	\$26,195,298	\$28,756,859	\$27,946,797	\$30,509,385
Operating grants and contributions	1,364,839	1,178,202	-	-	1,364,839	1,178,202
Capital grants and contributions	3,836,126	5,724,457	1,308,455	820,024	5,144,581	6,544,481
General revenues:						
Property taxes	1,455,307	1,420,768	-	-	1,455,307	1,420,768
Sales taxes	11,660,389	11,285,756	-	-	11,660,389	11,285,756
Other taxes	739,797	763,828	-	-	739,797	763,828
Grants and contributions not restricted to specific programs	1,070,880	1,432,678	-	-	1,070,880	1,432,678
Other	435,861	570,580	4,587,361	823,717	5,023,222	1,394,297
Total revenues	22,314,698	24,128,795	32,091,114	30,400,600	54,405,812	54,529,395
Expenses:						
General government	5,607,880	5,081,990	-	-	5,607,880	4,081,990
Public safety	7,201,719	7,548,024	-	-	7,201,719	7,548,024
Public works	9,178,500	6,202,413	-	-	9,178,500	6,202,413
Cultural and recreation	708,727	868,862	-	-	708,727	868,862
City Judge's Office and Marshal	443,621	451,347	-	-	443,621	451,347
Interest on long-term debt	385,874	411,612	-	-	385,874	411,612
Electric	-	-	20,310,867	21,056,547	20,310,867	21,056,547
Water	-	-	1,696,490	1,887,754	1,696,490	1,887,754
Sewer	-	-	3,281,479	3,417,017	3,281,479	3,417,017
Regional airport	-	-	406,955	422,659	406,955	422,659
Ambulance service	-	-	422,861	388,903	422,861	388,903
Total expenses	23,526,321	20,564,248	26,118,652	27,172,880	49,644,973	47,737,128
Increase (decrease) in net assets before transfers	(1,211,623)	3,564,547	5,972,462	3,227,720	4,760,839	6,792,267
Transfers	2,695,283	2,830,683	(2,695,283)	(2,830,683)	-	-
Increase (decrease) in net assets	1,483,660	6,395,230	3,277,179	397,037	4,760,839	6,792,267
Net assets at beginning of year	74,678,563	68,283,333	45,168,374	44,771,337	119,846,937	113,054,670
Net assets at end of year	\$76,162,223	\$74,678,563	\$48,445,553	\$45,168,374	\$124,607,776	\$119,846,937

Revenues for the City's governmental activities for the year ended September 30, 2010, were \$22,314,698 compared to \$24,128,795 in 2009. The decrease of \$1,814,097 was largely due to the reduction of federal grants.

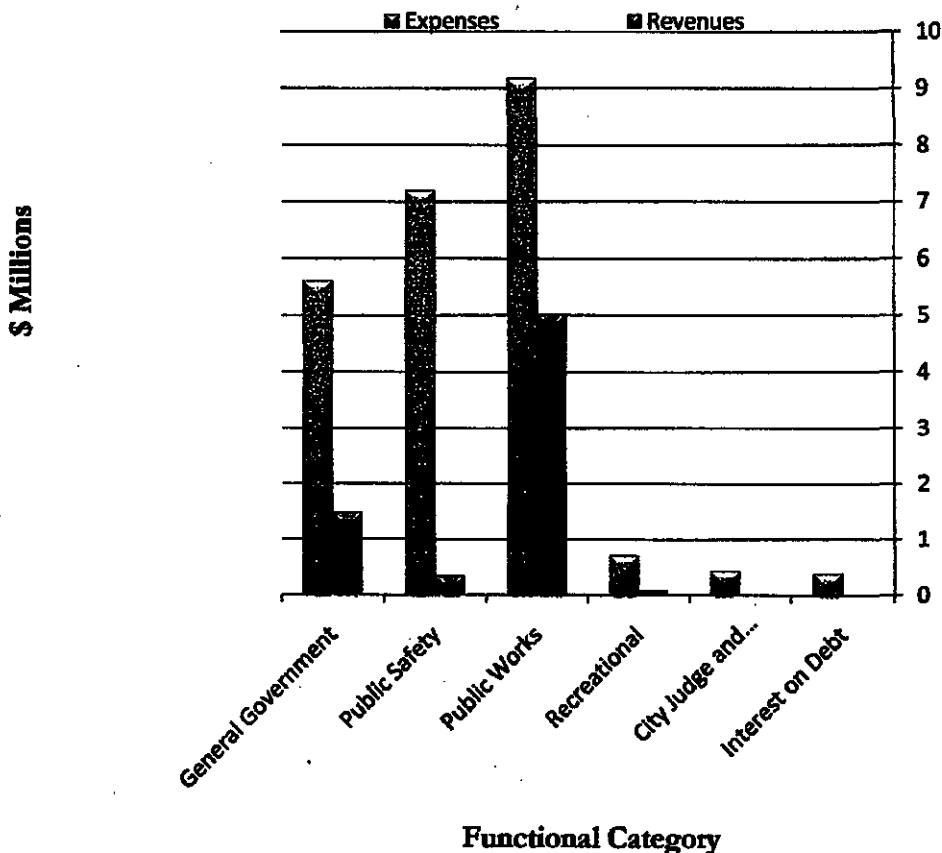
General revenues, specifically sales tax (52.3%), are the largest component of revenues.

Revenues by Sources – Governmental Activities



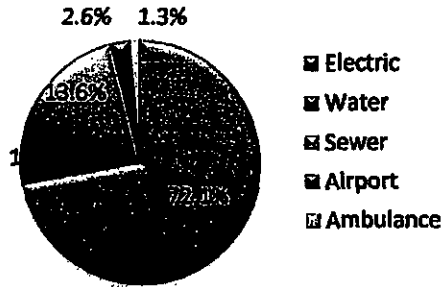
The cost of all governmental activities this year was \$23,526,321, an increase of approximately \$2,962,073 from 2009. The City's largest programs are general government, public safety, and public works. The graph below shows the expenses and program revenues generated by governmental activities.

Expenses and Program Revenues – Governmental Activities



Business-type Activities. Charges for services for the City of Ruston's business-type activities were \$26,195,298, a decrease of \$2,561,561 from 2009. This decrease resulted from a reduction in fuel adjustment revenue because of a decrease in the cost of energy.

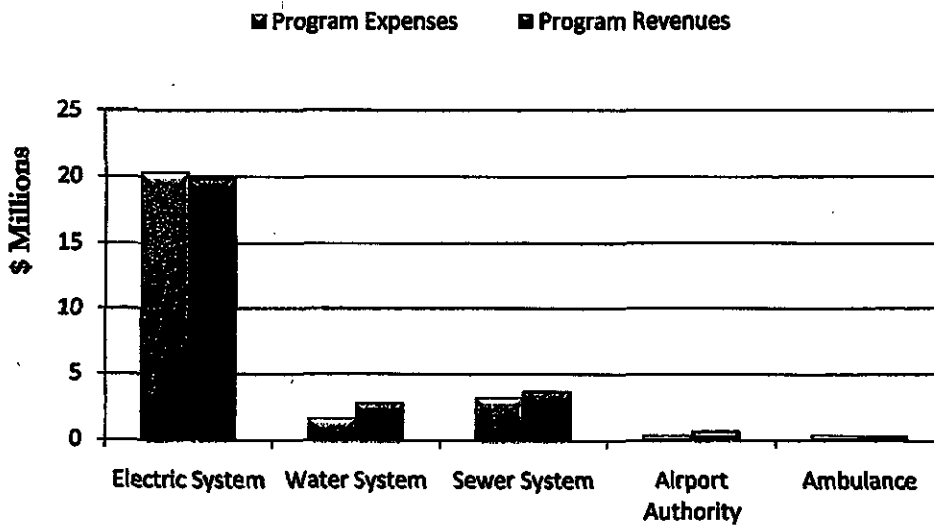
Revenue by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities

The costs of these activities were \$26,118,652, a decrease of \$1,054,228 from 2009. This decrease was due primarily to the decrease in the cost of energy for the Electric System Fund of approximately \$633,400.

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 \$13,548,966, a decrease of \$3,641,046 in comparison with the prior fiscal year. Of this amount, \$9,042,275, or 66.7% was unreserved, undesignated and available for spending. \$101,536 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 (\$2,652,817), (2) to pay debt service (\$1,685,151), or (3) for other restricted purposes (\$67,187).
- 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 \$3,488,849. The total (undesignated) is available for spending at the City Council's discretion. The fund balance of the General Fund decreased by \$4,705,656. A key factor in this decrease was a concerted effort to improve the City's infrastructure.
- The 1968 Sales Tax Fund has a total fund balance of \$627,682 all of which is unreserved, undesignated and available for spending for its specified purpose. Fund balance increased \$336,676 as a result of a decrease in transfers to the General Fund.
- The 1985 Sales Tax Fund has a total fund balance of \$1,214,759 all of which is unreserved, undesignated and available for spending for its specified purpose. Fund balance increased \$706,800 as a result of a decrease in transfers to the General Fund.
- The 1990 Sales Tax Fund has a total fund balance of \$474,311 all of which is unreserved, undesignated and available for spending for its specified purpose. Fund balance increased \$161,608 as a result of a decrease in transfers to the General Fund.
- The I-20 Fund has an unreserved fund balance of \$1,823,756. Total fund balance increased \$232,504 as a result of a decrease in capital outlay and an increase in incremental sales taxes received in excess of debt service requirements.

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 September 30, 2010, were \$3,278,257. Total net assets for the Electric System increased \$2,074,591 as a result of a settlement from Entergy whereby the City refunded approximately 50% of the settlement to current utility customers by crediting 100% of their electricity consumption charges for 1 month. The remainder of the settlement was retained to improve the electric system infrastructure.
- The unrestricted net assets for the Water System at September 30, 2010, were (\$248,849). Total net assets for the Water System increased \$729,539 primarily as a result of the capital contribution in the form of a federal grant used in the construction of a water tank.
- The unrestricted net assets for the Sewer System at September 30, 2010, were \$739,233. Total net assets for the Sewer System decreased \$113,134 as a result of a decrease in capital contributions.

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 8, 2009. 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 an increase to appropriate open purchase orders as of September 30, 2009. The open purchase orders were spread throughout various departments. Differences between the budget and the actual results of the General Fund are as follows:

Revenues

- Taxes were expected to be similar to prior year revenues. Actual revenues were more than budget by \$22,350 due to an increase in property taxes received.
- Intergovernmental revenues were expected to be similar to prior year revenues. Actual revenues were more than budget by \$464,035 due primarily to the grant for street improvements being budgeted for 2009 for the full amount of the grant when only 77% was received in 2010.
- Miscellaneous revenues were expected to be similar to prior year revenues. Actual revenues were more than budget by \$152,362 due primarily to increases in housing demolition revenues and rent on city property.

Expenditures

- Executive personnel expenditures were under budget by \$70,726 as a result of not being fully staffed.
- Executive operating services were under budget by \$370,132 as a result of encumbrances open at the end of the year.

- Executive improvements and equipment expenditures were under budget by \$238,887 as a result of projects not started.
- Civic center/city hall personnel expenditures were under budget by \$81,661 as a result of not being fully staffed.
- Police department operating services were under budget by \$90,476 as a result of utilities expenditures, equipment maintenance costs, and vehicle repair costs being lower than expected.
- Police department improvements and equipment were under budget by \$68,146 as a result of lower than expected costs during the fiscal year for the police department building.
- Fire department personnel expenditures were under budget by \$77,202 as a result of overtime expenditures and employee insurance expenditures being lower than expected.
- Street department personnel expenditures were under budget by \$95,172 as a result of not being fully staffed.
- Street department operating expenditures were under budget by \$421,367 as a result of encumbrances open at the end of the year.
- Street department improvements and equipment expenditures were under budget by \$2,131,951 as a result of encumbrances open at the end of the year.
- Solid waste materials and supplies were under budget by \$67,565 as a result of fuel expenditures, cost of supplies, and equipment to be accounted for purchases being lower than expected.
- Solid waste improvements and equipment expenditures were under budget by \$200,240 as a result of equipment being budgeted but not purchased.
- Repair shop department personnel expenditures were under budget by \$61,268 as a result of not being fully staffed.

Capital Assets and Debt Administration

Capital assets. The City of Ruston's investment in capital assets as of September 30, 2010, amounts to \$132,683,014 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	
	2010	2009	2010	2009	2010	2009
Land and land improvements	\$10,207,956	\$10,068,430	\$1,266,223	\$1,266,223	\$11,474,179	\$11,334,653
Buildings	2,515,352	2,624,737	820,021	876,746	3,335,373	3,501,483
System Improvement	-	-	22,049,142	23,392,685	22,049,142	23,392,685
Improvements other than buildings	4,057,236	4,325,698	2,328,952	2,639,107	6,386,188	6,964,805
Equipment	4,741,941	5,324,222	5,421,236	5,688,994	10,163,177	11,013,216
Infrastructure	17,941,129	15,569,031	-	-	17,941,129	15,569,031
Construction in progress	32,205,575	28,558,940	29,128,251	23,933,418	61,333,826	52,492,358
Total	\$71,669,189	\$66,471,058	\$61,013,825	\$57,797,173	\$132,683,014	\$124,268,231

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

- The purchase of 4 vehicles for the police department for approximately \$92,763.
- The completion of the Willow Glen Extension project for the I-20 fund for approximately \$1,963,134.
- The completion of the Georgia Avenue Reconduct project for the Electric fund for approximately \$105,620.
- The completion of the Automated Time Keeping System for the Electric fund for approximately \$111,098.
- The completion of the Clay Street project for the Street department for approximately \$761,091.
- The completion of the Spears Parking Lot for the Executive department for approximately \$161,708.

Long-term debt. At the end of the current fiscal year, the City of Ruston had total debt outstanding of \$27,900,966. The following table summarizes long-term debt outstanding at September 30, 2010.

	Outstanding Debt					
	Governmental		Business-type		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	-	-	-	-	-	-
Revenue bonds	\$8,425,000	\$8,970,000	\$740,000	\$1,010,000	\$9,165,000	\$9,980,000
DEQ Revolving Loan fund	-	-	16,563,607	16,947,193	16,563,607	16,947,193
DHH Revolving Loan fund	-	-	1,911,444	-	1,911,444	-
Due to State	-	-	260,915	347,885	260,915	347,885
Total	\$8,425,000	\$8,970,000	\$19,759,966	\$18,305,078	\$27,900,966	\$27,275,078

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 fiscal year 2010, the City dealt with a number of issues with City-wide impact. One of the factors was the national economy. Although the local economy is stable, the City is not immune to national economic trends. For the fiscal year 2011, the City budgeted for sales tax dollars to remain steady. Preliminary 2011 figures reflect a decrease of approximately 2.5%. National unemployment rates for September 2010 were slightly down at 9.65% compared to 9.8% at September 2009.

Spiraling health care costs nationwide continue to have an impact on City budgets, in addition to increasing retirement costs. In fiscal year 2011, the budgets will be required to provide more than \$2 million to pay the City's portion of health care premiums.

All of these factors were considered in preparing the City's budget for the fiscal year 2011.

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.

Basic Financial Statements

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CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 8,574,246	\$ 4,525,068	\$ 13,099,314	\$ 1,090,060
Investments	5,676,329	2,738,696	8,415,025	-
Receivables, net	2,052,581	1,273,323	3,325,904	2,378
Unbilled revenue	64,405	1,799,164	1,863,569	-
Due from other governments	-	410,628	410,628	6,252
Internal balances	1,048,582	(1,048,582)	-	-
Inventories	58,842	698,286	757,128	-
Prepaid items	41,240	1,130	42,370	1,433
Bond issue costs, net	63,939	48,370	112,309	-
Capital assets:				
Land and construction in progress	42,443,531	30,394,474	72,838,005	-
Other capital assets, net of depreciation	29,255,658	30,619,351	59,875,009	123,176
Total assets	<u>89,279,353</u>	<u>71,459,908</u>	<u>160,739,261</u>	<u>1,223,299</u>
LIABILITIES				
Accounts payable	387,787	2,206,528	2,594,315	14,663
Accrued liabilities	246,551	48,758	295,309	2,362
Accrued interest payable	27,776	117,017	144,793	-
Claims	596,182	-	596,182	-
Deposits	66,232	790,450	856,682	-
Non-current liabilities:				
Due within one year	840,000	993,972	1,833,972	-
Due in more than one year	9,354,297	18,857,630	28,211,927	-
Post employment benefit obligation	1,597,902	-	1,597,902	-
Total liabilities	<u>13,116,727</u>	<u>23,014,355</u>	<u>36,131,082</u>	<u>17,025</u>
NET ASSETS				
Invested in capital assets, net of related debt	63,274,189	44,230,218	107,504,407	123,176
Restricted for:				
Debt service	1,685,151	345,850	2,031,001	-
Unrestricted	11,202,883	3,869,485	15,072,368	1,085,318
Total net assets	<u>\$ 76,162,223</u>	<u>\$ 48,445,553</u>	<u>\$ 124,607,776</u>	<u>\$ 1,208,494</u>

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 5,607,880	\$ 173,557	\$ 1,284,860	\$ 29,301
Public safety	7,201,719	269,126	79,979	-
Public works	9,178,500	1,234,042	-	3,806,825
Cultural and recreation	708,727	74,774	-	-
City Judge and Marshal	443,621	-	-	-
Interest on long-term debt	385,874	-	-	-
Total governmental activities	<u>23,526,321</u>	<u>1,751,499</u>	<u>1,364,839</u>	<u>3,836,126</u>
Business-type activities:				
Electric System	20,310,867	19,833,453	-	-
Water System	1,696,490	2,273,545	-	577,444
Sewer System	3,281,479	3,709,981	-	19,939
Ruston Airport Authority	406,955	15,441	-	711,072
Ambulance	422,861	362,878	-	-
Total business-type activities	<u>26,118,652</u>	<u>26,195,298</u>	<u>-</u>	<u>1,308,455</u>
Total primary government	<u>\$49,644,973</u>	<u>\$27,946,797</u>	<u>\$ 1,364,839</u>	<u>\$ 5,144,581</u>
Component units:				
City Judge	471,508	556,568	-	-
City Marshal	321,677	307,831	-	-
Total component units	<u>\$ 793,185</u>	<u>\$ 864,399</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
\$ (4,120,162)	-	\$ (4,120,162)	-
(6,852,614)	-	(6,852,614)	-
(4,137,633)	-	(4,137,633)	-
(633,953)	-	(633,953)	-
(443,621)	-	(443,621)	-
(385,874)	-	(385,874)	-
<u>(16,573,857)</u>	<u>-</u>	<u>(16,573,857)</u>	<u>-</u>
-	\$ (477,414)	(477,414)	-
-	1,154,499	1,154,499	-
-	448,441	448,441	-
-	319,558	319,558	-
-	(59,983)	(59,983)	-
-	<u>1,385,101</u>	<u>1,385,101</u>	<u>-</u>
<u>(16,573,857)</u>	<u>1,385,101</u>	<u>(15,188,756)</u>	<u>-</u>
-	-	-	\$ 85,060
-	-	-	(13,846)
-	-	-	<u>71,214</u>
972,350	-	972,350	-
482,957	-	482,957	-
4,921,181	-	4,921,181	-
259,592	-	259,592	-
600,000	-	600,000	-
1,426,156	-	1,426,156	-
1,426,156	-	1,426,156	-
20,000	-	20,000	-
3,007,304	-	3,007,304	-
311,246	-	311,246	-
10,266	-	10,266	-
418,285	-	418,285	-
1,070,880	-	1,070,880	-
110,887	48,752	159,639	15,043
324,974	4,538,609	4,863,583	-
2,695,283	(2,695,283)	-	-
<u>18,057,517</u>	<u>1,892,078</u>	<u>19,949,595</u>	<u>15,043</u>
1,483,660	3,277,179	4,760,839	86,257
74,678,563	45,168,374	119,846,937	1,120,480
<u>\$ 76,162,223</u>	<u>\$ 48,445,553</u>	<u>\$ 124,607,776</u>	<u>\$ 1,206,737</u>

CITY OF RUSTON, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General	1968 Sales Tax
ASSETS		
Cash and cash equivalents	\$ 523,863	\$ 1,643,743
Investments	3,554,321	-
Receivables, net	478,624	229,635
Unbilled revenues	64,405	-
Due from other funds	1,150,551	-
Inventories, at cost	58,842	-
Prepaid items	8,345	-
Total assets	\$ 5,838,951	\$ 1,873,378
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 212,957	-
Accrued liabilities	238,251	-
Due to other funds	125,418	\$ 1,245,696
Deposits and deferred charges	66,207	-
Total liabilities	642,833	1,245,696
Fund Balances:		
Reserved for:		
Debt service	-	-
Encumbrances	1,640,082	-
Inventories	58,842	-
Prepaid items	8,345	-
Unreserved, undesignated	3,488,849	627,682
Unreserved, designated reported in nonmajor:		
Capital project funds	-	-
Unreserved, undesignated, reported in nonmajor:		
Special revenue funds	-	-
Total fund balances	5,196,118	627,682
Total liabilities and fund balances	\$ 5,838,951	\$ 1,873,378

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

<u>1985 Sales Tax</u>	<u>1990 Sales Tax</u>	<u>I-20 Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	-	\$ 2,731,253	\$ 2,523,677	\$ 7,422,536
-	-	-	-	3,554,321
\$ 344,451	\$ 229,635	-	767,584	2,049,929
-	-	-	-	64,405
1,001,020	244,676	4,365	212,834	2,613,446
-	-	-	-	58,842
-	-	-	-	8,345
<u>\$ 1,345,471</u>	<u>\$ 474,311</u>	<u>\$ 2,735,618</u>	<u>\$ 3,504,095</u>	<u>\$ 15,771,824</u>
\$ -	-	\$ 60,031	\$ 57,227	\$ 330,215
-	-	-	5,896	244,147
130,712	-	58,133	22,305	1,582,264
-	-	-	25	66,232
<u>130,712</u>	<u>-</u>	<u>118,164</u>	<u>85,453</u>	<u>2,222,858</u>
-	-	-	1,685,151	1,685,151
-	-	793,698	219,037	2,652,817
-	-	-	-	58,842
-	-	-	-	8,345
1,214,759	\$ 474,311	1,823,756	-	7,629,357
-	-	-	101,536	101,536
-	-	-	1,412,918	1,412,918
<u>1,214,759</u>	<u>474,311</u>	<u>2,617,454</u>	<u>3,418,642</u>	<u>13,548,966</u>
<u>\$ 1,345,471</u>	<u>\$ 474,311</u>	<u>\$ 2,735,618</u>	<u>\$ 3,504,095</u>	<u>\$ 15,771,824</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, 2010

Fund balances - total governmental funds		\$13,548,966
<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	92,945,926	
Less accumulated depreciation	<u>(21,250,631)</u>	71,695,295
<p>Unfunded post employment benefit obligations are not financial resources and therefore are not reported in the funds</p>		
		(1,597,902)
<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		63,939
<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	(27,776)	
Compensated absences	(1,760,862)	
Bonds, notes, and loans payable	<u>(8,425,000)</u>	(10,213,638)
<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>2,665,563</u>
Net assets of governmental activities		<u>\$76,162,223</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, 2010

	<u>General</u>	<u>1968 Sales Tax</u>	<u>1985 Sales Tax</u>
REVENUES			
Taxes:			
Property	\$ 972,350	-	-
Sales	-	\$ 2,472,312	\$ 3,708,461
Licenses and permits	913,354	-	-
Intergovernmental	1,902,225	-	-
Charges for services	1,228,813	-	-
Fines and forfeitures	274,355	-	-
Investment earnings	101,186	171	191
Miscellaneous	316,462	-	-
Total revenues	<u>5,708,745</u>	<u>2,472,483</u>	<u>3,708,652</u>
EXPENDITURES			
Current:			
General government	2,984,068	35,807	45,829
Public safety	8,227,495	-	-
Public works	8,292,352	-	-
Culture and recreation	-	-	-
City Court and Marshal	435,357	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>19,939,272</u>	<u>35,807</u>	<u>45,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,230,527)</u>	<u>2,436,676</u>	<u>3,662,823</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	9,892,607	-	-
Transfers out	(367,736)	(2,100,000)	(2,956,023)
Total other financing sources and (uses)	<u>9,524,871</u>	<u>(2,100,000)</u>	<u>(2,956,023)</u>
Net change in fund balances	<u>(4,705,656)</u>	<u>336,676</u>	<u>706,800</u>
Fund balances - beginning	9,901,774	291,006	507,959
Fund balances - ending	<u>\$ 5,196,118</u>	<u>\$ 627,682</u>	<u>\$ 1,214,759</u>

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

<u>1990 Sales Tax</u>	<u>I-20 Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	-	\$ 482,957	\$ 1,455,307
\$ 2,472,312	-	3,007,304	11,660,389
-	-	-	913,354
-	\$ 29,301	1,284,860	3,216,386
-	-	74,774	1,303,587
-	-	-	274,355
36	1,592	7,711	110,887
-	-	8,513	324,975
<u>2,472,348</u>	<u>30,893</u>	<u>4,866,119</u>	<u>19,259,240</u>
30,740	4,000	1,241,403	4,341,847
-	-	-	8,227,495
-	-	-	8,292,352
-	-	880,288	880,288
-	-	-	435,357
-	-	545,000	545,000
-	-	379,431	379,431
-	2,389,709	104,090	2,493,799
<u>30,740</u>	<u>2,393,709</u>	<u>3,150,212</u>	<u>25,595,569</u>
<u>2,441,608</u>	<u>(2,362,816)</u>	<u>1,715,907</u>	<u>(6,336,329)</u>
-	2,595,320	506,435	12,994,362
(2,280,000)	-	(2,595,320)	(10,299,079)
<u>(2,280,000)</u>	<u>2,595,320</u>	<u>(2,088,885)</u>	<u>2,695,283</u>
161,608	232,504	(372,978)	(3,641,046)
312,703	2,384,950	3,791,620	17,190,012
<u>\$ 474,311</u>	<u>\$ 2,617,454</u>	<u>\$ 3,418,642</u>	<u>\$ 13,548,966</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, 2010

Net change in fund balances - total governmental funds		\$ (3,641,046)
<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	\$ 6,849,559	
Depreciation expense	<u>(1,790,954)</u>	5,058,605
<p>Donations of capital assets increase net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial revenues.</p>		
		3,055,459
<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>		
		(2,885,933)
<p>Post employment benefit obligation</p>		
		(798,951)
<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	<u>545,000</u>	545,000
<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	(8,364)	
Decrease in compensated absences	20,516	
Decrease in accrued interest	<u>1,921</u>	14,073
<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>136,453</u>
Change in net assets of governmental activities		<u>\$ 1,483,660</u>

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Funds			
	Major Funds					Total	
Electric System	Water System	Sewer System	Airport Authority	Ambulance			
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 3,243,491	\$ 419,159	\$ 281,967	\$ 222,871	\$ 97,540	\$ 4,265,028	\$ 1,151,710
Investments	1,132,544	602,521	-	-	-	1,735,065	2,122,008
Receivables, net	987,823	106,160	151,320	-	28,020	1,273,323	2,652
Unbilled revenue	1,400,730	170,105	228,329	-	-	1,799,164	-
Due from other funds	35,158	543,592	673,553	58,133	276	1,310,712	17,715
Due from other governments	-	167,223	-	240,905	2,500	410,628	-
Inventories	473,812	185,580	38,894	-	-	698,286	-
Prepaid items	915	-	-	-	215	1,130	32,895
Total current assets	7,274,473	2,194,340	1,374,063	521,909	128,551	11,493,336	3,326,980
Noncurrent assets:							
Restricted:							
Cash and cash equivalents	12,470	40,391	207,179	-	-	260,040	-
Investments	898,956	-	104,675	-	-	1,003,631	-
Capital assets:							
Land	-	-	-	-	-	-	-
Construction in progress	622,501	75,070	218,801	349,851	-	1,266,223	-
Buildings	6,897,067	3,142,130	18,034,971	1,054,083	-	29,128,251	-
Improvements other than buildings	2,112,128	139,934	151,353	407,215	-	2,810,630	13,080
Equipment	-	-	-	6,060,391	-	6,060,391	-
Distribution and collection systems	20,616,258	810,683	6,110,579	231,289	612,312	28,381,071	48,123
Less accumulated depreciation	27,057,078	10,698,996	19,608,972	-	-	57,365,046	-
Total capital assets (net of accumulated depreciation)	(37,628,931)	(7,774,983)	(14,305,097)	(3,966,207)	(322,569)	(63,997,787)	(57,712)
Deferred bond costs, at cost less amortization	19,676,101	7,091,830	29,819,579	4,136,572	289,743	61,013,825	3,491
Total noncurrent assets	20,587,527	43,033	5,337	4,136,572	289,743	48,370	3,491
Total assets	\$ 27,862,000	\$ 9,369,594	\$ 31,510,833	\$ 4,658,481	\$ 418,294	\$ 73,819,202	\$ 3,330,471

	Business-type Activities				Governmental Activities	
	Enterprise Funds					Internal Service Funds
	Major Funds	Nonmajor Funds	Total			
Electric System	Water System	Sewer System	Alipor Authority	Ambulance		
LIABILITIES						
Current liabilities						
Accounts payable	\$ 1,528,673	\$ 360,468	\$ 22,548	\$ 286,654	\$ 8,185	\$ 2,206,528
Accrued liabilities	28,062	5,936	10,074	-	4,686	48,758
Due to other funds	2,074,241	14,831	66,721	4,000	199,501	2,359,294
Claims and judgments	-	-	-	-	-	-
Compensated absences	5,000	2,000	2,000	-	6,000	15,000
Total current liabilities	<u>3,635,976</u>	<u>383,235</u>	<u>101,343</u>	<u>290,654</u>	<u>218,372</u>	<u>4,629,580</u>
Current liabilities payable from restricted assets:						
Customer deposits	784,055	-	6,395	-	-	790,450
Bonds payable	-	-	280,000	-	-	280,000
DEG Revolving Loan fund	-	-	520,000	-	-	520,000
DHH Revolving Loan fund	-	92,000	-	-	-	92,000
Due to LADOTD	37,148	49,824	-	-	-	86,972
Accrued interest	117,017	-	-	-	-	117,017
Total current liabilities payable from restricted assets	<u>938,220</u>	<u>141,824</u>	<u>806,395</u>	<u>-</u>	<u>-</u>	<u>1,886,439</u>
Noncurrent liabilities:						
Compensated absences	259,150	42,072	18,824	-	40,590	360,636
Bonds payable	-	-	460,000	-	-	460,000
DEG Revolving Loan fund	-	-	16,043,607	-	-	16,043,607
DHH Revolving Loan fund	-	1,819,444	-	-	-	1,819,444
Due to LADOTD	74,296	99,647	-	-	-	173,943
Total noncurrent liabilities	<u>333,446</u>	<u>1,961,163</u>	<u>16,522,431</u>	<u>-</u>	<u>40,590</u>	<u>18,857,630</u>
Total liabilities	<u>4,907,642</u>	<u>2,486,222</u>	<u>17,430,169</u>	<u>290,654</u>	<u>258,962</u>	<u>25,373,649</u>
NET ASSETS						
Invested in capital assets, net of related debt	19,676,101	7,091,830	13,035,972	4,136,572	289,743	44,230,218
Restricted for debt service	-	40,391	305,459	-	-	345,850
Unrestricted (deficit)	<u>3,278,257</u>	<u>(248,849)</u>	<u>739,233</u>	<u>231,255</u>	<u>(130,411)</u>	<u>3,869,485</u>
Total net assets (deficit)	<u>\$ 22,954,358</u>	<u>\$ 6,883,372</u>	<u>\$ 14,080,664</u>	<u>\$ 4,367,827</u>	<u>\$ 159,332</u>	<u>\$ 48,445,553</u>

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

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CITY OF RUSTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities						Governmental Activities Internal Service Funds
	Major Funds			Nonmajor Funds			
	Electric System	Water System	Sewer System	Airport Authority	Ambulance	Total	
OPERATING REVENUES							
Charges for services	\$ 19,833,453	\$ 2,273,545	\$ 3,709,981	\$ 15,441	\$ 362,878	\$ 26,195,298	\$ 28,936
Charges to other funds	-	-	-	-	-	-	3,325,496
Premiums paid by retired employees	-	-	-	-	-	-	274,677
Rent income	35,419	-	-	16,875	-	52,294	-
Miscellaneous	4,348,232	94,777	43,183	123	-	4,486,315	3,300
Total operating revenues	<u>24,217,104</u>	<u>2,368,322</u>	<u>3,753,164</u>	<u>32,439</u>	<u>362,878</u>	<u>30,733,907</u>	<u>3,632,409</u>
OPERATING EXPENSES							
Personal services	2,065,925	468,028	732,516	-	280,514	3,546,983	180,113
Operating services	1,193,284	591,084	825,098	49,997	19,658	2,679,121	10,782
Materials and supplies	15,510,714	195,006	134,326	1,863	72,491	15,914,400	8,908
Travel and other	39,544	1,392	4,132	122	24,231	69,420	1,505
Depreciation	1,501,400	418,594	968,062	354,973	25,967	3,268,997	403
Claims	-	-	-	-	-	-	2,489,070
Insurance premiums	-	-	-	-	-	-	840,134
Total operating expenses	<u>20,310,867</u>	<u>1,674,103</u>	<u>2,664,134</u>	<u>406,955</u>	<u>422,861</u>	<u>25,478,920</u>	<u>3,530,915</u>
Operating income (loss)	<u>3,906,237</u>	<u>694,219</u>	<u>1,089,030</u>	<u>(374,516)</u>	<u>(59,983)</u>	<u>5,254,987</u>	<u>101,494</u>
NONOPERATING REVENUES (EXPENSES)							
Investment earnings	35,117	6,875	6,446	249	65	48,752	34,959
Interest expense	-	(20,122)	(614,676)	-	-	(634,798)	-
Amortization	-	(2,265)	(2,669)	-	-	(4,934)	-
Total nonoperating revenues (expenses)	<u>35,117</u>	<u>(15,512)</u>	<u>(610,899)</u>	<u>249</u>	<u>65</u>	<u>(590,980)</u>	<u>34,959</u>
Income (loss) before contributions and transfers	3,941,354	678,707	478,131	(374,267)	(59,918)	4,664,007	136,453
Capital contributions	-	577,444	19,939	711,072	-	1,308,455	-
Transfers in	-	-	-	309,296	-	309,296	-
Transfers out	(1,866,763)	(526,612)	(611,204)	-	-	(3,004,579)	-
Change in net assets	<u>2,074,591</u>	<u>729,539</u>	<u>(113,134)</u>	<u>646,101</u>	<u>(59,918)</u>	<u>3,277,179</u>	<u>136,453</u>
Total net assets (deficit) - beginning	<u>20,879,767</u>	<u>6,153,833</u>	<u>14,193,798</u>	<u>3,721,726</u>	<u>219,250</u>	<u>45,168,374</u>	<u>2,529,110</u>
Total net assets (deficit) - ending	<u>\$ 22,954,358</u>	<u>\$ 6,883,372</u>	<u>\$ 14,080,664</u>	<u>\$ 4,367,827</u>	<u>\$ 159,332</u>	<u>\$ 48,445,553</u>	<u>\$ 2,665,563</u>

CITY OF RUSTON, LOUISIANA
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds						
	Major Funds	Sewer System	Alipool Authority	Nonmajor Funds	Ambulance	Total	
	Electric System	Water System					
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from operations	\$ 19,503,490	\$ 1,926,773	\$ 3,692,563	\$ 32,710	\$ 433,613	\$ 25,589,149	\$ 3,600,596
Payments to suppliers	(15,951,532)	(435,596)	(1,051,551)	(47,982)	(112,703)	(17,599,364)	(826,378)
Payments to employees	(2,262,889)	(494,164)	(794,760)	-	(112,807)	(3,664,620)	(1,866,394)
Claim payments	-	-	-	-	-	-	(2,475,479)
Other receipts	4,383,651	94,777	43,183	123	-	4,521,734	32,236
Net cash provided by operating activities	5,672,720	1,091,790	1,889,435	(15,149)	208,103	8,846,899	144,581
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers in	-	-	-	309,296	-	309,296	-
Transfers out	(1,866,763)	(526,612)	(611,204)	-	-	(3,004,579)	-
Net cash provided by (used in) noncapital financing activities	(1,866,763)	(526,612)	(611,204)	309,296	-	(2,695,283)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	(2,092,208)	(2,882,271)	(329,281)	(689,946)	(211,151)	(6,204,857)	-
Capital contributions	-	577,444	19,939	470,167	-	1,067,550	-
Bond issuance costs	-	(29,790)	-	-	-	(29,790)	-
DEQ Revolving Loan fund	-	1,911,444	116,413	-	-	2,027,857	-
Payable to State	(37,149)	(49,821)	(770,000)	-	-	(84,970)	-
Principal paid on debt	(8,624)	(20,122)	(614,676)	-	-	(700,000)	-
Interest paid on debt	-	-	-	-	-	(643,422)	-
Net cash used in capital and related financing activities	(2,137,981)	(493,116)	(1,577,605)	(219,779)	(211,151)	(4,639,632)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from sales and maturities of investments	-	628,696	-	-	-	628,696	-
Purchase of investments	(22,448)	(602,521)	(1,800)	-	-	(624,769)	(30,851)
Interest and dividends received	35,117	6,875	6,446	249	65	48,752	34,959
Net cash provided by (used in) investing activities	12,669	33,050	4,646	249	65	50,679	4,108
Net increase (decrease) in cash and cash equivalents	1,480,645	105,112	(294,728)	74,617	(2,983)	1,562,663	148,689
Cash and cash equivalents, beginning of year	1,575,316	354,438	783,874	148,254	100,523	2,962,405	1,003,021
Cash and cash equivalents, end of year	\$ 3,255,961	\$ 459,550	\$ 489,146	\$ 222,871	\$ 97,540	\$ 4,525,068	\$ 1,151,710
Noncash item:							
Amortization	-	2,265	-	-	-	2,669	4,934

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Funds			
	Major Funds	Sewer System	Airport Authority	Ambulance	Total		
	Electric System	Water System					
Operating income (loss)	\$ 3,906,237	\$ 694,219	\$ 1,089,030	\$ (374,516)	\$ (59,983)	\$ 5,254,987	\$ 101,494
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	1,501,400	418,594	968,062	354,973	25,967	3,268,996	403
(Increase) Decrease in assets:							
Receivables	(327,653)	(236,712)	(11,168)	58,053	70,735	(446,745)	423
Due from other funds	(35,158)	(110,060)	(6,370)	(57,659)	-	(209,247)	(17,715)
Inventories	3,795	5,635	2,375	-	-	11,805	-
Prepaid items	(915)	-	-	-	(215)	(1,130)	(22,923)
Increase (Decrease) in liabilities:							
Accounts payable	(29,690)	335,049	(72,320)	-	3,953	236,992	51,743
Accrued liabilities	(68,437)	(17,936)	(30,507)	-	(8,138)	(125,018)	(106,169)
Due to other funds	817,905	11,201	(18,050)	4,000	178,549	993,605	(354)
Customers' deposits	32,848	-	120	-	(2,765)	30,203	-
Claims and judgments	(127,612)	-	-	-	-	(127,612)	137,791
Compensated absences	-	(8,200)	(31,737)	-	-	(39,937)	(112)
Total adjustments	1,766,483	397,571	800,405	359,367	268,086	3,591,912	43,087
Net cash provided by operating activities	\$ 5,672,720	\$ 1,091,790	\$ 1,889,435	\$ (15,149)	\$ 208,103	\$ 8,846,899	\$ 144,581

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

(Increase) Decrease in assets:

Receivables

Due from other funds

Inventories

Prepaid items

Increase (Decrease) in liabilities:

Accounts payable

Accrued liabilities

Due to other funds

Customers' deposits

Claims and judgments

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, 2010

	<u>Ruston City Judge's Office</u>	<u>Ruston City Marshal's Office</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,013,829	\$ 76,231	\$ 1,090,060
Investments	-	-	-
Receivables	-	2,378	2,378
Prepaid items	-	1,433	1,433
Due from governmental units	6,252	-	6,252
Capital assets, net of depreciation	88,288	34,888	123,176
Total assets	<u>1,108,369</u>	<u>114,930</u>	<u>1,223,299</u>
LIABILITIES			
Accounts payable	13,345	1,318	14,663
Accrued liabilities	2,362	-	2,362
Non-current liabilities:			
Due within one year	-	-	-
Total liabilities	<u>15,707</u>	<u>1,318</u>	<u>17,025</u>
NET ASSETS			
Invested in capital assets, net of related debt	88,288	34,888	123,176
Unrestricted	1,006,594	78,724	1,085,318
Total net assets	<u>\$ 1,094,882</u>	<u>\$ 113,612</u>	<u>\$ 1,208,494</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, 2010

	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Ruston City Judge's Office</u>	<u>Ruston City Marshal's Office</u>	<u>Total</u>
City Judge Judicial	\$ 471,508	\$ 556,568	\$ 85,060	-	\$ 85,060
City Marshal Judicial	<u>321,677</u>	<u>307,831</u>	<u>-</u>	<u>\$ (13,846)</u>	<u>(13,846)</u>
	<u>\$ 793,185</u>	<u>\$ 864,399</u>	85,060	(13,846)	71,214
General Revenues:					
Interest earnings			15,043	1,757	16,800
Total general revenues			<u>15,043</u>	<u>1,757</u>	<u>16,800</u>
Change in net assets			100,103	(12,089)	88,014
Net assets - beginning			994,779	125,701	1,120,480
Net assets - ending			<u>\$ 1,094,882</u>	<u>\$ 113,612</u>	<u>\$ 1,208,494</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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

The component unit's 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, 2010.

City Marshal

The Ruston City Marshal is an elected official. The City Marshal is fiscally dependent on the City. The City has the ability to modify or approve the budget which comes from the General Fund. Certain funds are collected such as court costs, pursuant to state statute, which are under the control of the City Marshal. The City Marshal serves the citizenry of the City. The financial statements of the City Marshal included in the accompanying financial statements are as of and for the fiscal year ended September 30, 2010.

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

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

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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

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.

Union Lincoln Regional Water Supply Initiative

The Initiative is an independent agency that develops and utilizes any and all alternate water sources within Lincoln and Union parishes to reduce the consumption of water from the Sparta Aquifer. The Initiative is a joint venture. The City does retain an ongoing financial 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

Union Lincoln Regional Water Supply Initiative
407 S. Main Street
Farmerville, Louisiana 71241

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, 2010

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.

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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

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.

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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

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

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

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

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

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.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

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 government'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 \$5,000. The

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

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, 2010 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
Notes to Financial Statements
For the Year Ended September 30, 2010

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
Notes to Financial Statements
For the Year Ended September 30, 2010

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, 2008.

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
Notes to Financial Statements
For the Year Ended September 30, 2010

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, 2010, the carrying amount of the City's deposits was \$20,671,485 and the bank balance was \$22,009,898. The difference is due to the outstanding checks and deposits in transit at September 30, 2010.

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, 2010, 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, 2010. 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.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

	CATEGORY			Carrying Amount & Fair Value
	1	2	3	
U.S. government and U.S. government agency securities	\$84,956	\$ -	\$ -	\$84,956
Louisiana Asset Management Pool				<u>757,836</u>
Total Investments				842,792
Total Deposits				<u>19,828,693</u>
Total cash, cash equivalents & investments, including restricted cash and investments				<u>\$20,671,485</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 \$938,303 at September 30, 2010.

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 \$160,986,617 and \$161,372,110 in 2010 and 2009, respectively. The distribution of the City's levy (tax rate per \$1,000 assessed value) was, as follows, for 2010 and 2009:

	Levy
	<u>2010 & 2009</u>
General Fund	6.04
Recreation Tax	<u>3.00</u>
	<u>9.04</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

4. RECEIVABLES

Receivables as of September 30, 2010, 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	\$156,222	-	\$527,753	(\$205,351)	\$478,624
1968 Sales Tax	-	\$229,635	-	-	229,635
1985 Sales Tax	-	344,451	-	-	344,451
1990 Sales Tax	-	229,635	-	-	229,635
Nonmajor governmental funds	-	763,773	3,810	-	767,583
Total governmental activities	<u>\$156,222</u>	<u>\$1,567,494</u>	<u>\$531,563</u>	<u>(\$205,351)</u>	<u>\$2,049,928</u>
Business-type activities:					
Electric System	\$2,194,752	-	-	(\$1,206,929)	\$987,823
Water System	283,785	-	-	(177,625)	106,160
Sewer System	460,115	-	-	(308,795)	151,320
Nonmajor business-type activities	62,984	-	-	(34,964)	28,020
Total business-type activities	<u>\$3,001,636</u>	<u>-</u>	<u>-</u>	<u>(\$1,728,313)</u>	<u>\$1,273,323</u>

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance September 30, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2010</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$10,068,430	\$169,526	-	\$10,207,956
Construction in progress	28,558,940	6,532,568	(\$2,885,933)	32,205,575
Total capital assets, not being depreciated	<u>38,627,370</u>	<u>6,702,094</u>	<u>(2,885,933)</u>	<u>42,443,531</u>
Capital assets, being depreciated:				
Buildings	5,071,097	35,844	-	5,106,941
Improvements other than buildings	7,773,106	-	-	7,773,106
Equipment	13,963,091	281,147	-	14,244,238
Infrastructure	20,553,380	2,885,933	-	23,439,313
Total capital assets being depreciated	47,360,674	3,202,924	-	50,563,598
Less accumulated depreciation for:				
Buildings	(2,446,360)	(145,229)	-	(2,591,589)
Improvements other than buildings	(3,447,408)	(268,462)	-	(3,715,870)
Equipment	(8,638,869)	(863,428)	-	(9,502,297)
Infrastructure	(4,984,349)	(513,835)	-	(5,498,184)
Total accumulated depreciation	<u>(19,516,986)</u>	<u>(1,790,954)</u>	<u>-</u>	<u>(21,307,940)</u>
Total capital assets, being depreciated, net	<u>27,843,688</u>	<u>1,411,970</u>	<u>-</u>	<u>29,225,658</u>
Governmental activities capital assets, net	<u>\$66,471,058</u>	<u>\$8,114,064</u>	<u>(\$2,885,933)</u>	<u>\$71,699,189</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

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 \$24,233,869 for I-20 Infrastructure projects; \$2,176,562 for the Police Department building; \$1,974,428 for the Streetscape project; \$2,917,726 for the Public Works Complex Additions; \$270,219 for the Martin Luther King Extension; \$12,212 for the Frazier Road project; \$91,289 for the Lewis Street project; \$217,416 for the Tech Research Park Line & Grade and Homer Street Reconstruction project; \$50,932 for the Turn Lane at Georgia Avenue and Vienna Street project; \$1,697 for the Colorado Avenue Improvements project; \$6,693 for the Replacement of the Oakdale Street Bridge project; \$6,693 for the Replacement of the Taylor Street Bridge project; \$58,433 for the Trenton Street Drainage project; \$104,090 for the LCDBG Sewer Rehabilitation project; \$14,211 for the Memorial Park and Pool project; \$255 for the Woodland Park project; \$22,768 for the Duncan Park Playground project; \$1,521 for the Cook Park project; \$16,931 for the JC Love Complex project; \$18,877 for the Huckleberry Trails Park project; \$5,102 for the Bobby James Gym project; and \$3,650 for the RPAR Office project.

	Balance September 30, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2010</u>
Business-type activities:				
Electric System				
Capital assets, not being depreciated:				
Land	\$622,501	-	-	\$622,501
Construction in progress	<u>5,648,069</u>	<u>1,465,717</u>	<u>(\$216,719)</u>	<u>6,897,067</u>
Total capital assets, not being depreciated	<u>6,270,570</u>	<u>1,465,717</u>	<u>(216,719)</u>	<u>7,519,568</u>
Capital assets, being depreciated:				
Buildings	2,112,128	-	-	2,112,128
System Improvement	26,416,271	640,807	-	27,057,078
Equipment	<u>20,413,855</u>	<u>202,403</u>	-	<u>20,616,258</u>
Total capital assets being depreciated	48,942,254	843,210	-	49,785,464
Less accumulated depreciation for:				
Buildings	(1,680,429)	(36,888)	-	(1,717,317)
System Improvement	(15,883,943)	(1,160,858)	-	(17,044,801)
Equipment	<u>(18,563,159)</u>	<u>(303,654)</u>	-	<u>(18,866,813)</u>
Total accumulated depreciation	<u>(36,127,531)</u>	<u>(1,501,400)</u>	-	<u>(37,628,931)</u>
Total capital assets, being depreciated, net	<u>12,814,723</u>	<u>(658,190)</u>	-	<u>12,156,533</u>
Electric System capital assets, net	<u>\$19,085,293</u>	<u>\$807,527</u>	<u>(\$216,719)</u>	<u>\$19,676,101</u>

Construction in progress for the electric system consisted of \$1,538,493 for the McDonald Avenue Substation upgrade; \$1,012,621 for the 69 kV Transmission Line Upgrade; \$2,353,938 on the Public Works Complex Additions; \$151,989 for the Fiber Optic Installation project; \$1,165,032 on the Advanced Metering Infrastructure project; \$247,818 on the Nexus Fiber project; \$353,310 for the Smart Grid Initiative project; \$6,014 for the Customer Service office and Information Technology Improvements project; \$15,256 for the City Hall Renovations project; and \$52,596 for the Water Well project.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

	Balance September 30, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2010</u>
Water System				
Capital assets, not being depreciated:				
Land	\$75,070	-	-	\$75,070
Construction in progress	<u>278,308</u>	<u>\$2,863,822</u>	=	<u>3,142,130</u>
Total capital assets, not being depreciated	<u>353,378</u>	<u>2,863,822</u>	=	<u>3,217,200</u>
Capital assets, being depreciated:				
Buildings	139,934	-	-	139,934
System Improvement	10,679,947	19,049	-	10,698,996
Equipment	<u>810,683</u>	=	=	<u>810,683</u>
Total capital assets being depreciated	11,630,564	19,049	-	11,649,613
Less accumulated depreciation for:				
Buildings	(103,683)	(4,092)	-	(107,775)
System Improvement	(6,630,879)	(361,085)	-	(6,991,964)
Equipment	<u>(621,828)</u>	<u>(53,416)</u>	=	<u>(675,244)</u>
Total accumulated depreciation	<u>(7,356,390)</u>	<u>(418,593)</u>	=	<u>(7,774,983)</u>
Total capital assets, being depreciated, net	<u>4,274,174</u>	<u>(399,544)</u>	=	<u>3,874,630</u>
Water System capital assets, net	<u>\$4,627,552</u>	<u>\$2,464,278</u>	=	<u>\$7,091,830</u>

Construction in progress for the water system consisted of \$2,570,566 for the new Elevated Water Storage Tank; \$48,547 for the Master Plan for development of water distribution system; \$91,462 for the Colorado Avenue, California Avenue, and Trenton Street Water project; and \$317,745 for the Vienna Line Replacement project.

	Balance September 30, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2010</u>
Sewer System				
Capital assets, not being depreciated:				
Land	\$218,801	-	-	\$218,801
Construction in progress	<u>17,923,094</u>	<u>\$111,877</u>	=	<u>18,034,971</u>
Total capital assets, not being depreciated	<u>18,141,895</u>	<u>111,877</u>	=	<u>18,253,772</u>
Capital assets, being depreciated:				
Buildings	151,353	-	-	151,353
System Improvement	19,608,972	-	-	19,608,972
Equipment	<u>5,893,175</u>	<u>217,404</u>	=	<u>6,110,579</u>
Total capital assets being depreciated	25,653,500	217,404	-	25,653,500
Less accumulated depreciation for:				
Buildings	(54,237)	(4,198)	-	(58,435)
System Improvement	(10,797,683)	(481,456)	-	(11,279,139)
Equipment	<u>(2,485,115)</u>	<u>(482,408)</u>	=	<u>(2,967,523)</u>
Total accumulated depreciation	<u>(13,337,035)</u>	<u>(968,062)</u>	=	<u>(14,305,097)</u>
Total capital assets, being depreciated, net	<u>12,316,465</u>	<u>(750,658)</u>	=	<u>11,565,807</u>
Sewer System capital assets, net	<u>\$30,458,360</u>	<u>\$638,781</u>	=	<u>\$29,819,579</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

Construction in progress consisted of \$17,287,446 for the Wastewater Treatment Plant Upgrade; and \$24,100 for the Trenton Street to Georgia Avenue and Maryland Avenue Sewer Rehabilitation project.

	Balance September 30, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2010</u>
Airport Authority				
Capital assets, not being depreciated:				
Land	\$349,851	-	-	\$349,851
Construction in progress	<u>83,947</u>	<u>\$970,136</u>	=	<u>1,054,083</u>
Total capital assets, not being depreciated	376,076	970,136	-	1,403,934
Capital assets, being depreciated:				
Buildings	407,215	-	-	407,215
Runways, aprons, and taxiways	6,060,391	-	-	6,060,391
Equipment	<u>231,239</u>	=	=	<u>231,239</u>
Total capital assets being depreciated	6,698,845	-	-	6,698,845
Less accumulated depreciation for:				
Buildings	(95,535)	(11,547)	-	(107,082)
Runways, aprons, and taxiways	(3,421,284)	(310,155)	-	(3,731,439)
Equipment	<u>(94,415)</u>	<u>(33,271)</u>	=	<u>(127,686)</u>
Total accumulated depreciation	<u>(3,611,234)</u>	<u>(354,973)</u>	=	<u>(3,966,207)</u>
Total capital assets, being depreciated, net	<u>3,087,611</u>	<u>(354,973)</u>	=	<u>2,732,638</u>
Airport Authority capital assets, net	<u>\$3,521,409</u>	<u>\$615,163</u>	=	<u>\$4,136,572</u>

Construction in progress consisted of \$612,319 for the Heliport and T-Hangars project; and \$441,764 for the Obstruction Removal project.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

	Balance September 30, 2009	Additions	Retirements	Balance September 30, 2010
Ambulance Fund				
Capital assets, being depreciated:				
Equipment	\$401,161	\$211,151	-	\$612,312
Less accumulated depreciation for:	<u>(296,602)</u>	<u>(25,967)</u>	-	<u>(322,569)</u>
Total capital assets, being depreciated, net	<u>\$104,559</u>	<u>\$185,184</u>	-	<u>\$289,743</u>
Business-type activities capital assets				
Capital assets, not being depreciated:				
Land	\$1,266,223	-	-	\$1,266,223
Construction in progress	<u>23,933,418</u>	<u>\$5,411,552</u>	<u>(\$216,719)</u>	<u>29,128,251</u>
Total capital assets, not being depreciated	<u>25,199,641</u>	<u>5,411,552</u>	<u>(216,719)</u>	<u>30,394,474</u>
Capital assets, being depreciated:				
Buildings	2,810,630	-	-	2,810,630
System Improvement	56,705,190	659,856	-	57,365,046
Runways, aprons, and taxiways	6,060,391	-	-	6,060,391
Equipment	<u>27,750,113</u>	<u>630,958</u>	-	<u>28,381,071</u>
Total capital assets being depreciated	93,326,324	1,290,814	-	94,617,138
Less accumulated depreciation for:				
Buildings	(1,933,884)	(56,725)	-	(1,990,609)
System Improvement	(33,312,505)	(2,003,399)	-	(35,315,904)
Runways, aprons, and taxiways	(3,421,284)	(310,155)	-	(3,731,439)
Equipment	<u>(22,061,119)</u>	<u>(898,716)</u>	-	<u>(22,959,835)</u>
Total accumulated depreciation	<u>(60,728,792)</u>	<u>(3,268,995)</u>	-	<u>(63,997,787)</u>
Total capital assets, being depreciated, net	<u>32,597,532</u>	<u>(1,978,181)</u>	-	<u>30,619,351</u>
Business-type activities capital assets, net	<u>\$57,797,173</u>	<u>\$3,433,371</u>	<u>(\$216,719)</u>	<u>\$61,013,825</u>

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

Governmental activities:	
General government	\$283,127
Public safety	331,577
Public works, including depreciation of general infrastructure assets	1,123,078
Recreation	53,172
Total depreciation expense-governmental activities	<u>\$1,790,954</u>
Business-type activities:	
Electric System	1,501,400
Water System	418,594
Sewer System	968,062
Airport Authority	354,973
Ambulance	25,967
Total depreciation expense-business-type activities	<u>\$3,268,996</u>

6. LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2010, was as follows:

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$8,970,000	-	\$545,000	\$8,425,000	\$565,000
Compensated absences	<u>1,789,925</u>	<u>\$607,493</u>	<u>628,121</u>	<u>1,769,297</u>	<u>225,000</u>
Governmental activities Total long-term liabilities	<u>\$10,759,925</u>	<u>\$607,493</u>	<u>\$1,173,121</u>	<u>\$10,194,297</u>	<u>\$790,000</u>
Business-type activities:					
Electric System:					
Due to other governments	\$148,593	-	\$37,149	\$111,444	\$37,148
Compensated absences	<u>391,762</u>	<u>\$16,867</u>	<u>144,479</u>	<u>264,150</u>	<u>5,000</u>
Electric System long-term Liabilities	<u>\$540,355</u>	<u>\$16,867</u>	<u>\$181,628</u>	<u>\$375,594</u>	<u>\$42,148</u>
Water System:					
DHH Revolving Loan fund	-	\$1,911,444	-	\$1,911,444	\$92,000
Due to other governments	\$199,292	-	\$49,821	149,471	49,824
Compensated absences	<u>52,272</u>	<u>11,166</u>	<u>19,366</u>	<u>44,072</u>	<u>2,000</u>
Water System long-term Liabilities	<u>\$251,564</u>	<u>\$1,922,610</u>	<u>\$69,187</u>	<u>\$2,104,987</u>	<u>\$143,824</u>
Sewer System:					
Revenue bonds	\$1,010,000	-	\$270,000	\$740,000	\$280,000
DEQ Revolving Loan fund	16,947,193	\$116,414	500,000	16,563,607	520,000
Compensated absences	<u>52,561</u>	<u>23,585</u>	<u>55,322</u>	<u>20,824</u>	<u>2,000</u>
Sewer System long-term Liabilities	<u>\$18,009,754</u>	<u>\$139,999</u>	<u>\$825,322</u>	<u>\$17,324,431</u>	<u>\$802,000</u>
Ambulance Fund:					
Compensated absences	<u>\$49,355</u>	<u>\$14,807</u>	<u>\$17,572</u>	<u>\$46,590</u>	<u>\$6,000</u>
Business-type activities long-term liabilities					
Revenue bonds	\$1,010,000	-	\$270,000	\$740,000	\$280,000
DHH Revolving Loan fund	-	\$1,911,444	-	1,911,444	92,000
DEQ Revolving Loan fund	16,947,193	116,414	500,000	16,563,607	520,000
Due to other governments	347,885	-	86,970	260,915	86,972
Compensated absences	<u>545,950</u>	<u>66,425</u>	<u>236,739</u>	<u>375,636</u>	<u>15,000</u>
Business-type activities long-term Liabilities	<u>\$18,851,028</u>	<u>\$2,094,283</u>	<u>\$1,093,709</u>	<u>\$19,851,602</u>	<u>\$993,972</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, 2010, were comprised of the following issues:

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

Governmental Activities:	Outstanding
<u>Tax Increment Revenue Bonds</u>	<u>09-30-10</u>
\$10,000,000 – 2008 Sales Tax Increment Revenue Bonds dated 03-14-08, of \$10,000,000, interest at 4.23% payable in annual installments of \$565,000 to \$860,000 through September 1, 2022.	<u>\$8,425,000</u>
Total Tax Increment Revenue Bonds	<u>\$8,425,000</u>
Business-type Activities:	
<u>Revenue Bonds</u>	
\$1,620,000 authorized 1993 Sewer Revenue Bonds \$1,432,536 issued, interest at 2.45%, payable in annual installments of \$80,000 to \$90,000 through October 1, 2014.	\$350,000
\$1,655,000 2003 Sewer-Utility Revenue Refunding Bonds dated 5-22-03 due in annual installments of \$190,000 to \$195,000 through October 1, 2012, interest at 2.950% to 4.000%.	<u>390,000</u>
Total Revenue Bonds	<u>\$740,000</u>
<u>DHH Revolving Loan</u>	
\$2,334,000 2009 Water Revenue Bonds dated 10-29-09 due in annual installments of \$92,000 to \$145,000 through October 1, 2030, interest at 3.45%.	<u>\$1,911,444</u>
Total DHH Revolving Loan	<u>\$1,911,444</u>
<u>DEQ Revolving Loan</u>	
\$19,500,000 2005 Sewer Revenue Bonds dated 1-17-06 due in annual installments of \$500,000 to \$1,480,000 through October 1, 2027, interest at 3.45%.	<u>\$16,563,607</u>
Total DEQ Revolving Loan	<u>\$16,563,607</u>
<u>Due to Other Governments</u>	
\$869,716 (\$334,333 for the Electric System and \$448,412 for the Water System) due to the State of Louisiana, Department of Transportation and Development, payable in annual installments of \$86,972 (\$37,148 from the Electric System and \$49,824 from the Water System) through April 1, 2013.	<u>\$260,915</u>
Total Due to Other Governments	<u>\$260,915</u>

The annual requirements to amortize all debt outstanding as of September 30, 2010, including interest requirements were as follows:

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

Year ending September 30:	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2011	\$565,000	\$356,378	\$978,972	\$647,540	\$2,547,890
2012	585,000	332,478	1,010,972	617,981	2,546,431
2013	610,000	307,733	1,042,969	586,851	2,547,553
2014	630,000	281,930	994,000	555,760	2,461,690
2015	660,000	255,281	1,032,000	523,389	2,470,670
2016-2020	3,690,000	836,694	5,776,000	2,071,673	12,374,367
2021-2025	1,685,000	107,652	6,964,000	1,025,838	9,782,490
2026-2030	=	=	1,983,193	95,542	2,078,735
	<u>\$8,425,000</u>	<u>\$2,478,146</u>	<u>\$19,782,106</u>	<u>\$6,124,574</u>	<u>\$36,809,826</u>

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

In May 2003, the City issued \$1,655,000 in Sewer Utilities Revenue Refunding Bonds to advance refund \$2,005,000 of outstanding 1990 Utilities Revenue Bonds. The proceeds, net of issuance costs, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 Utilities Revenue Bonds. The 1990 bonds are considered to be defeased and have been removed from the City's financial statements. The principal outstanding at September 30, 2010, on the refunded bonds was \$480,000.

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.

On March 14, 2008, the City issued Sales Tax Increment Revenue Bonds to fund engineering and construction expenditures related to the I-20 Service Road Project. The bonds will be paid with the incremental sales tax revenue received from the State.

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, 2010, was \$160,986,617. The maximum debt allowable for any one purpose and total debt allowable by state law as of December 31, 2010, is \$16,098,866 and \$56,356,316, respectively. The City currently has no general bonded debt outstanding.

7. SALES TAX

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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

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

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

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

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

Municipal Employees' Retirement System

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

Funding Policy - Covered employees are required to contribute 9.25% of their annual compensation and the City is required to contribute for the 9 months ended June 30, 2010, and for the 3 months ended September 30, 2010, 13.50% and 14.25%, respectively, 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, 2010, 2009, and 2008 were \$863,299, \$849,514, and \$775,400, 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.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

Funding Policy - Covered employees are required to contribute 8% of their annual compensation and the City is required to contribute for the 9 months ended June 30, 2010, and for the 3 months ended September 30, 2010, 14.00% and 21.50%, respectively, 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, 2010, 2009, and 2008 were \$317,244, \$236,757, and \$224,161, respectively, equal to the required contributions for each year. In accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*, the net pension obligation was determined to be zero. Prior to adoption of GASB 27, the City did not report a pension liability.

Municipal Police Employees' Retirement System (MPERS)

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

Funding Policy - Plan members are required to contribute 7.5% of their annual compensation and the City is required to contribute for the 9 months ended June 30, 2010, and for the 3 months ended September 30, 2010, 11.00% and 25.00%, respectively, 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, 2010, 2009, and 2008 were \$292,096, \$179,541, and \$216,986, 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, 2010, were as follows:

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

DUE TO OTHER FUNDS

DUE FROM OTHER FUNDS	General Fund	1968 Sales Tax	1985 Sales Tax	I-20	Electric System	Water System	Sewer System	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal service	Total
General Fund	-	-	-	-	\$873,014	\$14,831	\$36,585	\$22,305	\$203,501	\$315	\$1,150,551
1985 Sales Tax	-	\$1,001,020	-	-	-	-	-	-	-	-	1,001,020
1990 Sales Tax	-	244,676	-	-	-	-	-	-	-	-	244,676
I-20 Fund	\$4,365	-	-	-	-	-	-	-	-	-	4,365
Electric System	35,158	-	-	-	-	-	-	-	-	-	35,158
Water System	-	-	-	-	527,674	-	15,918	-	-	-	543,592
Sewer System	-	-	-	-	673,553	-	-	-	-	-	673,553
Nonmajor governmental	67,904	-	\$130,712	-	-	-	14,218	-	-	-	212,834
Nonmajor Enterprise	276	-	-	\$58,133	-	-	-	-	-	-	58,409
Internal Service	17,715	-	-	-	-	-	-	-	-	-	17,715
Total	<u>\$125,418</u>	<u>\$1,245,696</u>	<u>\$130,712</u>	<u>\$58,133</u>	<u>\$2,074,241</u>	<u>\$14,831</u>	<u>\$66,721</u>	<u>\$22,305</u>	<u>\$203,501</u>	<u>\$315</u>	<u>\$3,941,873</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.

b. INTERFUND TRANSFERS

Transfers for the year ended September 30, 2010, were as follows:

TRANSFERS OUT	TRANSFERS IN				
	General Fund	I-20	Airport Authority	Nonmajor Governmental Funds	Total
General Fund	-	-	\$300,000	\$67,736	\$367,736
1968 Sales Tax	\$2,100,000	-	-	-	2,100,000
1985 Sales Tax	2,700,000	-	-	256,023	2,956,023
1990 Sales Tax	2,280,000	-	-	-	2,280,000
Electric System	1,786,936	-	8,572	71,255	1,866,763
Water System	518,557	-	724	7,331	526,612
Sewer System	507,114	-	-	104,090	611,204
Nonmajor governmental	-	\$2,595,320	-	-	2,595,320
Total transfers	<u>\$2,892,607</u>	<u>\$2,595,320</u>	<u>\$309,296</u>	<u>\$506,435</u>	<u>\$13,303,658</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. EXCESS OF EXPENDITURES OVER BUDGET

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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

<u>Fund</u>	<u>Budget</u>	<u>Actual on a budgetary basis</u>	<u>Negative variance</u>
General Fund:			
General Government:			
Marshal	\$191,150	\$193,590	(\$2,090)
Inspections Dept. - Operating Services	157,010	197,753	(40,743)
Fire Dept. - Regular Salaries	1,705,155	1,708,557	(3,402)

The unfavorable variance in City Court and Probation is due to an increase in witness fees paid to officers and an increase in salary for the City Court part time employee. The unfavorable variance in Marshal is due to an underestimate of the budget amounts relating to salaries and related benefits accruals. The unfavorable variance in the Inspections Dept. is due to the estimate of an allowance for uncollectible accounts that was not anticipated during the budget preparation. The unfavorable variance in the Fire Dept. is due to an underestimate of the budget amounts relating to salary accruals.

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

Plan Description – The City of Ruston's medical benefits are provided through a self-insured medical plan and are made available to employees upon actual retirement.

The employees are covered by one of three retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service; and third, the Firefighters' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or age 55 and 12 years of service. Complete plan provisions are included in the official plan documents.

Life insurance coverage in varying amounts are provided to retirees and the blended rate (for all retired combined) is approximately \$0.27 per \$1,000 of insurance. The employer pays 100% of the cost of the retiree life insurance. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

Retiree insurance coverage amounts are \$20,000, reduced to \$10,000 at age 70 and to \$1,000 at age 75.

Contribution Rates – Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy – Until 2008, the City of Ruston recognized the cost of providing post-employment medical and life benefits (City of Ruston's portion of the retiree medical and life benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2009/2010, City of Ruston's portion of health care funding cost for retired employees totaled \$245,053, and the life insurance totaled \$2,885.

Effective with the Fiscal Year beginning October 1, 2008, the City of Ruston implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions* (GASB 45).

Annual Required Contribution – City of Ruston's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning October 1, 2008 is \$1,029,815 for medical, and \$17,074 for life, as set forth below:

	<u>Medical</u>	<u>Life</u>
Normal Cost	\$341,976	\$4,882
30-year UAL amortization amount	687,839	12,192
Annual required contribution (ARC)	<u>\$1,029,815</u>	<u>\$17,074</u>

Net Post-employment Benefit Obligation (Asset) – The table below shows City of Ruston's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for the fiscal year ending September 30, 2010:

	<u>Medical</u>	<u>Life</u>
Beginning Net OPEB Obligation (Asset) 10/1/2009	\$784,762	\$14,189
Annual required contribution	+1,029,815	+17,074
Interest on Net OPEB Obligation (Asset)	-0	-0
ARC Adjustment	+0	+0
OPEB Cost	1,814,577	31,263
Contribution	0	0
Current year retiree premium	<u>-245,053</u>	<u>-2,885</u>
Change in Net OPEB Obligation	+1,569,524	+28,378
Ending Net OPEB Obligation (Asset) 9/30/2010	<u>\$1,569,524</u>	<u>\$28,378</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

The following table shows City of Ruston's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	September 30, 2010	\$1,029,815	23.8%	\$784,762
Life	September 30, 2010	\$17,074	16.9%	\$14,189

Funded Status and Funding Progress – In the fiscal year ending September 30, 2010, City of Ruston made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of October 1, 2008, the first and most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$11,893,979 (medical) and \$151,349 (life), which is defined as that portion, as determined by a particular actuarial cost method [City of Ruston uses the Unit Credit Cost Method], of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal years 2009 and 2010, the entire actuarial accrued liability of \$11,893,979 (medical) and \$151,349 (life) was unfunded.

	Medical	Life
Actuarial Accrued Liability (AAL)	\$11,893,979	\$151,349
Actuarial Value of Plan Assets	0	0
Unfunded Act. Accrued Liability (UAAL)	<u>11,893,979</u>	<u>151,349</u>
Funded Ratio (Act. Val. Assets/AAL)	0%	0%
Covered Payroll (active plan members)	10,746,556	10,746,556
UAAL as a percentage of covered payroll	111%	1.41%

Actuarial Methods and Assumptions – Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuations for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumptions); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by City of Ruston and its employee plan members) at the time of the valuation and on the pattern of sharing costs between City of Ruston and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between City of Ruston and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method – The ARC is determined using the Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets – Since this is the first actuarial valuation, there are not any assets. It is anticipated that in future valuations a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

Turnover Rate – An age related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 12%. The rates for each age are below:

Age	Percent Turnover
18 – 25	20.0%
26 – 40	15.0%
41 - 54	9.0%
55+	7.0%

Post employment Benefit Plan Eligibility Requirements – Based on past experience, it has been assumed that entitlement to benefits will commence three years after retirement eligibility (D.R.O.P. entry), as described above under "Plan Description", except that police and fire personnel were assumed to wait until age 60 and 10 years of service instead of age 55 and 12 years of service. Medical benefits are provided to employees upon actual retirement. The employees are covered by one of three retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service; and third, the Firefighters' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service. Entitlement to benefits continues through Medicare to death.

Investment Return Assumption (Discount Rate) – GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

Health Care Cost Trend Rate – The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990 – 2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2009 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

Zero trend has been assumed for valuing life insurance.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

Mortality Rate – The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is the mortality table which the Internal Revenue Service requires to be used in determining the value of accrued benefits in defined benefit pension plans. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance.

Method of Determining Value of Benefits – The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays a percentage of the cost of the medical insurance for the retiree and dependents according to a formula based on service at time of actual retirement. The percentage is 50% for at least 30 years of service; 40% for 25 but less than 30 years of service; 25% for at least 20 but less than 25 years of service; and, zero for less than 20 years of service. The rates provided to which these percentages apply are "unblended" rates as required by GASB 45.

12. COMMITMENTS AND CONTINGENCIES

Construction projects

There are certain construction projects in progress at September 30, 2010. The City issued \$2,000,000 in sales tax increment bonds in 2001 and \$10,000,000 in 2008 for the purpose of providing engineering and construction expenditures related to the I-20 Service Road Project. The project is estimated to cost approximately \$25 million. The City has spent approximately \$2,176,562 on the Police department building; \$1,974,428 for the Streetscape project; \$2,917,726 for the Public Works Complex Additions; \$270,219 for the Martin Luther King Extension; \$12,212 for the Frazier Road project; \$91,289 for the Lewis Street project; \$217,416 for the Tech Research Park Line & Grade and Homer Street Reconstruction project; \$50,932 for the Turn Lane at Georgia Avenue and Vienna Street project; \$1,697 for the Colorado Avenue Improvements project; \$6,693 for the Replacement of the Oakdale Street Bridge project; \$6,693 for the Replacement of the Taylor Street Bridge project; \$58,433 for the Trenton Street Drainage project; \$104,090 for the LCDBG Sewer Rehabilitation project; \$14,211 for the Memorial Park and Pool project; \$255 for the Woodland Park project; \$22,768 for the Duncan Park Playground project; \$1,521 for the Cook Park project; \$16,931 for the JC Love Complex project; \$18,877 for the Huckleberry Trails Park project; \$5,102 for the Bobby James Gym project; \$3,650 for the RPAR Office project; \$1,538,493 for the McDonald Avenue Substation upgrade; \$1,012,621 for the 69 kV Transmission Line Upgrade; \$2,353,938 on the Public Works Complex Additions; \$151,989 for the Fiber Optic Installation project; \$1,165,032 on the Advanced Metering Infrastructure project; \$247,818 on the Nexus Fiber project; \$353,310 for the Smart Grid Initiative project; \$6,014 for the Customer Service office and Information Technology Improvements project; \$15,256 for the City Hall Renovations project; \$52,596 for the Water Well project; \$2,570,566 for the new Elevated Water Storage Tank; \$48,547 for the Master Plan for development of water distribution system; \$91,462 for the Colorado Avenue, California Avenue, and Trenton Street Water project; \$317,745 for the Vienna Line Replacement project; \$17,287,446 for the Wastewater Treatment Plant Upgrade; \$24,100 for the Trenton Street to Georgia Avenue and Maryland Avenue Sewer Rehabilitation project; \$612,319 for the Helipad and T-Hangars project; and \$441,764 for the Obstruction Removal project.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

Risk Management

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

Worker's Compensation

The City established a limited risk management program for worker's compensation in 1988. Premiums are paid into the Workmen's Compensation Self-Insurance Fund by other funds and are available to pay claims, claim reserves, and administrative costs of the program. An excess coverage insurance policy covers individual claims in excess of \$175,000. Reported and an estimate of incurred but not reported claims of \$423,099 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 \$210,007 at September 30, 2010. There was no increase in insurance coverage from the prior year. No claims exceeded the City's insurance coverage for each of the past four 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, 2010, a total of \$2,437,169 was paid in benefits and administrative costs. The insurance fund has net assets of \$2,346,605 at September 30, 2010. An excess coverage co-insurance policy covers individual claims in excess of \$70,000 per calendar year. Incurred but not reported claims of \$173,083 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 four fiscal years.

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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2010

	<u>Accrued claims October 1</u>	<u>Claims incurred</u>	<u>Claims paid</u>	<u>Accrued claims September 30</u>
Worker's Compensation:				
2009	\$97,724	\$634,719	\$431,185	\$301,258
2010	301,258	625,090	503,249	423,099
General Insurance:				
2009	168,321	1,833,168	1,844,356	157,133
2010	157,133	2,007,907	1,991,957	173,083

Litigation

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

Grant Disallowances

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

Revenues from the State of Louisiana

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

Required Supplementary Information

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, 2010
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 950,000	\$ 950,000	\$ 972,350	\$ 22,350
Licenses and Permits	897,000	897,000	913,354	16,354
Intergovernmental	1,375,000	1,438,190	1,902,225	464,035
Charges for services	1,223,000	1,223,000	1,228,813	5,813
Fines and forfeitures	266,550	266,550	274,355	7,805
Investment earnings	100,000	100,000	101,186	1,186
Miscellaneous	164,100	164,100	316,462	152,362
Total revenues	<u>4,975,650</u>	<u>5,038,840</u>	<u>5,708,745</u>	<u>669,905</u>
EXPENDITURES				
General government:				
Executive:				
Regular salaries	551,031	551,031	498,131	52,900
Overtime salaries	2,000	2,000	700	1,300
Other employee benefits	181,769	181,769	165,243	16,526
Total salaries, wages, and employee benefits	<u>734,800</u>	<u>734,800</u>	<u>664,074</u>	<u>70,726</u>
Operating services	999,818	1,178,767	808,635	370,132
Materials and supplies	74,496	74,556	62,778	11,778
Travel and other	11,000	11,000	7,631	3,369
Improvements and equipment	300,000	300,000	61,113	238,887
Total executive	<u>2,120,114</u>	<u>2,299,123</u>	<u>1,604,231</u>	<u>694,892</u>
Information technology:				
Regular salaries	99,525	99,525	98,352	1,173
Overtime salaries	5,000	7,500	5,863	1,637
Other employee benefits	29,961	29,961	29,157	804
Total salaries, wages, and employee benefits	<u>134,486</u>	<u>136,986</u>	<u>133,372</u>	<u>3,614</u>
Operating services	89,800	87,300	52,514	34,786
Materials and supplies	18,100	21,845	21,446	399
Travel and other	6,500	6,500	6,459	41
Improvements and equipment	62,000	67,811	57,477	10,334
Total information technology	<u>310,886</u>	<u>320,442</u>	<u>271,268</u>	<u>49,174</u>
Economic development:				
Regular salaries	132,885	132,885	92,192	40,693
Other employee benefits	35,416	35,416	25,755	9,661
Total salaries, wages, and employee benefits	<u>168,301</u>	<u>168,301</u>	<u>117,947</u>	<u>50,354</u>
Operating services	48,282	55,282	20,117	35,165
Materials and supplies	9,700	9,700	5,790	3,910
Travel and other	10,000	10,000	3,766	6,234
Total economic development	<u>236,283</u>	<u>243,283</u>	<u>147,620</u>	<u>95,663</u>
City Court	262,334	262,334	241,767	20,567
Marshal	191,500	191,500	193,590	(2,090)
Civic center/city hall:				
Regular salaries	117,060	117,060	54,896	62,164
Overtime salaries	10,000	10,000	2,702	7,298
Other employee benefits	29,227	29,227	17,028	12,199
Total salaries, wages, and employee benefits	<u>156,287</u>	<u>156,287</u>	<u>74,626</u>	<u>81,661</u>
Operating services	208,281	230,525	178,875	51,650
Materials and supplies	48,450	55,096	32,476	22,620
Travel and other	1,500	1,500	-	1,500
Total civic center/city hall	<u>414,518</u>	<u>443,408</u>	<u>285,977</u>	<u>157,431</u>

General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2010
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Planning & zoning:				
Regular salaries	121,144	121,144	119,735	1,409
Overtime salaries	7,200	7,200	627	6,573
Other employee benefits	37,163	37,163	37,111	52
Total salaries, wages, and employee benefits	<u>165,507</u>	<u>165,507</u>	<u>157,473</u>	<u>8,034</u>
Operating services	48,880	49,462	36,033	13,429
Materials and supplies	12,400	12,400	8,552	3,848
Travel and other	8,500	8,500	682	7,818
Total planning & zoning	<u>235,287</u>	<u>235,869</u>	<u>202,740</u>	<u>33,129</u>
Inspections:				
Regular salaries	228,039	228,039	201,040	26,999
Overtime salaries	1,200	1,200	259	941
Other employee benefits	57,216	57,216	56,287	929
Total salaries, wages, and employee benefits	<u>286,455</u>	<u>286,455</u>	<u>257,586</u>	<u>28,869</u>
Operating services	75,028	157,010	197,753	(40,743)
Materials and supplies	17,000	17,578	12,181	5,397
Travel and other	13,000	13,000	4,712	8,288
Total inspections	<u>391,483</u>	<u>474,043</u>	<u>472,232</u>	<u>1,811</u>
Total general government	<u>4,162,405</u>	<u>4,470,002</u>	<u>3,419,425</u>	<u>1,050,577</u>
Public safety:				
Police:				
Regular salaries	1,977,998	1,977,998	1,920,794	57,204
Overtime salaries	220,000	235,000	231,386	3,614
Other employee benefits	653,817	653,817	673,029	(19,212)
Total salaries, wages, and employee benefits	<u>2,851,815</u>	<u>2,866,815</u>	<u>2,825,209</u>	<u>41,606</u>
Operating services	326,118	335,131	244,655	90,476
Materials and supplies	255,500	337,556	288,089	49,467
Travel and other	90,897	106,900	89,467	17,433
Improvements and equipment	1,107,100	1,421,500	1,353,354	68,146
Total police	<u>4,631,430</u>	<u>5,067,902</u>	<u>4,800,774</u>	<u>267,128</u>
Fire:				
Regular salaries	1,705,155	1,705,155	1,708,557	(3,402)
Overtime salaries	153,000	153,000	97,600	55,400
Other employee benefits	773,872	773,872	748,668	25,204
Total salaries, wages, and employee benefits	<u>2,632,027</u>	<u>2,632,027</u>	<u>2,554,825</u>	<u>77,202</u>
Operating services	216,703	253,855	238,111	15,744
Materials and supplies	189,778	206,877	179,994	26,883
Travel and other	75,000	80,857	53,050	27,807
Improvements and equipment	91,500	91,500	49,408	42,092
Total fire	<u>3,205,008</u>	<u>3,265,116</u>	<u>3,075,388</u>	<u>189,728</u>
Street lighting:				
Operating services	272,000	272,000	260,863	11,137
Total street lighting	<u>272,000</u>	<u>272,000</u>	<u>260,863</u>	<u>11,137</u>
Probation				
Probation	86,322	86,322	90,470	(4,148)
Total public safety	<u>8,194,760</u>	<u>8,691,340</u>	<u>8,227,495</u>	<u>463,845</u>

General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2010
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works:				
Administration:				
Regular salaries	422,785	422,785	415,642	7,143
Overtime salaries	5,000	5,000	4,099	901
Other employee benefits	104,828	104,828	96,413	8,415
Total salaries, wages, and employee benefits	<u>532,613</u>	<u>532,613</u>	<u>516,154</u>	<u>16,459</u>
Operating services	132,595	162,819	125,839	36,980
Materials and supplies	22,900	23,019	21,385	1,634
Travel and other	20,000	20,000	11,216	8,784
Total administration	<u>708,108</u>	<u>738,451</u>	<u>674,594</u>	<u>63,857</u>
Streets:				
Regular salaries	745,679	773,679	730,710	42,969
Overtime salaries	50,000	50,000	32,514	17,486
Other employee benefits	359,380	359,786	325,069	34,717
Total salaries, wages, and employee benefits	<u>1,155,059</u>	<u>1,183,465</u>	<u>1,088,293</u>	<u>95,172</u>
Operating services	1,235,779	1,775,761	1,354,394	421,367
Materials and supplies	274,500	298,794	262,865	35,929
Travel and other	3,000	3,000	1,412	1,588
Improvements and equipment	2,270,000	5,058,932	2,926,981	2,131,951
Total streets	<u>4,938,338</u>	<u>8,319,952</u>	<u>5,633,945</u>	<u>2,686,007</u>
Solid waste:				
Regular salaries	620,484	631,484	621,636	9,848
Overtime salaries	32,500	32,500	30,883	1,617
Other employee benefits	262,362	263,362	241,872	21,490
Total salaries, wages, and employee benefits	<u>915,346</u>	<u>927,346</u>	<u>894,391</u>	<u>32,955</u>
Operating services	156,999	169,916	148,323	21,593
Materials and supplies	235,500	287,397	219,832	67,565
Travel and other	3,000	3,000	50	2,950
Improvements and equipment	245,000	221,000	20,760	200,240
Total solid waste	<u>1,555,845</u>	<u>1,608,659</u>	<u>1,283,356</u>	<u>325,303</u>
Repair shop:				
Regular salaries	393,077	380,577	341,760	38,817
Overtime salaries	12,000	12,000	6,849	5,151
Other employee benefits	130,268	130,268	112,968	17,300
Total salaries, wages, and employee benefits	<u>535,345</u>	<u>522,845</u>	<u>461,577</u>	<u>61,268</u>
Operating services	19,634	32,134	32,064	70
Materials and supplies	50,000	52,160	39,804	12,356
Travel and other	4,000	4,000	1,500	2,500
Total repair shop	<u>608,979</u>	<u>611,139</u>	<u>534,945</u>	<u>76,194</u>
Animal Control:				
Regular salaries	82,637	76,637	66,385	10,252
Overtime salaries	15,000	20,500	19,988	512
Other employee benefits	32,048	32,548	29,559	2,989
Total salaries, wages, and employee benefits	<u>129,685</u>	<u>129,685</u>	<u>115,932</u>	<u>13,753</u>
Operating services	35,155	37,780	28,708	9,072
Materials and supplies	17,750	17,930	17,137	793
Travel and other	5,000	5,000	3,735	1,265
Total animal control	<u>187,590</u>	<u>190,395</u>	<u>165,512</u>	<u>24,883</u>
Total public works	<u>7,998,860</u>	<u>11,468,596</u>	<u>8,292,352</u>	<u>3,176,244</u>
Total expenditures	<u>20,356,025</u>	<u>24,629,938</u>	<u>19,939,272</u>	<u>4,690,666</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, 2010
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	(15,380,375)	(19,591,098)	(14,230,527)	5,360,571
OTHER FINANCING SOURCES (USES)				
Transfers in	11,586,541	11,586,541	9,892,607	(1,693,934)
Transfers out	(223,099)	(531,679)	(367,736)	163,943
Total other financing sources and uses	11,363,442	11,054,862	9,524,871	(1,529,991)
Net change in fund balance	(4,016,933)	(8,536,236)	(4,705,656)	3,830,580
Fund balances - beginning	9,901,774	9,901,774	9,901,774	-
Fund balances - ending	\$ 5,884,841	\$ 1,365,538	\$ 5,196,118	\$ 3,830,580

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, 2010
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,556,925	\$2,556,925	\$2,472,312	\$ (84,613)
Investment earnings	5,000	5,000	171	(4,829)
Total revenues	<u>2,561,925</u>	<u>2,561,925</u>	<u>2,472,483</u>	<u>(89,442)</u>
EXPENDITURES				
General government:				
Collection and administrative	34,000	34,000	35,807	(1,807)
Total expenditures	<u>34,000</u>	<u>34,000</u>	<u>35,807</u>	<u>(1,807)</u>
Excess of revenues over expenditures	<u>2,527,925</u>	<u>2,527,925</u>	<u>2,436,676</u>	<u>(91,249)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,526,425)	(2,526,425)	(2,100,000)	426,425
Total other financing sources and uses	<u>(2,526,425)</u>	<u>(2,526,425)</u>	<u>(2,100,000)</u>	<u>426,425</u>
Net change in fund balance	1,500	1,500	336,676	(517,674)
Fund balances - beginning	<u>291,006</u>	<u>291,006</u>	<u>291,006</u>	<u>-</u>
Fund balances - ending	<u>\$ 292,506</u>	<u>\$ 292,506</u>	<u>\$ 627,682</u>	<u>\$ (517,674)</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, 2010
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,835,379	\$ 3,835,379	\$ 3,708,461	\$ (126,918)
Investment earnings	6,000	6,000	191	(5,809)
Total revenues	<u>3,841,379</u>	<u>3,841,379</u>	<u>3,708,652</u>	<u>(132,727)</u>
EXPENDITURES				
General government:				
Collection and administrative	45,500	45,500	45,829	(329)
Total expenditures	<u>45,500</u>	<u>45,500</u>	<u>45,829</u>	<u>(329)</u>
Excess of revenues over expenditures	<u>3,795,879</u>	<u>3,795,879</u>	<u>3,662,823</u>	<u>(133,056)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(3,795,879)</u>	<u>(3,795,879)</u>	<u>(2,956,023)</u>	<u>839,856</u>
Total other financing sources and uses	<u>(3,795,879)</u>	<u>(3,795,879)</u>	<u>(2,956,023)</u>	<u>839,856</u>
Net change in fund balance	-	-	706,800	706,800
Fund balances - beginning	<u>507,959</u>	<u>507,959</u>	<u>507,959</u>	-
Fund balances - ending	<u>\$ 507,959</u>	<u>\$ 507,959</u>	<u>\$ 1,214,759</u>	<u>\$ 706,800</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, 2010
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,556,925	\$ 2,556,925	\$ 2,472,312	\$ (84,613)
Investment earnings	6,000	6,000	36	(5,964)
Total revenues	<u>2,562,925</u>	<u>2,562,925</u>	<u>2,472,348</u>	<u>(90,577)</u>
EXPENDITURES				
General government:				
Collection and administrative	30,500	30,500	30,740	(240)
Total expenditures	<u>30,500</u>	<u>30,500</u>	<u>30,740</u>	<u>(240)</u>
Excess of revenues over expenditures	<u>2,532,425</u>	<u>2,532,425</u>	<u>2,441,608</u>	<u>(90,817)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,532,425)	(2,532,425)	(2,280,000)	252,425
Total other financing sources and uses	<u>(2,532,425)</u>	<u>(2,532,425)</u>	<u>(2,280,000)</u>	<u>252,425</u>
Net change in fund balance	-	-	161,608	161,608
Fund balances - beginning	<u>312,703</u>	<u>312,703</u>	<u>312,703</u>	-
Fund balances - ending	<u>\$ 312,703</u>	<u>\$ 312,703</u>	<u>\$ 474,311</u>	<u>\$ 161,608</u>

See accompanying independent auditors' report.

CITY OF RUSTON, LOUISIANA
Notes to Budgetary Comparison Schedules
For the Year Ended September 30, 2010
(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, 2010, amendments were made to the budget, including salary and benefit accounts to appropriate for the change in the police department and fire department pay plans; and grant revenue and expenditure accounts to account for grants received throughout the year; and various other accounts to appropriate open purchase orders as of the end of the prior year.
- (6) Comparison of budgeted and actual amounts as shown in the accompanying financial statements includes the General Fund and those special revenue funds which are included in the annual operating budget. (1968 Sales Tax, 1985 Sales Tax, 1990 Sales Tax, Parks and Recreation, and Section 8 Vouchers). Annual operating budgets are not prepared for the D.A.R.T. Grant Program, Central Shop Construction, and I-20 funds, but rather these funds are budgeted on a project basis. The capital budget ordinances which encompass the capital projects funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial statements for these funds. Budgetary control for the debt service funds is achieved through general bond indenture provisions.
- (7) All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Appropriations which are not expended lapse at year end.
- (8) The City is legally required to prepare annual operating budgets for the Electric System, Water System, Sewer System, Ruston Airport Authority, Ambulance Fund, Workmen's Compensation, General Insurance, and Purchasing/Warehouse Funds. The City is not, however, required to present an actual-to-budget comparison for the enterprise and internal service funds.

CITY OF RUSTON, LOUISIANA
Notes to Budgetary Comparison Schedules
For the Year Ended September 30, 2010
(Unaudited)

Excess of Expenditures over Budget

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

<u>Fund</u>	<u>Budget</u>	<u>Actual on a budgetary basis</u>	<u>Negative variance</u>
General Fund:			
General Government:			
Marshal	\$191,150	\$193,590	(\$2,090)
Inspections Dept. - Operating Services	157,010	197,753	(40,743)
Fire Dept. - Regular Salaries	1,705,155	1,708,557	(3,402)

The unfavorable variance in City Court and Probation is due to an increase in witness fees paid to officers and an increase in salary for the City Court part time employee. The unfavorable variance in Marshal is due to an underestimate of the budget amounts relating to salaries and related benefits accruals. The unfavorable variance in the Inspections Dept. is due to the estimate of an allowance for uncollectible accounts that was not anticipated during the budget preparation. The unfavorable variance in the Fire Dept. is due to an underestimate of the budget amounts relating to salary accruals.

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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 Fund

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

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

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

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
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	Special Revenue Funds				Capital Project Funds				Total Nonmajor Governmental Funds
	Ruston Parks & Recreation Board	D.A.R.T. Grant Program	Section 8 Voucher Housing	Total	Debt Service Fund	Central Shop Construction	Sewer ICDBG Grant	Total	
ASSETS									
Cash and cash equivalents	\$ 500,053	-	\$ 1,000,710	\$ 1,500,763	\$ 921,378	\$ 101,536	-	\$ 101,536	\$ 2,523,677
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable, net	340	\$ 3,471	-	3,811	763,773	-	-	-	767,584
Due from other funds	198,616	-	-	198,616	-	-	\$ 14,218	14,218	212,834
Total assets	\$ 699,009	\$ 3,471	\$ 1,000,710	\$ 1,703,190	\$ 1,685,151	\$ 101,536	\$ 14,218	\$ 115,754	\$ 3,504,095
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 39,288	\$ 3,471	\$ 250	\$ 43,009	-	-	\$ 14,218	\$ 14,218	\$ 57,227
Deposits	25	-	-	25	-	-	-	-	25
Due to other funds	332	-	21,973	22,305	-	-	-	-	22,305
Accrued Salaries	5,147	-	749	5,896	-	-	-	-	5,896
Total liabilities	44,792	3,471	22,972	71,235	-	-	14,218	14,218	85,453
Fund balances:									
Reserved for:									
Encumbrances	218,205	-	832	219,037	-	-	-	-	219,037
Debt service	-	-	-	-	\$ 1,685,151	-	-	-	1,685,151
Unreserved, undesignated	436,012	-	976,906	1,412,918	-	\$ 101,536	-	101,536	1,514,454
Total fund balances	654,217	-	977,738	1,631,955	1,685,151	101,536	-	101,536	3,418,642
Total liabilities and fund balances	\$ 699,009	\$ 3,471	\$ 1,000,710	\$ 1,703,190	\$ 1,685,151	\$ 101,536	\$ 14,218	\$ 115,754	\$ 3,504,095

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

CITY OF RUSTON, LOUISIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue Funds				Capital Project Funds				Total Nonmajor Governmental Funds
	Ruston Parks & Recreation Board	D.A.R.T. Grant Program	Section 8 Voucher Housing	Total	Debt Service Fund	Central Shop Construction	Sewer LCDBSG Grant	Total	
REVENUES									
Taxes	\$ 482,957	-	-	\$ 482,957	\$ 3,007,304	-	-	-	\$ 3,490,261
Intergovernmental	-	\$ 21,486	\$ 1,263,374	1,284,860	-	-	-	-	1,284,860
Charges for services	74,774	-	-	74,774	-	-	-	-	74,774
Investment earnings	5,974	-	1,280	7,204	-	\$ 507	-	\$ 507	7,711
Miscellaneous	8,513	-	-	8,513	-	-	-	-	8,513
Total revenues	572,218	21,486	1,264,604	1,858,308	3,007,304	507	-	507	4,866,119
EXPENDITURES									
Current:									
General Government	-	21,486	1,219,917	1,241,403	-	-	-	-	1,241,403
Recreation	880,288	-	-	880,288	-	-	-	-	880,288
Capital outlay	-	-	-	-	-	-	\$ 104,090	104,090	104,090
Bond principal	-	-	-	-	545,000	-	-	-	545,000
Bond interest	-	-	-	-	379,431	-	-	-	379,431
Total expenditures	880,288	21,486	1,219,917	2,121,691	924,431	-	104,090	104,090	3,150,212
Excess (deficiency) of revenues over (under) expenditures	(308,070)	-	44,687	(263,383)	2,082,873	507	(104,090)	(103,583)	1,715,907
OTHER FINANCING SOURCES (USES)									
Transfers in	402,345	-	-	402,345	-	-	104,090	104,090	506,435
Transfers out	-	-	-	-	(2,595,320)	-	-	-	(2,595,320)
Total other financing sources and uses	402,345	-	-	402,345	(2,595,320)	-	104,090	104,090	(2,088,885)
Net change in fund balances	94,275	-	44,687	138,962	(512,447)	507	-	507	(372,978)
Fund balances - beginning	559,942	-	933,051	1,492,993	2,197,598	101,029	-	101,029	3,791,620
Fund balances - ending	\$ 654,217	\$ -	\$ 977,738	\$ 1,631,955	\$ 1,685,151	\$ 101,536	\$ -	\$ 101,536	\$ 3,418,642

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

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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.

General and Auto Liability Fund – This fund accumulates resources to finance general and auto liability premiums and claims.

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CITY OF RUSTON, LOUISIANA
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2010

	Workman's Compensation	General Insurance	Purchasing/ Warehouse	General & Auto Liability	Total Internal Service Funds
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 177,262	\$ 865,170	\$ 80,555	\$ 28,723	\$ 1,151,710
Investments	487,666	1,634,342	-	-	2,122,008
Receivables, net	-	2,652	-	-	2,652
Due from other funds	-	17,715	-	-	17,715
Prepaid items	25,000	-	-	7,895	32,895
Total current assets	<u>689,928</u>	<u>2,519,879</u>	<u>80,555</u>	<u>36,618</u>	<u>3,326,980</u>
Noncurrent Assets:					
Capital Assets:					
Buildings	-	-	13,080	-	13,080
Equipment	-	-	48,123	-	48,123
Less accumulated depreciation	-	-	(57,712)	-	(57,712)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>3,491</u>	<u>-</u>	<u>3,491</u>
Total assets	<u>\$ 689,928</u>	<u>\$ 2,519,879</u>	<u>\$ 84,046</u>	<u>\$ 36,618</u>	<u>\$ 3,330,471</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 56,822	\$ 191	\$ 559	\$ -	\$ 57,572
Accrued liabilities	-	-	2,404	-	2,404
Due to other funds	-	-	315	-	315
Claims and judgments	423,099	173,083	-	-	596,182
Total current liabilities	<u>479,921</u>	<u>173,274</u>	<u>3,278</u>	<u>-</u>	<u>656,473</u>
Noncurrent Liabilities:					
Compensated absences	-	-	8,435	-	8,435
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>8,435</u>	<u>-</u>	<u>8,435</u>
Total liabilities	<u>479,921</u>	<u>173,274</u>	<u>11,713</u>	<u>-</u>	<u>664,908</u>
NET ASSETS					
Invested in capital assets, net of related debt	-	-	3,491	-	3,491
Unrestricted	210,007	2,346,605	68,842	36,618	2,662,072
Total net assets	<u>\$ 210,007</u>	<u>\$ 2,346,605</u>	<u>\$ 72,333</u>	<u>\$ 36,618</u>	<u>\$ 2,665,563</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, 2010

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>General & Auto Liability</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES					
Charges to other funds	\$ 240,000	\$2,501,054	\$ 225,000	\$ 359,442	\$ 3,325,496
Premiums paid by retired employees	-	274,677	-	-	274,677
Retiree drug subsidy	-	28,936	-	-	28,936
Other income	3,300	-	-	-	3,300
Total operating revenues	<u>243,300</u>	<u>2,804,667</u>	<u>225,000</u>	<u>359,442</u>	<u>3,632,409</u>
OPERATING EXPENSES					
Cost of Services:					
Salaries, wages and employee benefits	-	-	180,113	-	180,113
Operating services	-	-	10,782	-	10,782
Materials and supplies	-	-	8,908	-	8,908
Travel and other	-	-	1,505	-	1,505
Depreciation	-	-	403	-	403
Total cost of services	<u>-</u>	<u>-</u>	<u>201,711</u>	<u>-</u>	<u>201,711</u>
Claims	362,059	1,991,957	-	135,054	2,489,070
Insurance premiums	141,190	445,212	-	253,732	840,134
Total operating expenses	<u>503,249</u>	<u>2,437,169</u>	<u>201,711</u>	<u>388,786</u>	<u>3,530,915</u>
Operating income (loss)	<u>(259,949)</u>	<u>367,498</u>	<u>23,289</u>	<u>(29,344)</u>	<u>101,494</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	10,531	23,405	901	122	34,959
Income (loss) before transfers	<u>(249,418)</u>	<u>390,903</u>	<u>24,190</u>	<u>(29,222)</u>	<u>136,453</u>
Transfers in	-	-	-	-	-
Change in net assets	<u>(249,418)</u>	<u>390,903</u>	<u>24,190</u>	<u>(29,222)</u>	<u>136,453</u>
Total net assets - beginning	459,425	1,955,702	48,143	65,840	2,529,110
Total net assets - ending	<u>\$ 210,007</u>	<u>\$2,346,605</u>	<u>\$ 72,333</u>	<u>\$ 36,618</u>	<u>\$ 2,665,563</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, 2010

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>General & Auto Liability</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:					
Receipts from operations	\$ 240,000	\$2,776,154	\$ 225,000	\$ 359,442	\$ 3,600,596
Payments to suppliers	(88,209)	(463,909)	(22,222)	(252,038)	(826,378)
Payments to employees	-	-	(186,394)	-	(186,394)
Claims	(265,218)	(1,975,207)	-	(235,054)	(2,475,479)
Other receipts	3,300	28,936	-	-	32,236
Net cash provided by (used in) operating activities	<u>(110,127)</u>	<u>365,974</u>	<u>16,384</u>	<u>(127,650)</u>	<u>144,581</u>
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	-	-	-	-
Purchases on investments	(8,434)	(22,417)	-	-	(30,851)
Interest on investments	10,531	23,405	901	122	34,959
Net cash provided by (used in) investing activities	<u>2,097</u>	<u>988</u>	<u>901</u>	<u>122</u>	<u>4,108</u>
Net increase (decrease) in cash and cash equivalents	(108,030)	366,962	17,285	(127,528)	148,689
Cash and cash equivalents - beginning of year	285,292	498,208	63,270	156,251	1,003,021
Cash and cash equivalents - end of year	<u>\$ 177,262</u>	<u>\$ 865,170</u>	<u>\$ 80,555</u>	<u>\$ 28,723</u>	<u>\$ 1,151,710</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (259,949)	\$ 367,498	\$ 23,289	\$ (29,344)	\$ 101,494
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	-	-	403	-	403
(Increase) Decrease in assets:					
Receivables	-	423	-	-	423
Due from other funds	-	(17,715)	-	-	(17,715)
Prepaid items	(25,000)	-	-	2,077	(22,923)
Increase (Decrease) in liabilities:					
Accounts payable	52,981	-	(855)	(383)	51,743
Accrued liabilities	-	-	(6,169)	(100,000)	(106,169)
Due to other funds	-	(182)	(172)	-	(354)
Claims and judgments	121,841	15,950	-	-	137,791
Compensated absences	-	-	(112)	-	(112)
Total adjustments	<u>149,822</u>	<u>(1,524)</u>	<u>(6,905)</u>	<u>(98,306)</u>	<u>43,087</u>
Net cash provided by (used in) operating activities	<u>\$ (110,127)</u>	<u>\$ 365,974</u>	<u>\$ 16,384</u>	<u>\$ (127,650)</u>	<u>\$ 144,581</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, 2010

	<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	\$ 470,000	\$ 470,000	\$ 482,957	\$ 12,957
Charges for services	126,500	126,500	74,774	(51,726)
Investment earnings	5,000	5,000	5,974	974
Miscellaneous	6,000	6,000	8,513	2,513
Total revenues	<u>607,500</u>	<u>607,500</u>	<u>572,218</u>	<u>(35,282)</u>
EXPENDITURES				
Current:				
Recreation:				
Salaries, wages and employee benefits	540,461	540,461	470,925	69,536
Operating services	336,352	337,841	257,294	80,547
Materials and supplies	26,700	30,700	26,921	3,779
Travel and other	12,000	12,000	11,853	147
Improvements and equipment	319,500	328,500	113,295	215,205
Total expenditures	<u>1,235,013</u>	<u>1,249,502</u>	<u>880,288</u>	<u>369,214</u>
Deficiency of revenues over expenditures	<u>(627,513)</u>	<u>(642,002)</u>	<u>(308,070)</u>	<u>333,932</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	435,528	435,528	402,345	(33,183)
Total other financing sources (uses)	<u>435,528</u>	<u>435,528</u>	<u>402,345</u>	<u>(33,183)</u>
Net change in fund balance	(191,985)	(206,474)	94,275	300,749
Fund balances - beginning	<u>249,964</u>	<u>239,224</u>	<u>559,942</u>	<u>(320,718)</u>
Fund balances - ending	<u>\$ 57,979</u>	<u>\$ 32,750</u>	<u>\$ 654,217</u>	<u>\$ 621,467</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, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,010,000	\$ 1,010,000	\$ 1,263,374	\$ 253,374
Investment earnings	10,000	10,000	1,230	(8,770)
Total revenues	<u>1,020,000</u>	<u>1,020,000</u>	<u>1,264,604</u>	<u>244,604</u>
EXPENDITURES				
Current:				
General Government:				
Salaries, wages and employee benefits	134,422	134,422	93,927	40,495
Operating services	1,084,281	1,094,397	1,118,709	(24,312)
Materials and supplies	12,500	12,500	4,034	8,466
Travel and other	10,000	10,000	3,247	6,753
Total expenditures	<u>1,241,203</u>	<u>1,251,319</u>	<u>1,219,917</u>	<u>31,402</u>
Excess of revenues over expenditures	<u>(221,203)</u>	<u>(231,319)</u>	<u>44,687</u>	<u>276,006</u>
Net change in fund balance	(221,203)	(231,319)	44,687	276,006
Fund balances - beginning	<u>933,051</u>	<u>933,051</u>	<u>933,051</u>	<u>-</u>
Fund balances - ending	<u>\$ 711,848</u>	<u>\$ 701,732</u>	<u>\$ 977,738</u>	<u>\$ 276,006</u>

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