

Comprehensive Annual Financial Report



of the
City of Ruston, Louisiana
For the Year Ended September 30, 2008

Mayor
Dan Hollingsworth

Prepared by the
Finance Department
Emmett Gibbs, Treasurer

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 4/15/09

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Introductory Section

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**CITY OF RUSTON, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

TABLE OF CONTENTS

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

**CITY OF RUSTON, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

TABLE OF CONTENTS

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

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City of Ruston

Emmett Gibbs
Treasurer

Ashley Burton
Controller

Pam Womack
Administrative Assistant

March 20, 2009

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, 2008. 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 2008 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, 2008, 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, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the City of Ruston

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

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

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

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

Budgetary Control

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

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

Local economy. The City's local economy is not necessarily a reflection of the national economy because the City has had strong economic growth and development over the past year. Building permit valuations were \$29.2 million for the fiscal year.

The City of Ruston and Lincoln Parish have experienced steady population growth from 1970 to 2000 with approximately 3,000 new City residents and nearly 8,000 new parish residents. The projected growth trends for 2001 through 2008 published by the U.S. Department of Commerce suggest a slight decrease in population, but this will not be supported until the 2010 census is conducted.

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 slow down that the country is experiencing.

Long-term financial planning. Recently, the City has experienced some growth in our largest general revenue source which is sales taxes. In the General Fund, sales tax represents 59% of the revenues and transfers in. In spite of the growth, increasing trends in retirement costs and health insurance make it difficult to balance the budget now and in the future. Rates have increased in both water and sewer services in order to provide needed improvements in the infrastructure of the systems.

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

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

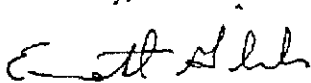
Risk management. The City partially retains the risk for property, liability, workers compensation, and general health insurance. As part of this comprehensive plan, resources are being accumulated in the respective funds to meet potential losses. In addition, various risk control techniques including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

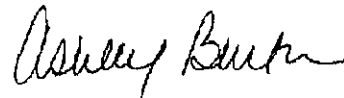
Additional information on the City's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

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,

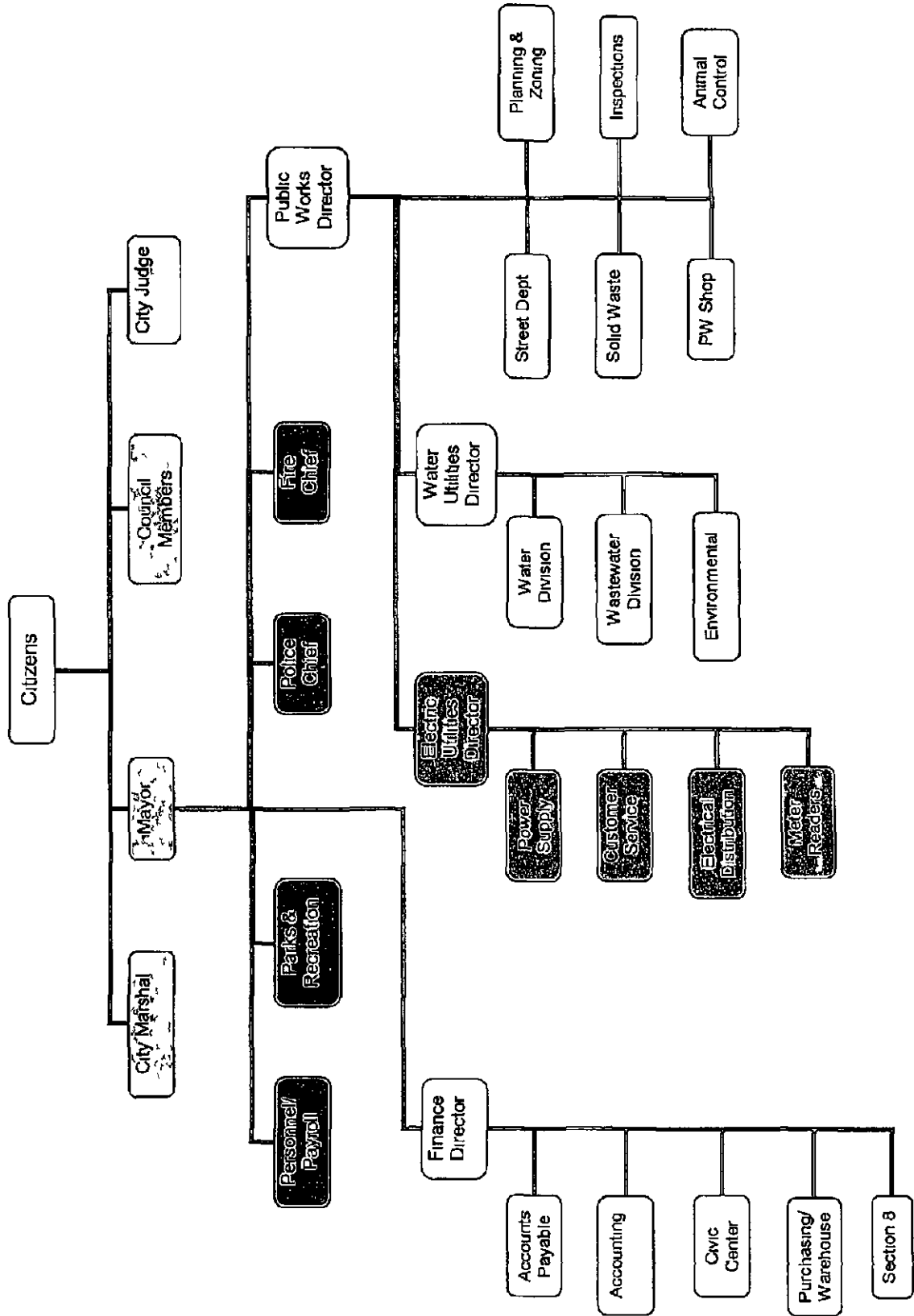


Emmett Gibbs
Treasurer



Ashley Burton
Controller

ORGANIZATIONAL CHART



CITY OF RUSTON, LOUISIANA

PRINCIPAL OFFICIALS

Dan Hollingworth
Mayor

George Byrnside
Mayor Appointee

Members of City Council

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

Financial Section

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Douglas A. Brewer, LLC

Certified Public Accountant

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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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. I have also audited the aggregate nonmajor governmental funds, the aggregate nonmajor enterprise funds, and the internal service funds presented as supplementary information in the accompanying combining fund financial statements as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to me, and my opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units is based on the reports of the other auditors.

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

In my opinion, based on my audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise and internal service funds of the City, as of September 30, 2008, 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 20, 2009, 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.

The management's discussion and analysis and budgetary comparison information listed as Required Supplemental Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

Daglan A. Brewer, LLC

Ruston, Louisiana
March 20, 2009

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, 2008. 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, 2008 include the following:

- The assets of the City exceeded its liabilities at September 30, 2008 by \$113,054,670 (net assets). Of this amount, \$28,946,109 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$5,897,783 for the year ended September 30, 2008. Net assets of governmental activities increased \$6,663,289 and net assets of business-type activities decreased \$765,506.
- As of September 30, 2008, the City's governmental funds reported combined ending fund balances of \$22,544,487, an increase of \$3,798,560 from the prior year. Of this amount \$11,201,969 was unreserved, undesignated, and available for spending; \$3,980,137 was unreserved but designated for subsequent years' expenditures; \$1,370,960 was reserved for debt service; \$5,914,578 was reserved for encumbrances; \$70,883 was reserved for inventories; and \$5,960 was reserved for prepaid items.
- At the end of the current fiscal year, unreserved, undesignated fund balances for the General Fund was \$6,561,201 or 35.37% of total General Fund expenditures and transfers out.
- The City's total long-term liabilities increased by \$10,452,342 during the current fiscal year due to the issuance of Sewer Revenue Bonds. The amount purchased to date is \$16,677,855. The City also issued Sales Tax Increment Revenue Bonds for \$10,000,000.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, and sewer systems, airport and ambulance services. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its workmans compensation, general insurance, 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 system, and sewer system, which are considered to be major funds of the City of Ruston. Data from the other proprietary funds are also presented although they are not considered major funds.

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

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

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

Financial Analysis of Government-wide Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City's, assets exceeded liabilities by \$113,054,670 at the close of the current fiscal year.

The largest portion of the City of Ruston's net assets totaling approximately \$82.0 million (73%) reflects its investment in capital assets (e.g., land, buildings, streets, drainage, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Ruston's Net Assets September 30, 2008

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$27,140,472	\$22,367,613	\$13,285,423	\$15,048,040	\$40,425,895	\$37,415,653
Capital assets	54,644,851	42,813,800	54,386,429	52,927,381	109,031,280	95,741,181
Total assets	81,785,323	65,181,413	67,671,852	67,975,421	149,457,175	133,156,834
Current and other liabilities	2,148,803	1,620,057	3,997,910	4,482,693	6,146,713	6,102,750
Long-term liabilities	11,353,187	1,941,312	18,902,605	17,955,885	30,255,792	19,897,197
Total liabilities	13,501,990	3,561,369	22,900,515	22,438,578	36,402,505	25,999,947
Net assets:						
Invested in capital assets, net of related debt	45,049,851	42,813,800	36,913,574	36,018,840	81,963,425	78,832,640
Restricted	1,370,960	1,278,480	774,176	833,903	2,145,136	2,112,383
Unrestricted	21,862,522	17,527,764	7,083,587	8,684,100	28,946,109	26,211,864
Total net assets	\$68,283,333	\$61,620,044	\$44,771,337	\$45,536,843	\$113,054,670	\$107,156,887

1.9% 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 \$28,946,109 may be used to meet the City of Ruston's ongoing obligations to citizens and creditors.

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

The City of Ruston's net assets increased by \$5,897,783 during the current fiscal year. Key elements of this increase are as follows:

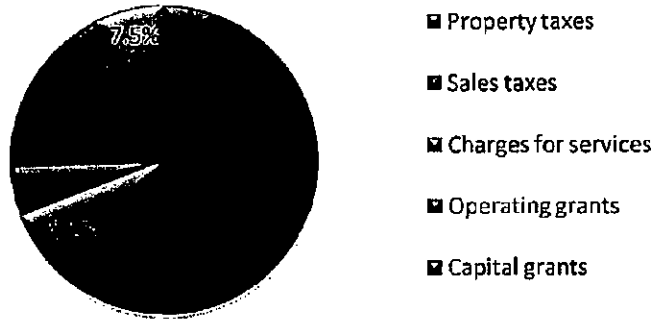
City of Ruston's Changes in Net Assets

Revenues:	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Program revenues:						
Charges for services	\$1,805,413	\$1,841,543	\$33,556,587	\$26,420,013	\$35,362,000	\$28,261,556
Operating grants and contributions	1,116,547	1,295,142	-	-	1,116,547	1,295,142
Capital grants and contributions	2,288,433	2,219,785	421,650	122,634	2,710,083	2,342,419
General revenues:						
Property taxes	1,115,948	1,059,052	-	-	1,115,948	1,059,052
Sales taxes	11,614,399	10,864,377	-	-	11,614,399	10,864,377
Other taxes	736,479	692,760	-	-	736,479	692,760
Grants and contributions not restricted to specific programs	1,486,017	1,445,212	-	-	1,486,017	1,445,212
Other	837,032	1,187,696	1,119,998	1,231,298	1,957,030	2,418,994
Total revenues	21,000,268	20,605,567	35,098,235	27,773,945	56,098,503	48,379,512
Expenses:						
General government	4,016,180	3,396,954	-	-	4,016,180	3,396,954
Public safety	6,178,696	6,163,581	-	-	6,178,696	6,163,581
Public works	5,365,741	2,019,725	-	-	5,365,741	2,019,725
Cultural and recreation	846,139	737,283	-	-	846,139	737,283
City Judge's Office and Marshal	412,626	416,723	-	-	412,626	416,723
Interest on long-term debt	241,474	8,601	-	-	241,474	8,601
Electric	-	-	26,764,763	18,497,167	26,764,763	18,497,167
Water	-	-	1,975,842	1,804,117	1,975,842	1,804,117
Sewer	-	-	3,623,523	3,044,800	3,623,523	3,044,800
Regional airport	-	-	393,950	429,218	393,950	429,218
Ambulance service	-	-	381,786	388,669	381,786	388,669
Total expenses	17,060,856	12,742,867	33,139,864	24,163,971	50,200,720	36,906,838
Increase in net assets before transfers	3,939,412	7,862,700	1,958,371	3,609,974	5,897,783	11,472,674
Transfers	2,723,877	2,544,305	(2,723,877)	(2,544,305)	-	-
Increase (decrease) in net assets	6,663,289	10,407,005	(765,506)	1,065,669	5,897,783	11,472,674
Net assets at beginning of year	61,620,044	51,213,039	45,536,843	44,471,174	107,156,887	95,684,213
Net assets at end of year	\$68,283,333	\$61,620,044	\$44,771,337	\$45,536,843	\$113,054,670	\$107,156,887

Revenues for the City's governmental activities for the year ended September 30, 2008 were \$21,000,268 compared to \$20,605,567 in 2007. The increase of \$394,701 was largely attributable to an increase in sales tax received. Sales tax increased \$750,022. Other revenue, mainly interest revenue, also decreased \$350,664.

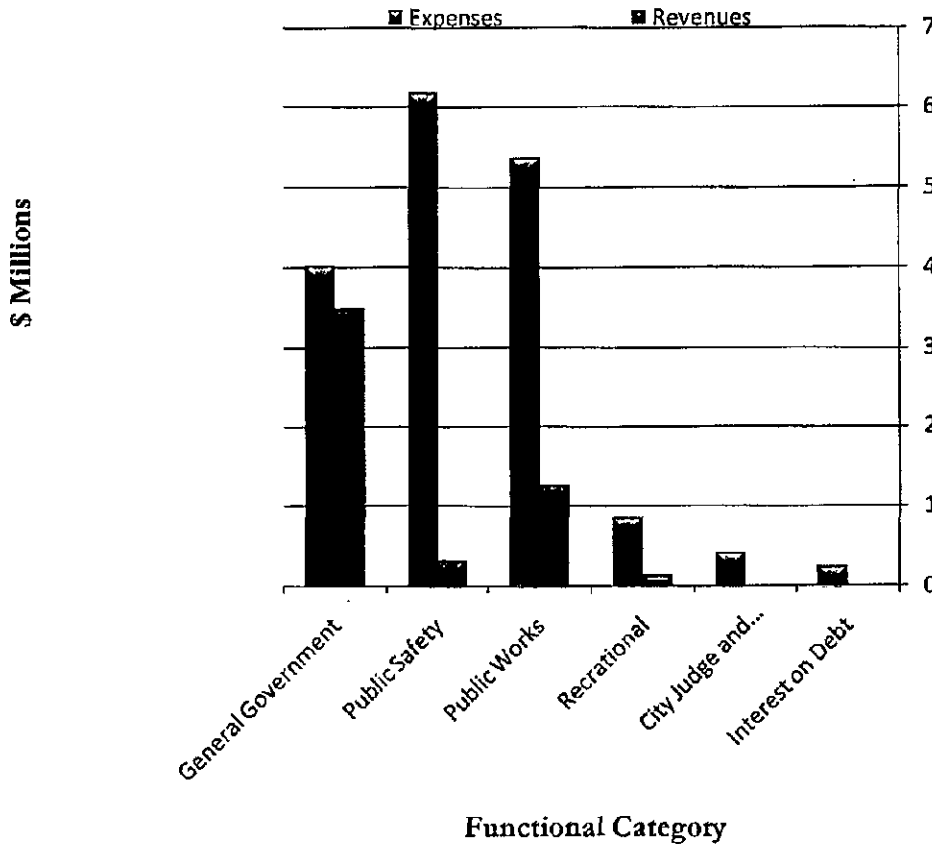
General revenues, specifically sales tax (55.3%), are the largest component of revenues.

Revenues by Sources – Governmental Activities



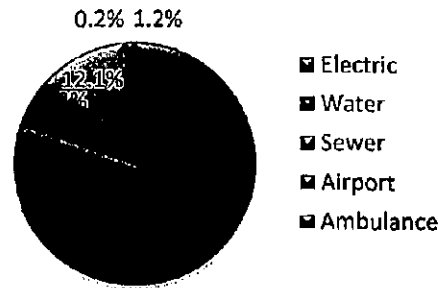
The cost of all governmental activities this year was \$17,060,856, an increase of approximately \$4,317,989 from 2007. The City's largest programs are general government, public safety, and public works. The graph below shows the expenses and program revenues generated by governmental activities.

Expenses and Program Revenues – Governmental Activities



Business-type Activities. Charges for services for the City of Ruston’s business-type activities were \$33,556,587, an increase of \$7,136,574 from 2007. The majority of this resulted from the increase in fuel adjustment revenue of approximately \$7,225,000. The increase occurred because of the increase in the cost of energy.

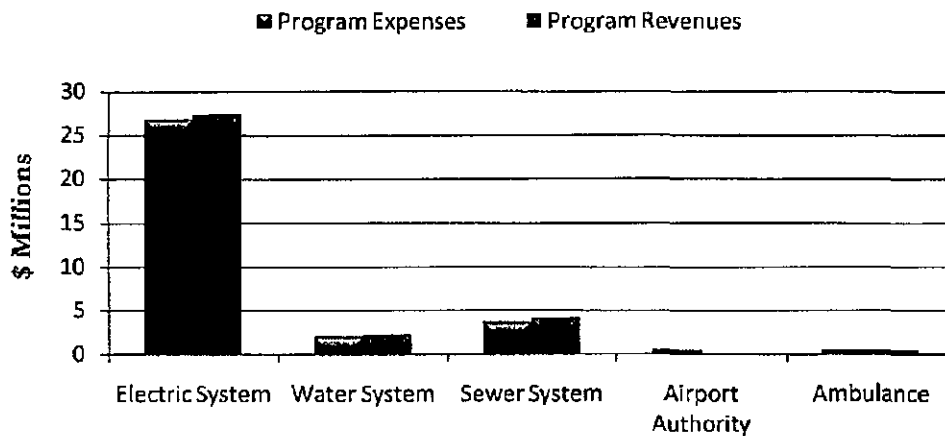
Revenue by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities

The costs of these activities were \$33,139,864, an increase of \$8,975,893 from 2007. This increase was due primarily to the increase in the cost of energy for the Electric fund of approximately \$8,207,000. Interest expense for the sewer fund increased approximately \$237,000.

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 \$22,544,487, an increase of \$3,798,560 in comparison with the prior fiscal year. Of this amount, \$12,796,725 or 56.8% was unreserved, undesignated and available for spending. \$2,385,381 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 (\$5,914,578), (2) to pay debt service (\$1,370,960), or (3) for other restricted purposes (\$76,843).
- The General Fund is the chief operating fund of the City of Ruston. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,561,201. The total (undesignated) is available for spending at the City Council's discretion. The fund balance of the General Fund increased by \$697,261. A key factor in this increase is an increase in transfers in from the Sales Tax funds in accordance with the sales tax proposition.
- The 1968 Sales Tax Fund has a total fund balance of \$1,991,865 all of which is unreserved, undesignated and available for spending for its specified purpose. Fund balance decreased \$28,362 as a result of an increase in transfers to the General Fund.
- The 1985 Sales Tax Fund has a total fund balance of \$2,233,987 all of which is unreserved, undesignated and available for spending for its specified purpose. Fund balance decreased \$171,724 as a result of an increase in transfers to the General Fund.
- The 1990 Sales Tax Fund has a total fund balance of \$414,916 all of which is unreserved, undesignated and available for spending for its specified purpose. Fund balance decreased \$2,477,826 as a result of an increase in transfers to the General Fund.
- The I-20 Fund has unreserved fund balance of (\$177,717). Total fund balance increased \$5,729,618 as a result of bond proceeds received.

Proprietary funds

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

- Unrestricted net assets of the Electric System at the end of the year amounted to \$5,380,622. Total net assets for the Electric System decreased \$475,177 as a result of an increase in the cost of energy and in transfers to other funds.
- The unrestricted net assets for the Water System amounted to \$1,317,950. Total net assets for the Water System decreased \$208,896 primarily as a result of increases in personal services expenses and operating services expenses and transfers to other funds.
- The unrestricted net assets for the Sewer System were \$136,478. Total net assets for the Sewer System increased \$182,858 as a result of an increase in charges for services.

General Fund Budgetary Highlights

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

The original budget for the General Fund of the City of Ruston was adopted on September 4, 2007. During the year, the City Council revised the City's budget several times. Changes were made as new information indicated a need. The major difference between the original budget and the final budget was primarily the increase of \$7,604,107 to appropriate open purchase orders as of September 30, 2007. The increase for open purchase orders was spread throughout all departments. Differences between the budget and the actual results of the General Fund are as follows:

Revenues

- Intergovernmental revenues were expected to be similar to prior year revenues. Actual revenues were more than budget by \$440,378 due primarily to an increase in solid waste management fees, police department grants, and sales tax dedications for hotel and motel tax received.
- Investment earnings were expected to be 50% less than prior year revenues. Actual revenues were more than budget by \$146,143 due to an underestimate of revenue.

Expenditures

- Executive operating services were under budget by \$157,154 as a result of lower than anticipated consulting expenditures.
- Executive improvements and equipment expenditures were under budget by \$252,174 as a result of projects not started.
- Economic development operating services were under budget by \$51,661 as a result of lower than anticipated consulting expenditures.
- Inspections operating expenditures were under budget by \$58,951 as a result of lower than anticipated housing demolition expenditures.
- Police department personnel expenditures were under budget by \$77,445 as a result of a decrease in retirement percentages paid by the City.
- Fire department personnel expenditures were under budget by \$182,021 as a result of not being fully staffed.
- Fire department improvements and equipment expenditures were under budget by \$560,162 as a result of encumbrances open at the end of the year.
- Public Works Administration operating services were under budget by \$81,101 as a result of lower than anticipated consulting expenditures.
- Street department personnel expenditures were under budget by \$201,614 as a result of not being fully staffed.
- Street department operating expenditures were under budget by \$159,306 as a result of encumbrances open at the end of the year.
- Street department improvements and equipment expenditures were under budget by \$1,100,149 as a result of encumbrances open at the end of the year.

- Solid waste personnel expenditures were under budget by \$52,647 as a result of not being fully staffed.
- Solid waste improvements and equipment expenditures were under budget by \$201,781 as a result of encumbrances open at the end of the year.
- Repair shop department personnel expenditures were under budget by \$52,099 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, 2008 amounts to \$109,031,280 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	
	2008	2007	2008	2007	2008	2007
Land and land improvements	\$9,216,826	\$9,021,092	\$1,266,223	\$1,266,223	\$10,483,049	\$10,287,315
Buildings	2,315,882	2,363,065	895,230	951,872	3,211,112	3,314,937
System Improvement	-	-	24,018,073	19,898,249	24,018,073	19,898,249
Improvements other than buildings	3,480,181	2,363,094	2,945,751	3,165,820	6,425,932	5,528,914
Equipment	4,760,047	4,776,612	6,034,137	6,085,696	10,794,184	10,862,308
Infrastructure	11,492,012	11,533,698	-	-	11,492,012	11,533,698
Construction in progress	23,379,903	12,756,239	19,227,015	21,559,521	42,606,918	34,315,760
Total	<u>\$54,644,851</u>	<u>\$42,813,800</u>	<u>\$54,386,429</u>	<u>\$52,927,381</u>	<u>\$109,031,280</u>	<u>\$95,741,181</u>

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

- The completion of the Commerce Street project for the Street department for approximately \$310,420.
- The completion of the Wynnwood/Forest Circle project for the Street department for approximately \$858,167.
- The completion of the Celebrity Drive extension project for the Street department for approximately \$150,551.
- The purchase of a garbage truck for the Solid Waste department for approximately \$167,527.
- The purchase of a trash truck for the Solid Waste department for approximately \$108,193.
- The completion of the second interconnection with Entergy for the Electric fund for approximately \$4,497,138.

- The completion of the I-20 corridor between Highway 33 and west of Highway 167 for the Water fund for approximately \$561,628.
- The completion of the Cedar Creek lift station project for the Sewer fund for approximately \$146,700.
- The completion of the Sewer line relocation for Highway 33 for the Sewer fund for approximately \$460,282.

Long-term debt. At the end of the current fiscal year, the City of Ruston had total debt outstanding of \$27,982,712. The following table summarizes bonds outstanding at September 30, 2008.

	Outstanding Debt					
	Governmental		Business-type		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	-	-	-	-	-	-
Revenue bonds	\$9,595,000	\$100,000	\$1,275,000	\$1,700,000	\$10,870,000	\$1,700,000
DEQ Revolving Loan fund	-	-	16,677,855	15,208,541	16,677,855	15,208,541
Due to State	-	-	434,857	521,829	434,857	521,829
Total	\$9,595,000	\$100,000	\$18,387,712	\$17,430,370	\$27,982,712	\$17,430,370

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 2008, the City dealt with a number of issues with City-wide impact. One of the factors was the national economy. Although the local economy is stable, the City is not immune to national economic trends. For the year 2009, the City budgeted for sales tax dollars to remain steady. Preliminary 2009 figures reflect an increase of approximately 4.6%. National unemployment rates for September 2008 were up to 6.2% compared to 4.7% at September 2007.

Spiraling health care costs nationwide continue to have an impact on City budgets, in addition to increasing retirement costs. In 2009, 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 2009 fiscal year.

Requests for Information

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

Basic Financial Statements

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CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 15,058,099	\$ 4,938,241	\$ 19,996,340	\$ 844,781
Investments	9,423,550	3,664,971	13,088,521	72,407
Receivables, net	2,201,974	1,550,565	3,752,539	1,347
Unbilled revenue	74,436	2,607,628	2,682,064	-
Due from other governments	-	28,725	28,725	8,668
Internal balances	216,264	(216,264)	-	-
Inventories	70,883	700,213	771,096	-
Prepaid items	14,599	670	15,269	3,163
Bond issue costs, net	80,667	10,674	91,341	-
Capital assets:				
Land and construction in progress	32,596,730	20,493,238	53,089,968	-
Other capital assets, net of depreciation	22,048,121	33,893,191	55,941,312	153,340
Total assets	<u>81,785,323</u>	<u>67,671,852</u>	<u>149,457,175</u>	<u>1,083,706</u>
LIABILITIES				
Accounts payable	1,299,054	2,932,134	4,231,188	5,446
Accrued liabilities	492,370	194,286	686,656	2,329
Accrued interest payable	32,677	134,967	167,644	-
Claims	266,045	-	266,045	-
Deposits	58,657	736,523	795,180	-
Non-current liabilities:				
Due within one year	725,000	854,972	1,579,972	25,000
Due in more than one year	10,628,187	18,047,633	28,675,820	25,000
Total liabilities	<u>13,501,990</u>	<u>22,900,515</u>	<u>36,402,505</u>	<u>57,775</u>
NET ASSETS				
Invested in capital assets, net of related debt	45,049,851	36,913,574	81,963,425	103,340
Restricted for:				
Debt service	1,370,960	774,176	2,145,136	-
Unrestricted	21,862,522	7,083,587	28,946,109	922,591
Total net assets	<u>\$ 68,283,333</u>	<u>\$ 44,771,337</u>	<u>\$ 113,054,670</u>	<u>\$ 1,025,931</u>

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

CITY OF RUSTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 4,016,180	\$ 191,220	\$ 1,022,726	\$ 2,288,433
Public safety	6,178,696	259,282	57,739	-
Public works	5,365,741	1,223,506	36,082	-
Cultural and recreation	846,139	131,405	-	-
City Judge and Marshal	412,626	-	-	-
Interest on long-term debt	241,474	-	-	-
Total governmental activities	<u>17,060,856</u>	<u>1,805,413</u>	<u>1,116,547</u>	<u>2,288,433</u>
Business-type activities:				
Electric System	26,764,763	27,316,876	-	-
Water System	1,975,842	2,091,071	-	-
Sewer System	3,623,523	3,721,866	-	378,849
Ruston Airport Authority	393,950	18,088	-	33,823
Ambulance	381,786	408,686	-	8,978
Total business-type activities	<u>33,139,864</u>	<u>33,556,587</u>	<u>-</u>	<u>421,650</u>
Total primary government	<u>\$ 50,200,720</u>	<u>\$ 35,362,000</u>	<u>\$ 1,116,547</u>	<u>\$ 2,710,083</u>
Component units:				
City Judge	435,934	543,799	-	-
City Marshal	296,938	287,796	-	-
Total component units	<u>\$ 732,872</u>	<u>\$ 831,595</u>	<u>-</u>	<u>-</u>

General revenues:

Taxes:

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

Transfers

Total general revenues and transfers

Change in Net Assets

Net assets - beginning

Net assets - ending

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

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (513,801)	-	\$ (513,801)	-
(5,861,675)	-	(5,861,675)	-
(4,106,153)	-	(4,106,153)	-
(714,734)	-	(714,734)	-
(412,626)	-	(412,626)	-
(241,474)	-	(241,474)	-
<u>(11,850,463)</u>	<u>-</u>	<u>(11,850,463)</u>	<u>-</u>
-	\$ 552,113	552,113	-
-	115,229	115,229	-
-	477,192	477,192	-
-	(342,039)	(342,039)	-
-	35,878	35,878	-
-	838,373	838,373	-
<u>(11,850,463)</u>	<u>838,373</u>	<u>(11,012,090)</u>	<u>-</u>
-	-	-	\$ 107,865
-	-	-	(9,142)
-	-	-	<u>98,723</u>
775,570	-	775,570	-
340,378	-	340,378	-
5,155,223	-	5,155,223	-
268,222	-	268,222	-
600,000	-	600,000	-
1,474,691	-	1,474,691	-
1,474,690	-	1,474,690	-
20,000	-	20,000	-
2,621,573	-	2,621,573	-
317,839	-	317,839	-
9,160	-	9,160	-
409,480	-	409,480	-
1,486,017	-	1,486,017	-
660,382	277,771	938,153	28,672
176,650	842,227	1,018,877	250
2,723,877	(2,723,877)	-	-
<u>18,513,752</u>	<u>(1,603,879)</u>	<u>16,909,873</u>	<u>28,922</u>
6,663,289	(765,506)	5,897,783	127,645
61,620,044	45,536,843	107,156,887	898,286
<u>\$ 68,283,333</u>	<u>\$ 44,771,337</u>	<u>\$ 113,054,670</u>	<u>\$ 1,025,931</u>

CITY OF RUSTON, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	<u>General</u>	<u>1968 Sales Tax</u>	<u>1985 Sales Tax</u>
ASSETS			
Cash and cash equivalents	\$ 2,039,908	\$ 2,116,623	-
Investments	6,158,293	1,718,693	-
Receivables, net	573,534	237,083	\$ 355,624
Unbilled revenues	74,436	-	-
Due from other funds	954,994	-	1,902,701
Inventories, at cost	70,883	-	-
Prepaid items	5,960	-	-
Total assets	<u>\$ 9,878,008</u>	<u>\$ 4,072,399</u>	<u>\$ 2,258,325</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 646,929	-	-
Accrued liabilities	466,493	-	-
Due to other funds	458	\$ 2,080,534	\$ 24,338
Deposits and deferred charges	58,457	-	-
Total liabilities	<u>1,172,337</u>	<u>2,080,534</u>	<u>24,338</u>
Fund Balances:			
Reserved for:			
Debt service	-	-	-
Encumbrances	2,067,627	-	-
Inventories	70,883	-	-
Prepaid items	5,960	-	-
Unreserved, undesignated	6,561,201	1,991,865	2,233,987
Unreserved, designated reported in nonmajor:			
Capital project funds	-	-	-
Unreserved, undesignated, reported in nonmajor:			
Special revenue funds	-	-	-
Total fund balances	<u>8,705,671</u>	<u>1,991,865</u>	<u>2,233,987</u>
Total liabilities and fund balances	<u>\$ 9,878,008</u>	<u>\$ 4,072,399</u>	<u>\$ 2,258,325</u>

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

<u>1990 Sales Tax</u>	<u>I-20 Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	\$ 7,402,869	\$ 2,380,572	\$ 13,939,972
-	-	-	7,876,986
\$ 237,083	-	795,465	2,198,789
-	-	-	74,436
177,833	-	24,338	3,059,866
-	-	-	70,883
-	-	-	5,960
<u>\$ 414,916</u>	<u>\$ 7,402,869</u>	<u>\$ 3,200,375</u>	<u>\$ 27,226,892</u>
-	\$ 570,032	\$ 78,737	\$ 1,295,698
-	-	17,512	484,005
-	492,830	245,885	2,844,045
-	-	200	58,657
-	<u>1,062,862</u>	<u>342,334</u>	<u>4,682,405</u>
-	-	1,370,960	1,370,960
-	3,776,909	70,042	5,914,578
-	-	-	70,883
-	-	-	5,960
\$ 414,916	-	-	11,201,969
-	2,563,098	(177,717)	2,385,381
-	-	1,594,756	1,594,756
<u>414,916</u>	<u>6,340,007</u>	<u>2,858,041</u>	<u>22,544,487</u>
<u>\$ 414,916</u>	<u>\$ 7,402,869</u>	<u>\$ 3,200,375</u>	<u>\$ 27,226,892</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, 2008

Fund balances - total governmental funds		\$ 22,544,487
<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	72,298,623	
Less accumulated depreciation	<u>(17,659,112)</u>	54,639,511
<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		80,667
<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	(32,677)	
Compensated absences	(1,737,482)	
Bonds, notes, and loans payable	<u>(9,595,000)</u>	(11,365,159)
<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>2,383,827</u>
Net assets of governmental activities		<u><u>\$ 68,283,333</u></u>

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>General</u>	<u>1968 Sales Tax</u>	<u>1985 Sales Tax</u>
REVENUES			
Taxes:			
Property	\$ 775,570	-	-
Sales	-	\$ 2,569,381	\$ 3,854,064
Licenses and permits	927,699	-	-
Intergovernmental	1,584,838	-	-
Charges for services	1,217,366	-	-
Fines and forfeitures	265,422	-	-
Investment earnings	396,143	39,179	45,038
Miscellaneous	148,265	-	-
Total revenues	<u>5,315,303</u>	<u>2,608,560</u>	<u>3,899,102</u>
EXPENDITURES			
Current:			
General government	3,519,688	19,247	23,690
Public safety	6,224,154	-	-
Public works	8,318,276	-	-
Culture and recreation	-	-	-
City Court and Marshal	407,322	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>18,469,440</u>	<u>19,247</u>	<u>23,690</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,154,137)</u>	<u>2,589,313</u>	<u>3,875,412</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	13,934,039	-	-
Transfers out	(82,641)	(2,617,675)	(4,047,136)
Bond proceeds	-	-	-
Total other financing sources and (uses)	<u>13,851,398</u>	<u>(2,617,675)</u>	<u>(4,047,136)</u>
Net change in fund balances	697,261	(28,362)	(171,724)
Fund balances - beginning	8,008,410	2,020,227	2,405,711
Fund balances - ending	<u>\$ 8,705,671</u>	<u>\$ 1,991,865</u>	<u>\$ 2,233,987</u>

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

<u>1990 Sales Tax</u>	<u>1-20 Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	-	\$ 340,378	\$ 1,115,948
\$ 2,569,381	-	2,621,573	11,614,399
-	-	-	927,699
-	\$ 1,843,038	1,463,121	4,890,997
-	-	131,405	1,348,771
-	-	-	265,422
37,314	92,414	50,294	660,382
-	7,173	21,212	176,650
<u>2,606,695</u>	<u>1,942,625</u>	<u>4,627,983</u>	<u>21,000,268</u>
16,247	-	1,054,044	4,632,916
-	-	-	6,224,154
-	-	-	8,318,276
-	-	942,465	942,465
-	-	-	407,322
-	-	505,000	505,000
-	-	200,815	200,815
-	8,046,342	633,390	8,679,732
<u>16,247</u>	<u>8,046,342</u>	<u>3,335,714</u>	<u>29,910,680</u>
<u>2,590,448</u>	<u>(6,103,717)</u>	<u>1,292,269</u>	<u>(8,910,412)</u>
-	1,833,335	590,659	16,358,033
(5,068,274)	-	(1,833,335)	(13,649,061)
-	10,000,000	-	10,000,000
<u>(5,068,274)</u>	<u>11,833,335</u>	<u>(1,242,676)</u>	<u>12,708,972</u>
<u>(2,477,826)</u>	<u>5,729,618</u>	<u>49,593</u>	<u>3,798,560</u>
<u>2,892,742</u>	<u>610,389</u>	<u>2,808,448</u>	<u>18,745,927</u>
<u>\$ 414,916</u>	<u>\$ 6,340,007</u>	<u>\$ 2,858,041</u>	<u>\$ 22,544,487</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, 2008

Net change in fund balances - total governmental funds \$ 3,798,560

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	15,028,647	
Depreciation expense	<u>(1,605,504)</u>	13,423,143

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, write offs, and donations) is to decrease net assets. (1,587,516)

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:

Bond proceeds	(10,000,000)	
Issuance costs	65,300	
Principal payments	<u>505,000</u>	(9,429,700)

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

Amortization of issuance costs	(8,364)	
Decrease in compensated absences	86,366	45,707
Increase in accrued interest	<u>(32,295)</u>	

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. 413,095

Change in net assets of governmental activities \$ 6,663,289

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

CITY OF RUSTON, LOUISIANA
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2008

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Funds			
	Major Funds	Sewer System	Airport Authority	Ambulance	Total		
	Electric System	Water System					
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 3,221,094	\$ 390,668	\$ 427,815	\$ 159,914	\$ 52,023	\$ 4,251,514	\$ 1,118,127
Investments	2,111,874	614,274	-	-	-	2,726,148	1,546,564
Receivables, net	1,173,412	85,839	166,473	-	124,841	1,550,565	3,185
Unbilled revenue	2,193,808	146,097	267,723	-	-	2,607,628	-
Due from other funds	-	263,434	600,686	-	-	864,120	458
Due from other governments	-	-	-	26,225	2,500	28,725	-
Inventories	470,450	185,587	44,176	-	-	700,213	-
Prepaid items	-	-	-	-	670	670	8,639
Total current assets	9,170,638	1,685,899	1,506,873	186,139	180,034	12,729,583	2,676,973
Noncurrent assets:							
Restricted:							
Cash and cash equivalents	5,747	16,277	664,703	-	-	686,727	-
Investments	838,312	-	100,511	-	-	938,823	-
Capital assets:							
Land	622,501	75,070	218,801	349,851	-	1,266,223	-
Construction in progress	939,013	214,429	18,047,348	26,225	-	19,227,015	-
Buildings	2,112,128	139,934	112,384	407,215	-	2,771,661	13,080
Improvements other than buildings	-	-	-	6,060,391	-	6,060,391	-
Equipment	20,315,724	764,569	5,401,799	191,275	382,545	27,055,912	48,123
Distribution and collection systems	25,718,466	10,679,947	18,937,857	-	-	55,336,270	-
Less accumulated depreciation	(34,487,948)	(6,908,590)	(12,391,581)	(3,259,924)	(283,000)	(57,331,043)	(55,863)
Total capital assets (net of accumulated depreciation)	15,219,884	4,965,369	30,326,608	3,775,033	99,545	54,386,429	5,340
Deferred bond costs, at cost less amortization	-	-	10,674	-	-	10,674	-
Total noncurrent assets	16,063,943	4,981,636	31,102,496	3,775,033	99,545	56,022,653	5,340
Total assets	\$ 25,234,581	\$ 6,667,535	\$ 32,609,369	\$ 3,961,172	\$ 279,579	\$ 68,752,236	\$ 2,682,313

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds						
	Major Funds		Nonmajor Funds		Total		
Electric System	Water System	Sewer System	Airport Authority	Ambulance			
LIABILITIES							
Current liabilities							
Accounts payable	\$ 2,079,194	\$ 34,556	\$ 784,787	\$ 24,105	\$ 9,492	\$ 2,932,134	\$ 3,356
Accrued liabilities	116,921	26,568	40,071	-	10,726	194,286	8,365
Due to other funds	1,030,139	8,992	17,219	4,236	19,798	1,080,384	15
Claims and judgments	-	-	-	-	-	-	266,045
Compensated absences	5,000	13,000	3,000	-	2,000	23,000	-
Total current liabilities	<u>3,231,254</u>	<u>83,116</u>	<u>845,077</u>	<u>28,341</u>	<u>42,016</u>	<u>4,229,804</u>	<u>277,781</u>
Current liabilities payable from restricted assets:							
Customer deposits	729,208	-	7,315	-	-	736,523	-
Bonds payable	-	-	265,000	-	-	265,000	-
DEQ Revolving Loan fund	-	-	480,000	-	-	480,000	-
Due to LADOTD	37,148	49,824	-	-	-	86,972	-
Accrued interest	134,967	-	-	-	-	134,967	-
Total current liabilities payable from restricted assets	<u>901,323</u>	<u>49,824</u>	<u>752,315</u>	<u>-</u>	<u>-</u>	<u>1,703,462</u>	<u>-</u>
Noncurrent liabilities:							
Compensated absences	352,905	35,717	55,992	-	47,279	491,893	20,705
Bonds payable	-	-	1,010,000	-	-	1,010,000	-
DEQ Revolving Loan fund	-	-	16,197,855	-	-	16,197,855	-
Due to LADOTD	148,593	199,292	-	-	-	347,885	-
Total noncurrent liabilities	<u>501,498</u>	<u>235,009</u>	<u>17,263,847</u>	<u>-</u>	<u>47,279</u>	<u>18,047,633</u>	<u>20,705</u>
Total liabilities	<u>4,634,075</u>	<u>367,949</u>	<u>18,861,239</u>	<u>28,341</u>	<u>89,295</u>	<u>23,980,899</u>	<u>298,486</u>
NET ASSETS							
Invested in capital assets, net of related debt	15,219,884	4,965,359	12,853,753	3,775,033	99,545	36,913,574	5,340
Restricted for debt service	-	16,277	757,899	-	-	774,176	-
Unrestricted (deficit)	5,380,622	1,317,950	136,478	157,798	90,739	7,083,587	2,378,487
Total net assets (deficit)	<u>\$ 20,600,506</u>	<u>\$ 6,299,586</u>	<u>\$ 13,748,130</u>	<u>\$ 3,932,831</u>	<u>\$ 190,284</u>	<u>\$ 44,771,337</u>	<u>\$ 2,383,827</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, 2008

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Funds			
	Major Funds	Sewer System		Nonmajor Funds	Ambulance		
Electric System	Water System		Water System	Authority		Total	
OPERATING REVENUES							
Charges for services	\$ 27,316,876	\$ 2,091,071	\$ 3,721,866	\$ 18,088	\$ 408,686	\$ 33,556,587	\$ 36,726
Charges to other funds	-	-	-	-	-	-	3,138,386
Premiums paid by retired employees	-	-	-	-	-	-	248,703
Rent income	35,419	-	-	22,048	-	57,467	-
Miscellaneous	719,235	63,797	1,558	145	25	784,760	386
Total operating revenues	28,071,550	2,154,868	3,723,424	40,281	408,711	34,398,814	3,424,201
OPERATING EXPENSES							
Personal services	1,938,098	477,468	729,748	-	244,806	3,390,120	187,837
Operating services	1,207,469	769,096	1,028,272	41,565	20,356	3,066,758	13,183
Materials and supplies	21,990,464	274,166	257,969	2,494	91,895	22,616,988	8,873
Travel and other	27,307	5,931	9,990	-	11,881	55,109	591
Depreciation	1,601,425	449,181	980,013	349,891	12,848	3,393,358	4,576
Claims	-	-	-	-	-	-	2,147,456
Insurance premiums	-	-	-	-	-	-	737,284
Total operating expenses	26,764,763	1,975,842	3,005,992	393,950	381,786	32,522,333	3,099,800
Operating income (loss)	1,306,767	179,026	717,432	(353,669)	26,925	1,876,481	324,401
NONOPERATING REVENUES (EXPENSES)							
Investment earnings	206,883	38,452	26,790	3,600	2,046	277,771	73,789
Interest expense	-	-	(614,863)	-	-	(614,863)	-
Amortization	-	-	(2,668)	-	-	(2,668)	-
Total nonoperating revenues (expenses)	206,883	38,452	(590,741)	3,600	2,046	(359,760)	73,789
Income (loss) before contributions and transfers	1,513,650	217,478	126,691	(350,069)	28,971	1,536,721	398,190
Capital contributions	-	-	378,849	33,823	8,978	421,650	-
Transfers in	-	-	-	14,006	-	14,006	14,905
Transfers out	(1,988,827)	(426,374)	(322,682)	-	-	(2,737,883)	-
Change in net assets	(475,177)	(208,896)	182,858	(302,240)	37,949	(765,306)	413,095
Total net assets (deficit) - beginning	21,075,683	6,508,482	13,565,272	4,235,071	152,335	45,536,843	1,970,732
Total net assets (deficit) - ending	\$ 20,600,506	\$ 6,299,586	\$ 13,748,130	\$ 3,932,831	\$ 190,284	\$ 44,771,337	\$ 2,383,827

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Funds			
	Major Funds	Sewer	Water	Authority	Ambulance	Total	
Electric System	System	System	Alipart				
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from operations	\$ 27,016,259	\$ 2,053,646	\$ 4,568,802	\$ 58,584	\$ 377,858	\$ 34,075,149	\$ 3,428,999
Payments to suppliers	(22,313,965)	(1,061,730)	(2,362,828)	(59,478)	(224,743)	(26,022,744)	(799,187)
Payments to employees	(1,927,434)	(491,761)	(711,074)	-	(245,255)	(3,375,524)	(183,401)
Claims payments	-	-	-	-	-	-	(2,209,517)
Other receipts	749,709	63,797	6,502	145	25	820,178	37,112
	<u>3,524,569</u>	<u>563,952</u>	<u>1,501,402</u>	<u>(749)</u>	<u>(92,115)</u>	<u>5,497,059</u>	<u>274,006</u>
Net cash provided by operating activities							
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers in	(1,988,827)	(426,374)	(322,682)	14,006	-	14,006	14,905
Net cash provided by (used in) noncapital financing activities	<u>(1,988,827)</u>	<u>(426,374)</u>	<u>(322,682)</u>	<u>14,006</u>	<u>-</u>	<u>(2,737,853)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	(1,835,588)	(330,781)	(2,644,029)	(33,823)	(8,185)	(4,852,406)	-
Capital contributions	-	-	378,849	33,823	8,978	421,650	-
DEQ Revolving Loan fund	-	-	1,929,314	-	-	1,929,314	-
Payable to State	(37,149)	(49,824)	-	-	-	(86,973)	-
Principal paid on debt	(13,518)	-	(885,000)	-	-	(898,518)	-
Interest paid on debt	(1,886,253)	(380,605)	(1,854,489)	-	793	(4,120,556)	-
Net cash used in capital and related financing activities	<u>(1,886,253)</u>	<u>(380,605)</u>	<u>(1,854,489)</u>	<u>-</u>	<u>793</u>	<u>(4,120,556)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from sales and maturities of investments	2,884,714	1,218,317	100,606	-	-	4,203,637	1,313,828
Purchase of investments	(2,914,014)	(1,239,331)	(100,511)	-	-	(4,253,856)	(1,317,417)
Interest and dividends received	206,883	38,452	26,790	3,600	2,046	277,771	73,789
Net cash provided by (used in) investing activities	<u>177,583</u>	<u>17,438</u>	<u>26,885</u>	<u>3,600</u>	<u>2,046</u>	<u>227,552</u>	<u>70,200</u>
Net increase (decrease) in cash and cash equivalents	(172,930)	(225,589)	(648,884)	16,857	(89,276)	(1,119,822)	359,111
Cash and cash equivalents, beginning of year	3,399,771	632,534	1,741,402	143,057	141,299	6,058,063	759,016
Cash and cash equivalents, end of year	<u>\$ 3,226,841</u>	<u>\$ 406,945</u>	<u>\$ 1,092,518</u>	<u>\$ 159,914</u>	<u>\$ 52,023</u>	<u>\$ 4,938,241</u>	<u>\$ 1,118,127</u>
Noncash item:							
Amortization	-	-	2,668	-	-	2,668	-

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Funds			
	Major Funds	Sewer	Airport	Ambulance	Total		
Electric System	Water System	System	Authority				
Reconciling of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 1,306,767	\$ 179,026	\$ 717,452	\$ (353,669)	\$ 26,925	\$ 1,876,481	\$ 324,401
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	1,601,425	449,181	980,013	349,891	12,848	3,393,358	4,576
(Increase) Decrease in assets:							
Receivables	(328,602)	46,146	1,110,802	18,448	(30,828)	815,966	42,060
Due from other funds	-	(83,571)	(266,506)	-	-	(350,077)	(150)
Inventories	(41,309)	(1,916)	(3,158)	-	-	(56,383)	-
Prepaid items	-	-	-	-	(670)	(670)	(8,639)
Increase (Decrease) in liabilities:							
Accounts payable	561,458	280	(1,065,528)	4,159	(9,385)	(509,016)	(30,046)
Accrued liabilities	(222)	10,027	13,637	-	2,446	25,898	1,195
Due to other funds	386,181	(901)	7,033	(19,578)	(91,226)	281,509	(571)
Customers' deposits	27,985	-	2,640	-	-	30,625	-
Claims	-	-	-	-	-	-	(62,061)
Compensated absences	10,886	(24,320)	5,037	-	(2,225)	(10,622)	3,241
Total adjustments	2,217,802	384,926	763,970	352,920	(119,040)	3,620,578	(50,395)
Net cash provided by operating activities	\$ 3,524,569	\$ 563,952	\$ 1,501,402	\$ (749)	\$ (92,115)	\$ 5,497,059	\$ 274,006

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

CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2008

	<u>Ruston City Judge's Office</u>	<u>Ruston City Marshal's Office</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 819,051	\$ 25,730	\$ 844,781
Investments	-	72,407	72,407
Receivables	-	1,347	1,347
Prepaid items	2,220	943	3,163
Due from governmental units	8,668	-	8,668
Capital assets, net of depreciation	125,640	27,700	153,340
Total assets	<u>955,579</u>	<u>128,127</u>	<u>1,083,706</u>
LIABILITIES			
Accounts payable	5,420	26	5,446
Accrued liabilities	2,329	-	2,329
Non-current liabilities:			
Due within one year	25,000	-	25,000
Due in more than one year	25,000	-	25,000
Total liabilities	<u>57,749</u>	<u>26</u>	<u>57,775</u>
NET ASSETS			
Invested in capital assets, net of related debt	75,640	27,700	103,340
Unrestricted	822,190	100,401	922,591
Total net assets	<u>\$ 897,830</u>	<u>\$ 128,101</u>	<u>\$ 1,025,931</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, 2008

	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Ruston City Judge's Office	Ruston City Marshal's Office	Total
City Judge Judicial	\$ 435,934	\$ 543,799	\$ 107,865	-	\$ 107,865
City Marshal Judicial	<u>296,938</u>	<u>287,796</u>	<u>-</u>	<u>\$ (9,142)</u>	<u>(9,142)</u>
	<u>\$ 732,872</u>	<u>\$ 831,595</u>	107,865	(9,142)	98,723
General Revenues:					
Interest earnings			24,838	3,834	28,672
Miscellaneous			250	-	250
Total general revenues			<u>25,088</u>	<u>3,834</u>	<u>28,922</u>
Change in net assets			132,953	(5,308)	127,645
Net assets - beginning			764,877	133,409	898,286
Net assets - ending			<u>\$ 897,830</u>	<u>\$ 128,101</u>	<u>\$ 1,025,931</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, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

City Judge's Office

The Ruston City Judge's Office was created by special legislative act. Its jurisdiction includes the incorporated area of the City. The City Judge is elected and cannot be removed by City officials. The City Judge's Office is fiscally dependent on the City. The City has the ability to modify or approve its budget which comes from the General Fund. There are certain funds collected by the City Judge's Office, pursuant to state statute, which are under the control of the Court. The City Judge's Office serves the citizenry of the City. The financial statements of the City Judge's Office included in the accompanying financial statements are as of and for the fiscal year ended September 30, 2008.

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, 2008.

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, 2008

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, 2008

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, 2008

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, 2008

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, 2008

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

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

c. CAPITAL ASSETS

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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

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, 2008 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, 2008

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 if 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, 2008

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, 2008

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, 2008, the carrying amount of the City's deposits was \$32,246,934 and the bank balance was \$34,754,921. The difference is due to the outstanding checks and deposits in transit at September 30, 2008.

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, 2008, 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, 2008. 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, 2008

	CATEGORY			Carrying Amount & Fair Value
	1	2	3	
U.S. government and U.S. government agency securities	\$86,738	\$ —	\$ —	\$86,738
Louisiana Asset Management Pool				<u>751,189</u>
Total Investments				837,927
Total Deposits				<u>32,246,934</u>
Total cash, cash equivalents & investments, including restricted cash and investments				<u>\$33,084,861</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 \$926,032 at September 30, 2008.

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 \$158,799,982 and \$128,354,400 in 2008 and 2007, respectively. The distribution of the City's levy (tax rate per \$1,000 assessed value) was as follows for 2008 and 2007:

	Levy <u>2008</u>	Levy <u>2007</u>
General Fund	6.04	6.04
Recreation Tax	2.65	3.00
	<u>8.69</u>	<u>9.04</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

4. RECEIVABLES

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

	Customers	Taxes	Other	Allowance for uncollectible accounts	Net Receivable
Governmental activities:					
General	\$134,522	-	\$530,832	(\$91,820)	\$573,534
1968 Sales Tax	-	\$237,083	-	-	237,083
1985 Sales Tax	-	355,624	-	-	355,624
1990 Sales Tax	-	237,083	-	-	237,083
Nonmajor governmental funds	-	755,310	43,340	-	798,650
Total governmental activities	\$134,522	\$1,585,100	\$574,172	(\$91,820)	\$2,201,974
Business-type activities:					
Electric System	\$2,181,793	-	-	(\$1,008,381)	\$1,173,412
Water System	236,886	-	-	(151,047)	85,839
Sewer System	379,435	-	\$27,617	(240,579)	166,473
Ambulance	345,450	-	-	(220,609)	124,841
Total business-type activities	\$3,143,564	-	\$27,617	(\$1,620,616)	\$1,550,565

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance September 30, 2007	Additions	Retirements	Balance September 30, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$9,021,092	\$195,734	-	\$9,216,826
Construction in progress	12,756,239	12,206,572	(\$1,582,907)	23,379,904
Total capital assets, not being depreciated	21,777,331	12,402,306	(1,582,907)	32,596,730
Capital assets, being depreciated:				
Buildings	4,542,863	81,594	-	4,624,457
Improvements other than buildings	5,329,656	1,337,334	-	6,666,990
Equipment	11,939,876	851,477	(291,305)	12,500,048
Infrastructure	15,615,665	355,935	-	15,971,600
Total capital assets being depreciated	37,428,060	2,626,340	(291,305)	39,763,095
Less accumulated depreciation for:				
Buildings	(2,179,798)	(128,777)	-	(2,308,575)
Improvements other than buildings	(2,966,562)	(220,247)	-	(3,186,809)
Equipment	(7,163,264)	(863,434)	286,697	(7,740,001)
Infrastructure	(4,081,967)	(397,622)	-	(4,479,589)
Total accumulated depreciation	(16,391,591)	(1,610,080)	286,697	(17,714,974)
Total capital assets, being depreciated, net	21,036,469	1,016,260	(4,608)	22,048,121
Governmental activities capital assets, net	\$42,813,800	\$13,418,566	(\$1,587,515)	\$54,644,851

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

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 \$18,951,185 for an I-20 Infrastructure project; \$361,944 for the renovation of the historic fire station; \$1,121 for the Police department building; \$108,108 for the Streetscape project; \$926,432 for the West Kentucky/North Chautauqua project; \$36,681 for the Goodwin Road project; \$2,020,422 for the Public Works Complex Additions; \$90,676 for the Martin Luther King Extension; \$139,437 for the Willow Glen Extension; \$9,375 for the Clay Street project; \$8,687 for the Lewis Street project; \$668,815 for the LCDBG Sewer Rehabilitation project; \$26,402 for the Woodland Park fall zone project; \$11,073 for the Cook Park fall zone project; and \$19,546 for the Duncan Park basketball court.

	Balance September 30, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2008</u>
Business-type activities:				
Electric System				
Capital assets, not being depreciated:				
Land	\$622,501	-	-	\$622,501
Construction in progress	<u>4,682,149</u>	<u>\$969,066</u>	<u>(\$4,712,202)</u>	<u>939,013</u>
Total capital assets, not being depreciated	<u>5,304,650</u>	<u>969,066</u>	<u>(4,712,202)</u>	<u>1,561,514</u>
Capital assets, being depreciated:				
Buildings	2,112,128	-	-	2,112,128
System Improvement	20,387,127	5,331,339	-	25,718,466
Equipment	<u>20,106,554</u>	<u>247,385</u>	<u>(38,215)</u>	<u>20,315,724</u>
Total capital assets being depreciated	42,605,809	5,578,724	(38,215)	48,146,318
Less accumulated depreciation for:				
Buildings	(1,604,913)	(37,758)	-	(1,642,671)
System Improvement	(13,742,312)	(998,533)	-	(14,740,845)
Equipment	<u>(17,577,513)</u>	<u>(565,134)</u>	<u>38,215</u>	<u>(18,104,432)</u>
Total accumulated depreciation	<u>(32,924,738)</u>	<u>(1,601,425)</u>	<u>38,215</u>	<u>(34,487,948)</u>
Total capital assets, being depreciated, net	<u>9,681,071</u>	<u>3,977,299</u>	=	<u>13,658,370</u>
Electric System capital assets, net	<u>\$14,985,721</u>	<u>\$4,946,365</u>	<u>(\$4,712,202)</u>	<u>\$15,219,884</u>

Construction in progress for the electric system consisted of \$402,642 for the McDonald Avenue Substation upgrade; \$57,971 for the Maple Street project; \$67,591 for the 69 kV Transmission Line Upgrade; \$22,901 for the South Service Road project; \$55,259 for the Celebrity Drive Electric Phase 2 project; \$26,234 for Customer Service Office Improvements; \$293,364 on the Public Works Complex Additions; \$6,616 on the City Hall parking lot; and \$6,435 on the I-20 Service Road relocation project.

	Balance September 30, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2008</u>
Water System				
Capital assets, not being depreciated:				
Land	\$75,070	-	-	\$75,070
Construction in progress	<u>679,259</u>	<u>\$152,453</u>	<u>(\$617,283)</u>	<u>214,429</u>
Total capital assets, not being depreciated	<u>754,329</u>	<u>152,453</u>	<u>(617,283)</u>	<u>289,499</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

	Balance September 30, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2008</u>
Capital assets, being depreciated:				
Buildings	139,934	-	-	139,934
System Improvement	10,033,949	645,998	-	10,679,947
Equipment	619,550	<u>149,613</u>	<u>(4,594)</u>	<u>764,569</u>
Total capital assets being depreciated	10,793,433	795,611	(4,594)	11,584,450
Less accumulated depreciation for:				
Buildings	(95,452)	(4,116)	-	(99,568)
System Improvement	(5,867,618)	(380,313)	-	(6,247,932)
Equipment	<u>(500,933)</u>	<u>(64,752)</u>	4,594	<u>(561,091)</u>
Total accumulated depreciation	<u>(6,464,003)</u>	<u>(449,181)</u>	4,594	<u>(6,908,590)</u>
Total capital assets, being depreciated, net	<u>4,329,430</u>	<u>346,430</u>	=	<u>4,675,860</u>
Water System capital assets, net	<u>\$5,083,759</u>	<u>\$498,883</u>	<u>(\$617,283)</u>	<u>\$4,965,359</u>

Construction in progress for the water system consisted of \$197,091 for the new Elevated Water Storage Tank; and \$17,338 for the Master Plan for development of water distribution system.

	Balance September 30, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2008</u>
Sewer System				
Capital assets, not being depreciated:				
Land	\$218,801	-	-	\$218,801
Construction in progress	<u>16,120,556</u>	<u>\$2,585,227</u>	<u>(\$658,435)</u>	<u>18,047,348</u>
Total capital assets, not being depreciated	<u>16,339,357</u>	<u>2,585,227</u>	<u>(658,435)</u>	<u>18,266,149</u>
Capital assets, being depreciated:				
Buildings	112,384	-	-	112,384
System Improvement	18,958,007	-	(20,150)	18,937,857
Equipment	<u>4,684,562</u>	<u>717,237</u>	-	<u>5,401,799</u>
Total capital assets being depreciated	23,754,953	717,237	(20,150)	24,452,040
Less accumulated depreciation for:				
Buildings	(46,977)	(3,224)	-	(50,201)
System Improvement	(9,870,905)	(478,666)	20,150	(10,329,421)
Equipment	<u>(1,513,836)</u>	<u>(498,123)</u>	-	<u>(2,011,959)</u>
Total accumulated depreciation	<u>(11,431,718)</u>	<u>(980,013)</u>	20,150	<u>(12,391,581)</u>
Total capital assets, being depreciated, net	<u>12,323,235</u>	<u>(262,776)</u>	=	<u>12,060,459</u>
Sewer System capital assets, net	<u>\$28,662,592</u>	<u>\$2,322,451</u>	<u>(\$658,435)</u>	<u>\$30,326,608</u>

Construction in progress consisted of \$17,888,957 for the Wastewater Treatment Plant Upgrade; and \$158,391 for the Sanitary Sewer System rehab project.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

	Balance September 30, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2008</u>
Airport Authority				
Capital assets, not being depreciated:				
Land	\$349,851	-	-	\$349,851
Construction in progress	<u>77,557</u>	<u>\$33,823</u>	<u>(\$85,155)</u>	<u>26,225</u>
Total capital assets, not being depreciated	427,408	33,823	(85,155)	376,076
Capital assets, being depreciated:				
Buildings	407,215	-	-	407,215
Runways, aprons, and taxiways	5,975,236	85,155	-	6,060,391
Equipment	<u>191,275</u>	=	=	<u>191,275</u>
Total capital assets being depreciated	6,573,726	85,155	-	6,658,881
Less accumulated depreciation for:				
Buildings	(72,447)	(11,544)	-	(83,991)
Runways, aprons, and taxiways	(2,809,416)	(305,224)	-	(3,114,640)
Equipment	<u>(28,170)</u>	<u>(33,123)</u>	=	<u>(61,293)</u>
Total accumulated depreciation	<u>(2,910,033)</u>	<u>(349,891)</u>	=	<u>(3,259,924)</u>
Total capital assets, being depreciated, net	<u>3,663,693</u>	<u>(264,736)</u>	=	<u>3,398,957</u>
Airport Authority capital assets, net	<u>\$4,091,101</u>	<u>(\$230,913)</u>	<u>(\$85,155)</u>	<u>\$3,775,033</u>

Construction in progress consisted of \$26,225 for the Emergency Generator for the terminal building.

	Balance September 30, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2008</u>
Capital assets, being depreciated:				
Equipment	\$386,784	\$8,185	(\$12,424)	\$382,545
Less accumulated depreciation for:	<u>(282,576)</u>	<u>(12,848)</u>	<u>12,424</u>	<u>(283,000)</u>
Total capital assets, being depreciated, net	<u>\$104,208</u>	<u>(\$4,663)</u>	=	<u>\$99,545</u>
Business-type activities capital assets				
Capital assets, not being depreciated:				
Land	\$1,266,223	-	-	\$1,266,223
Construction in progress	<u>21,559,521</u>	<u>\$3,740,569</u>	<u>(\$6,073,075)</u>	<u>19,227,015</u>
Total capital assets, not being depreciated	<u>22,825,744</u>	<u>3,740,569</u>	<u>(6,073,075)</u>	<u>20,493,238</u>
Capital assets, being depreciated:				
Buildings	2,771,661	-	-	2,771,661
System Improvement	49,379,083	5,977,337	(20,150)	55,336,270
Runways, aprons, and taxiways	5,975,236	85,155	-	6,060,391
Equipment	<u>25,988,725</u>	<u>1,122,420</u>	<u>(55,233)</u>	<u>27,055,912</u>
Total capital assets being depreciated	84,114,705	7,184,912	(75,383)	91,224,234

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

	Balance September 30, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2008</u>
Less accumulated depreciation for:				
Buildings	(1,819,789)	(56,642)	-	(1,876,431)
System Improvement	(29,480,835)	(1,857,512)	20,150	(31,318,197)
Runways, aprons, and taxiways	(2,809,416)	(305,224)	-	(3,114,640)
Equipment	<u>(19,903,028)</u>	<u>(1,173,980)</u>	<u>55,233</u>	<u>(21,021,775)</u>
Total accumulated depreciation	<u>(54,013,068)</u>	<u>(3,393,358)</u>	<u>75,383</u>	<u>(57,331,043)</u>
Total capital assets, being depreciated, net	<u>30,101,637</u>	<u>3,791,554</u>	-	<u>33,893,191</u>
Business-type activities capital assets, net	<u>\$52,927,381</u>	<u>\$7,532,123</u>	<u>(\$6,073,075)</u>	<u>\$54,386,429</u>

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

Governmental activities:	
General government	\$229,769
Public safety	290,683
Public works, including depreciation of general infrastructure assets	964,277
Recreation	<u>70,034</u>
Total depreciation expense-governmental activities	<u>\$1,554,763</u>
Business-type activities:	
Electric System	1,601,425
Water System	449,181
Sewer System	980,013
Airport Authority	349,891
Ambulance	<u>12,848</u>
Total depreciation expense-business-type activities	<u>\$3,393,358</u>

6. LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$100,000	\$10,000,000	\$505,000	\$9,595,000	\$525,000
Compensated absences	<u>1,841,312</u>	<u>620,958</u>	<u>704,083</u>	<u>1,758,187</u>	<u>200,000</u>
Total long-term liabilities	<u>\$1,941,312</u>	<u>\$10,620,958</u>	<u>\$1,209,083</u>	<u>\$11,353,187</u>	<u>\$725,000</u>
Business-type activities:					
Electric System:					
Due to other governments	\$222,889	-	\$37,148	\$185,741	\$37,148
Compensated absences	<u>347,019</u>	<u>\$93,183</u>	<u>82,297</u>	<u>357,905</u>	<u>5,000</u>
Electric System long-term liabilities	<u>\$569,908</u>	<u>\$93,183</u>	<u>\$119,445</u>	<u>\$543,646</u>	<u>\$42,148</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water System:					
Due to other governments	\$298,940	-	\$49,824	\$249,116	\$49,824
Compensated absences	<u>73,037</u>	<u>\$15,087</u>	<u>39,407</u>	<u>48,717</u>	<u>13,000</u>
Water System long-term liabilities	<u>\$371,977</u>	<u>\$15,087</u>	<u>\$89,231</u>	<u>\$297,833</u>	<u>\$62,824</u>
Sewer System:					
Revenue bonds	\$1,700,000	-	\$425,000	\$1,275,000	\$265,000
DEQ Revolving Loan fund	15,208,541	\$1,929,314	460,000	16,677,855	480,000
Compensated absences	<u>53,955</u>	<u>34,575</u>	<u>29,538</u>	<u>58,992</u>	<u>3,000</u>
Sewer System long-term liabilities	<u>\$16,962,496</u>	<u>\$1,963,889</u>	<u>\$914,538</u>	<u>\$18,011,847</u>	<u>\$748,000</u>
Ambulance Fund:					
Compensated absences	<u>\$51,504</u>	<u>\$21,478</u>	<u>\$23,703</u>	<u>\$49,279</u>	<u>\$2,000</u>
Business-type activities long-term liabilities					
Revenue bonds	\$1,700,000	-	\$425,000	\$1,275,000	\$265,000
DEQ Revolving Loan fund	15,208,541	\$1,929,314	460,000	16,677,855	480,000
Due to other governments	521,829	-	86,972	434,857	86,972
Compensated absences	<u>525,515</u>	<u>164,323</u>	<u>174,945</u>	<u>514,893</u>	<u>23,000</u>
Business-type activity long-term liabilities	<u>\$17,955,885</u>	<u>\$2,093,637</u>	<u>\$1,146,917</u>	<u>\$18,902,605</u>	<u>\$854,972</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, 2008 are comprised of the following issues:

Governmental Activities:	Outstanding
<u>Tax Increment Bonds</u>	<u>09-30-08</u>
\$2,000,000 – 2001 Sales Tax Increment Revenue Bonds dated 12-21-01, of \$100,000 due 9-1-13, interest at 4.59%	\$100,000
\$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 \$525,000 to \$860,000 through September 1, 2022.	<u>9,495,000</u>
Total Tax Increment Bonds	<u>9,595,000</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

Business-type Activities:

Revenue Bonds

\$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. \$510,000

\$1,655,000 2003 Sewer Utility Revenue Refunding Bonds dated 5-22-03 due in annual installments of \$180,000 to \$195,000 through October 1, 2012, interest at 2.950% to 4.000%. 765,000

Total Revenue Bonds \$1,275,000

DEQ Revolving Loan

\$19,500,000 2005 Sewer Revenue Bonds dated 1-17-06 due in annual installments of \$480,000 to \$1,480,000 through October 1, 2027, interest at 3.45%. \$16,677,855

Total DEQ Revolving Loan \$16,677,855

Due to Other Governments

\$869,716 (\$334,333 for the Electric System and \$448,412 for the Water System) due to the State of Louisiana, Department of Transportation and Development, payable in annual installments of \$86,972 (\$37,148 from the Electric System and \$49,824 from the Water System) through April 1, 2013. \$434,857

Total Due to Other Governments \$434,857

The annual requirements to amortize all debt outstanding as of September 30, 2008, including interest requirements are as follows:

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Year ending September 30:					
2009	\$525,000	\$401,481	\$831,972	\$615,836	\$2,374,289
2010	545,000	375,052	856,972	591,124	2,368,148
2011	565,000	352,542	886,972	565,264	2,369,778
2012	585,000	329,208	916,972	537,929	2,369,109
2013	710,000	305,048	946,969	509,071	2,471,088
2014-2022	<u>6,665,000</u>	<u>1,446,532</u>	<u>13,947,855</u>	<u>3,431,163</u>	<u>25,490,550</u>
	<u>\$9,595,000</u>	<u>\$3,209,863</u>	<u>\$18,387,712</u>	<u>\$6,250,387</u>	<u>\$37,442,962</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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

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, 2008 on the refunded bonds was \$920,000.

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, 2008, was \$158,799,982. The maximum debt allowable for any one purpose and total debt allowable by state law as of December 31, 2008, is \$15,879,998 and \$55,579,994 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.

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.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

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 13.5% 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, 2008, 2007, and 2006 were \$775,400, \$839,547, and \$857,603, respectively, equal to the required contributions for each year. In accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*, the net pension obligation was determined to be zero. Prior to adoption of GASB 27, the City did not report a pension liability.

Statewide Firefighter's Retirement System (SFRS)

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

Funding Policy - Covered employees are required to contribute 8% of their annual compensation and the City is required to contribute 12.5% 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, 2008, 2007, and 2006 were \$224,161, \$210,949, and \$222,518, 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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

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 9.5% 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, 2008, 2007, and 2006 were \$216,986, \$252,928, and \$260,827, 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, 2008 were as follows:

DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS										
	General Fund	1968 Sales Tax	1985 Sales Tax	I-20	Electric System	Water System	Sewer System	Nonmajor Govern- mental Funds	Nonmajor Enterprise Funds	Internal service	Total
General Fund	-	-	-	\$492,830	\$384,917	\$8,992	\$17,151	\$27,070	\$24,034	-	\$954,994
1985 Sales Tax	-	\$,902,701	-	-	-	-	-	-	-	-	1,902,701
1990 Sales Tax	-	177,833	-	-	-	-	-	-	-	-	177,833
Water System	-	-	-	-	263,351	-	68	-	-	\$15	263,434
Sewer System	-	-	-	-	381,871	-	-	218,815	-	-	600,686
Nonmajor governmental Internal service	-	-	\$24,338	-	-	-	-	-	-	-	24,338
	<u>\$458</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>458</u>
Total	<u>\$458</u>	<u>\$2,080,534</u>	<u>\$24,338</u>	<u>\$492,830</u>	<u>\$1,030,139</u>	<u>\$8,992</u>	<u>\$17,219</u>	<u>\$245,885</u>	<u>\$24,034</u>	<u>\$15</u>	<u>\$3,924,444</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, 2008 were as follows:

TRANSFERS OUT	TRANSFERS IN					
	General Fund	I-20	Airport Authority	Nonmajor Governmental Funds	Internal Service	Total
General Fund	-	-	-	\$67,736	\$14,905	\$82,641
1968 Sales Tax	\$2,617,675	-	-	-	-	2,617,675
1985 Sales Tax	3,632,925	-	-	414,211	-	4,047,136
1990 Sales Tax	5,068,274	-	-	-	-	5,068,274
Electric System	1,883,002	-	13,343	92,482	-	1,988,827
Water System	409,481	-	663	16,230	-	426,374
Sewer System	322,682	-	-	-	-	322,682
Nonmajor governmental	-	<u>\$1,833,335</u>	-	-	-	<u>1,833,335</u>
Total transfers	<u>\$13,934,039</u>	<u>\$1,833,335</u>	<u>\$14,006</u>	<u>\$590,659</u>	<u>\$14,905</u>	<u>\$16,386,944</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

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

c. DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

The Sewer LCDBG Grant Fund had a deficit fund balance of \$218,815 at September 30, 2008. This deficit is expected to be funded by transfers from the Sewer System Fund in subsequent years.

d. EXCESS OF EXPENDITURES OVER BUDGET

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

<u>Fund</u>	<u>Budget</u>	<u>Actual on a budgetary basis</u>	<u>Negative variance</u>
General Fund:			
General Government:			
City Hall/Civic Center – Overtime salaries	\$10,800	\$10,858	(\$58)
Public Safety:			
Police – Regular salaries	1,788,087	1,800,078	(11,991)
Police – Overtime salaries	193,000	193,104	(104)
Street lighting – Operating services	242,200	268,155	(25,955)
Public Works:			
Administration – Overtime salaries	3,000	3,003	(3)
Animal Control – Overtime salaries	9,000	10,644	(1,644)
Animal Control – Total personnel services	118,818	119,813	(995)
Animal Control – Materials and supplies	17,252	17,848	(596)

The unfavorable variance in City Hall/Civic Center overtime is due to the increase in vacancies. The unfavorable variance in Police regular salaries is due to an increase in accruals paid to employees. The unfavorable variance in Police overtime salaries is due to the increase in vacancies. The unfavorable variance in Street lighting operating services is due to an increase in construction and in the cost of materials. The unfavorable variance in Public Works Administration overtime salaries is due to a vacancy not being filled. The unfavorable variance in Animal Control overtime salaries is due to the increase in after hour patrols. The unfavorable variance in Animal Control total personnel services is due to the increase in overtime salaries. The unfavorable variance in Animal Control materials and supplies is due to the increase in shelter supplies needed as a result of Hurricanes Gustav and Ike.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

10. FEDERAL AND STATE FINANCIAL ASSISTANCE

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

11. POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides dental and medical care coverage for any retirees who were participating in the group health insurance plan prior to their retirement date. The City is self-insured for medical benefits including post-retirement health care benefits. Currently, there are 68 retirees who are eligible to receive benefits. During 2008, expenses of \$334,148 were recognized for post-retirement health care. The expense is recognized when costs are incurred. The costs are funded on a pay-as-you-go basis. At year-end, an estimate is made for incurred but not reported claims.

12. COMMITMENTS AND CONTINGENCIES

Construction projects

There are certain construction projects in progress at September 30, 2008. 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 \$361,944 on the renovation of the historic fire station. The City also expended approximately \$1,121 in 2008 on the Police department building. The City has expended approximately \$1,319,396 on various street projects. The city paid \$2,313,786 on the Public Works complex additions. The city has expended approximately \$668,815 for the LCDBG Sewer Rehabilitation project. The city paid approximately \$57,021 on various parks projects. The City has expended \$402,642 for the McDonald Avenue Substation upgrade. It also has expended \$210,157 on the various electric line extension and relocation projects. The City has also expended \$26,234 for Customer Service Office Improvements. It has also paid \$6,616 on the City Hall Parking lot project. The City has also paid \$197,091 for the new Elevated Water Storage Tank and \$17,338 for the Master Plan for development of water distribution system. In 2004 through 2008, the City paid \$17,888,957 for the Wastewater Treatment Plant Upgrade. The City also paid \$158,391 for the Sanitary Sewer System rehab project. The City also expended approximately \$26,225 for the Emergency Generator for the terminal building at the airport.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance for risks related to (1) Public Official Errors and Omissions Liability, (2) General Liability, (3) Business Auto Liability, (4) Law Enforcement Professional Liability, and (5) Fire and Extended coverage. Settled claims resulting from these risks did not exceed commercial insurance coverage in the current year. The General Liability and Business Auto Liability are

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

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 \$97,724 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 \$633,780 at September 30, 2008. There was no increase in insurance coverage from the prior year. No claims exceeded the City's insurance coverage for each of the past three fiscal years.

General Self-Insurance

The City established a limited risk management program for employee medical coverage in 1988. Amounts paid into the General Self-Insurance Fund stem from employee contributions, payments by retired employees, and payments by other funds, and are available to pay claims, claim reserves and administrative costs of the program. During the year ended September 30, 2008, a total of \$2,373,980 was paid in benefits and administrative costs. The insurance fund has net assets of \$1,600,460 at September 30, 2008. An excess coverage co-insurance policy covers individual claims in excess of \$70,000 per calendar year. Incurred but not reported claims of \$168,321 have been accrued as a liability based upon information provided by the claims administrators. Interfund payments are based on total operating expenses minus employee contributions and payments by retired employees. Payments to the General Self-Insurance Fund are accounted for as an expenditure/expense of the paying fund. There were no reductions in insurance coverage from the prior year. No claims exceeded the City's insurance coverage for each of the past three fiscal years.

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

	<u>Accrued claims October 1</u>	<u>Claims incurred</u>	<u>Claims paid</u>	<u>Accrued claims September 30</u>
<i>Worker's Compensation:</i>				
2007	\$123,030	\$249,651	\$223,440	\$149,241
2008	149,241	119,477	170,994	97,724
<i>General Insurance:</i>				
2007	188,146	2,001,025	2,010,306	178,865
2008	178,865	1,958,860	1,969,404	168,321

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2008

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.

Subsequent Event

In January 2009, the City approved but has not yet issued \$4,000,000 in Utilities Revenue Bonds, for the purpose of funding the costs of constructing a new water tank.

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Required Supplementary Information

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CITY OF RUSTON, LOUISIANA
 General Fund
 Schedule of Revenues, Expenditures, and Changes In Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2008
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 730,000	\$ 730,000	\$ 775,570	\$ 45,570
Licenses and Permits	847,500	847,500	927,699	80,199
Intergovernmental	1,084,000	1,144,460	1,584,838	440,378
Charges for services	1,158,500	1,158,500	1,217,366	58,866
Fines and forfeitures	298,650	298,650	265,422	(33,228)
Investment earnings	250,000	250,000	396,143	146,143
Miscellaneous	104,680	106,785	148,265	41,480
Total revenues	<u>4,473,330</u>	<u>4,535,895</u>	<u>5,315,303</u>	<u>779,408</u>
EXPENDITURES				
General government:				
Executive:				
Regular salaries	564,559	577,063	561,512	15,551
Other employee benefits	192,520	199,184	186,687	12,497
Total salaries, wages, and employee benefits	<u>757,079</u>	<u>776,247</u>	<u>748,199</u>	<u>28,048</u>
Operating services	907,360	1,010,665	853,511	157,154
Materials and supplies	68,800	82,199	78,566	3,633
Travel and other	11,000	11,000	6,654	4,346
Improvements and equipment	720,000	711,696	459,522	252,174
Total executive	<u>2,464,239</u>	<u>2,591,807</u>	<u>2,146,452</u>	<u>445,355</u>
Information technology:				
Regular salaries	92,555	94,685	94,325	360
Overtime salaries	-	4,000	2,825	1,175
Other employee benefits	22,451	23,350	23,177	173
Total salaries, wages, and employee benefits	<u>115,006</u>	<u>122,035</u>	<u>120,327</u>	<u>1,708</u>
Operating services	64,400	67,056	51,243	15,813
Materials and supplies	25,000	23,450	19,623	3,827
Travel and other	7,000	7,000	5,762	1,238
Improvements and equipment	30,000	30,000	23,833	6,167
Total information technology	<u>241,406</u>	<u>249,541</u>	<u>220,788</u>	<u>28,753</u>
Economic development:				
Regular salaries	75,000	75,000	47,286	27,714
Other employee benefits	17,582	17,883	10,024	7,859
Total salaries, wages, and employee benefits	<u>92,582</u>	<u>92,883</u>	<u>57,310</u>	<u>35,573</u>
Operating services	74,372	68,666	17,005	51,661
Materials and supplies	7,700	13,700	13,236	464
Travel and other	13,000	13,000	6,372	6,628
Total economic development	<u>187,654</u>	<u>188,249</u>	<u>93,923</u>	<u>94,326</u>
City Court	239,611	241,282	223,048	18,234
Marshal	183,700	185,297	184,274	1,023
Civic center/city hall:				
Regular salaries	128,269	128,181	122,210	5,971
Overtime salaries	4,000	10,800	10,858	(58)
Other employee benefits	49,909	51,885	44,497	7,388
Total salaries, wages, and employee benefits	<u>182,178</u>	<u>190,866</u>	<u>177,565</u>	<u>13,301</u>
Operating services	182,528	214,156	189,308	24,848
Materials and supplies	83,170	88,170	88,073	97
Travel and other	6,000	6,000	2,740	3,260
Improvements and equipment	-	37,535	37,535	-
Total civic center/city hall	<u>453,876</u>	<u>536,727</u>	<u>495,221</u>	<u>41,506</u>

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, 2008
 (unaudited)

(Continued)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Planning & zoning:				
Regular salaries	96,005	101,613	91,279	10,334
Overtime salaries	3,000	4,000	3,603	397
Other employee benefits	36,559	38,493	28,969	9,524
Total salaries, wages, and employee benefits	<u>135,564</u>	<u>144,106</u>	<u>123,851</u>	<u>20,255</u>
Operating services	62,919	60,234	30,535	29,699
Materials and supplies	12,750	12,750	11,093	1,657
Travel and other	6,000	8,000	7,052	948
Total planning & zoning	<u>217,233</u>	<u>225,090</u>	<u>172,531</u>	<u>52,559</u>
Inspections:				
Regular salaries	230,133	232,437	217,397	15,040
Overtime salaries	2,000	2,000	174	1,826
Other employee benefits	71,124	73,255	51,619	21,636
Total salaries, wages, and employee benefits	<u>303,257</u>	<u>307,692</u>	<u>269,190</u>	<u>38,502</u>
Operating services	99,671	104,733	45,782	58,951
Materials and supplies	22,300	22,300	22,026	274
Travel and other	15,000	15,109	12,529	2,580
Improvements and equipment	22,000	43,286	41,246	2,040
Total inspections	<u>462,228</u>	<u>493,120</u>	<u>390,773</u>	<u>102,347</u>
Total general government	<u>4,449,947</u>	<u>4,711,113</u>	<u>3,927,010</u>	<u>784,103</u>
Public safety:				
Police:				
Regular salaries	1,719,087	1,788,087	1,800,078	(11,991)
Overtime salaries	155,000	193,000	193,104	(104)
Other employee benefits	667,827	684,159	594,619	89,540
Total salaries, wages, and employee benefits	<u>2,541,914</u>	<u>2,665,246</u>	<u>2,587,801</u>	<u>77,445</u>
Operating services	225,516	233,002	232,358	644
Materials and supplies	205,164	258,560	232,658	25,902
Travel and other	38,900	38,900	35,170	3,730
Improvements and equipment	118,700	163,995	163,978	17
Total police	<u>3,130,194</u>	<u>3,359,703</u>	<u>3,251,965</u>	<u>107,738</u>
Fire:				
Regular salaries	1,575,193	1,575,193	1,533,712	41,481
Overtime salaries	108,000	169,920	128,196	41,724
Other employee benefits	681,146	700,198	601,382	98,816
Total salaries, wages, and employee benefits	<u>2,364,339</u>	<u>2,445,311</u>	<u>2,263,290</u>	<u>182,021</u>
Operating services	168,937	178,204	156,789	21,415
Materials and supplies	160,817	154,348	124,628	29,720
Travel and other	33,600	46,100	42,017	4,083
Improvements and equipment	573,832	585,887	25,725	560,162
Total fire	<u>3,301,525</u>	<u>3,409,850</u>	<u>2,612,449</u>	<u>797,401</u>
Street lighting:				
Operating services	242,200	242,200	268,155	(25,955)
Total street lighting	<u>242,200</u>	<u>242,200</u>	<u>268,155</u>	<u>(25,955)</u>
Probation	84,642	85,613	91,585	(5,972)
Total public safety	<u>6,758,561</u>	<u>7,097,366</u>	<u>6,224,154</u>	<u>873,212</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, 2008
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works:				
Administration:				
Regular salaries	318,726	325,621	302,999	22,622
Overtime salaries	3,000	3,000	3,003	(3)
Other employee benefits	74,312	76,405	62,890	13,515
Total salaries, wages, and employee benefits	<u>396,038</u>	<u>405,026</u>	<u>368,892</u>	<u>36,134</u>
Operating services	191,620	195,445	114,344	81,101
Materials and supplies	27,750	28,014	25,059	2,955
Travel and other	15,000	15,000	10,129	4,871
Total administration	<u>630,408</u>	<u>643,485</u>	<u>518,424</u>	<u>125,061</u>
Streets:				
Regular salaries	687,201	705,068	610,632	94,436
Overtime salaries	50,000	50,000	40,670	9,330
Other employee benefits	370,603	381,530	283,682	97,848
Total salaries, wages, and employee benefits	<u>1,107,804</u>	<u>1,136,598</u>	<u>934,984</u>	<u>201,614</u>
Operating services	1,180,442	1,449,554	1,290,248	159,306
Materials and supplies	254,400	325,342	277,360	47,982
Travel and other	5,000	5,000	627	4,373
Improvements and equipment	5,225,000	4,275,117	3,174,968	1,100,149
Total streets	<u>7,772,646</u>	<u>7,191,611</u>	<u>5,678,187</u>	<u>1,513,424</u>
Solid waste:				
Regular salaries	558,898	550,066	538,096	11,970
Overtime salaries	35,000	35,000	24,192	10,808
Other employee benefits	270,296	279,521	249,652	29,869
Total salaries, wages, and employee benefits	<u>864,194</u>	<u>864,587</u>	<u>811,940</u>	<u>52,647</u>
Operating services	217,820	183,238	150,307	32,931
Materials and supplies	217,800	293,858	246,269	47,589
Travel and other	3,000	3,000	-	3,000
Improvements and equipment	310,000	477,500	275,719	201,781
Total solid waste	<u>1,612,814</u>	<u>1,822,183</u>	<u>1,484,235</u>	<u>337,948</u>
Repair shop:				
Regular salaries	322,087	324,956	295,115	29,841
Overtime salaries	12,000	12,000	7,565	4,435
Other employee benefits	116,627	120,116	102,293	17,823
Total salaries, wages, and employee benefits	<u>450,714</u>	<u>457,072</u>	<u>404,973</u>	<u>52,099</u>
Operating services	26,301	26,301	14,556	11,745
Materials and supplies	49,950	49,950	45,709	4,241
Travel and other	5,000	5,000	542	4,458
Improvements and equipment	7,000	7,000	5,591	1,409
Total repair shop	<u>538,965</u>	<u>545,323</u>	<u>471,371</u>	<u>73,952</u>
Animal Control:				
Regular salaries	76,520	78,577	78,426	151
Overtime salaries	7,000	9,000	10,644	(1,644)
Other employee benefits	29,127	31,241	30,743	498
Total salaries, wages, and employee benefits	<u>112,647</u>	<u>118,818</u>	<u>119,813</u>	<u>(995)</u>
Operating services	41,455	42,241	26,683	15,558
Materials and supplies	17,100	17,252	17,848	(596)
Travel and other	7,500	5,500	1,715	3,785
Total animal control	<u>178,702</u>	<u>183,811</u>	<u>166,059</u>	<u>17,752</u>
Total public works	<u>10,733,535</u>	<u>10,386,413</u>	<u>8,318,276</u>	<u>2,068,137</u>
Total expenditures	<u>21,942,043</u>	<u>22,194,892</u>	<u>18,469,440</u>	<u>3,725,452</u>

(Continued)

CITY OF RUSTON, LOUISIANA

(Continued)

General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2008
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	<u>(17,468,713)</u>	<u>(17,658,997)</u>	<u>(13,154,137)</u>	<u>4,504,860</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	13,911,105	13,911,105	13,934,039	(22,934)
Transfers out	<u>(67,736)</u>	<u>(67,736)</u>	<u>(82,641)</u>	<u>14,905</u>
Total other financing sources and uses	<u>13,843,369</u>	<u>13,843,369</u>	<u>13,851,398</u>	<u>(8,029)</u>
Net change in fund balance	(3,625,344)	(3,815,628)	697,261	4,512,889
Fund balances - beginning	<u>8,008,410</u>	<u>8,008,410</u>	<u>8,008,410</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,383,066</u>	<u>\$ 4,192,782</u>	<u>\$ 8,705,671</u>	<u>\$ 4,512,889</u>

CITY OF RUSTON, LOUISIANA
 1968 Sales Tax Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on Budgetary Basis
 For the Year Ended September 30, 2008
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,582,675	\$ 2,582,675	\$ 2,569,381	\$ (13,294)
Investment earnings	60,000	60,000	39,179	(20,821)
Total revenues	<u>2,642,675</u>	<u>2,642,675</u>	<u>2,608,560</u>	<u>(34,115)</u>
EXPENDITURES				
General government:				
Collection and administrative	25,000	25,000	19,247	5,753
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>19,247</u>	<u>5,753</u>
Excess of revenues over expenditures	<u>2,617,675</u>	<u>2,617,675</u>	<u>2,589,313</u>	<u>(28,362)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,617,675)	(2,617,675)	(2,617,675)	-
Total other financing sources and uses	<u>(2,617,675)</u>	<u>(2,617,675)</u>	<u>(2,617,675)</u>	<u>-</u>
Net change in fund balance	-	-	(28,362)	(28,362)
Fund balances - beginning	<u>2,020,227</u>	<u>2,020,227</u>	<u>2,020,227</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,020,227</u>	<u>\$ 2,020,227</u>	<u>\$ 1,991,865</u>	<u>\$ (28,362)</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, 2008
(unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,874,005	\$ 3,874,005	\$ 3,854,064	\$ (19,941)
Investment earnings	60,000	60,000	45,038	(14,962)
Total revenues	<u>3,934,005</u>	<u>3,934,005</u>	<u>3,899,102</u>	<u>(34,903)</u>
EXPENDITURES				
General government:				
Collection and administrative	32,000	32,000	23,690	8,310
Total expenditures	<u>32,000</u>	<u>32,000</u>	<u>23,690</u>	<u>8,310</u>
Excess of revenues over expenditures	<u>3,902,005</u>	<u>3,902,005</u>	<u>3,875,412</u>	<u>(26,593)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,048,605)	(4,048,605)	(4,047,136)	1,469
Total other financing sources and uses	<u>(4,048,605)</u>	<u>(4,048,605)</u>	<u>(4,047,136)</u>	<u>1,469</u>
Net change in fund balance	(146,600)	(146,600)	(171,724)	(25,124)
Fund balances - beginning	<u>2,405,711</u>	<u>2,405,711</u>	<u>2,405,711</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,259,111</u>	<u>\$ 2,259,111</u>	<u>\$ 2,233,987</u>	<u>\$ (25,124)</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, 2008
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,582,675	\$ 2,582,675	\$ 2,569,381	\$ (13,294)
Investment earnings	50,000	50,000	37,314	(12,686)
Total revenues	<u>2,632,675</u>	<u>2,632,675</u>	<u>2,606,695</u>	<u>(25,980)</u>
EXPENDITURES				
General government:				
Collection and administrative	22,000	22,000	16,247	5,753
Total expenditures	<u>22,000</u>	<u>22,000</u>	<u>16,247</u>	<u>5,753</u>
Excess of revenues over expenditures	<u>2,610,675</u>	<u>2,610,675</u>	<u>2,590,448</u>	<u>(20,227)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,068,274)	(5,068,274)	(5,068,274)	-
Total other financing sources and uses	<u>(5,068,274)</u>	<u>(5,068,274)</u>	<u>(5,068,274)</u>	<u>-</u>
Net change in fund balance	(2,457,599)	(2,457,599)	(2,477,826)	(20,227)
Fund balances - beginning	<u>2,892,742</u>	<u>2,892,742</u>	<u>2,892,742</u>	<u>-</u>
Fund balances - ending	<u>\$ 435,143</u>	<u>\$ 435,143</u>	<u>\$ 414,916</u>	<u>\$ (20,227)</u>

See accompanying independent auditors' report.

CITY OF RUSTON, LOUISIANA
Notes to Budgetary Comparison Schedules
For the Year Ended September 30, 2008
(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, 2008, amendments were made to the budget, including health insurance benefit accounts to provide funds to incorporate the change in rates in November; and salary and benefit accounts to appropriate for the change in the pay plan; and Electric Fuel and Energy expense to provide funds for the increase in energy costs; and Police Department capital assets and various other accounts to appropriate open purchase orders as of the end of the prior year.
- (6) Comparison of budgeted and actual amounts as shown in the accompanying financial statements includes the General Fund and those special revenue funds which are included in the annual operating budget. (1968 Sales Tax, 1985 Sales Tax, 1990 Sales Tax, Parks and Recreation, and Section 8 Vouchers). Annual operating budgets are not prepared for the D.A.R.T. Grant Program, Central Shop Construction, and I-20 funds, but rather these funds are budgeted on a project basis. The capital budget ordinances which encompass the capital projects funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial statements for these funds. Budgetary control for the debt service funds is achieved through general bond indenture provisions.
- (7) All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Appropriations which are not expended lapse at year end.
- (8) The City is legally required to prepare annual operating budgets for the Electric System, Water System, Sewer System, Ruston Airport Authority, Ambulance Fund, Workmen's Compensation, General Insurance, and Purchasing/Warehouse Funds. The City is not, 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, 2008
(Unaudited)

Excess of Expenditures over Budget

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

<u>Fund</u>	<u>Budget</u>	Actual on a budgetary basis	Negative variance
General Fund:			
General Government:			
City Hall/Civic Center – Overtime salaries	\$10,800	\$10,858	(\$58)
Public Safety:			
Police – Regular salaries	1,788,087	1,800,078	(11,991)
Police – Overtime salaries	193,000	193,104	(104)
Street lighting – Operating services	242,200	268,155	(25,955)
Public Works:			
Administration – Overtime salaries	3,000	3,003	(3)
Animal Control – Overtime salaries	9,000	10,644	(1,644)
Animal Control – Total personnel services	118,818	119,813	(995)
Animal Control – Materials and supplies	17,252	17,848	(596)

The unfavorable variance in City Hall/Civic Center overtime is due to the increase in vacancies. The unfavorable variance in Police regular salaries is due to an increase in accruals paid to employees. The unfavorable variance in Police overtime salaries is due to the increase in vacancies. The unfavorable variance in Street lighting operating services is due to an increase in construction and in the cost of materials. The unfavorable variance in Public Works Administration overtime salaries is due to a vacancy not being filled. The unfavorable variance in Animal Control overtime salaries is due to the increase in after hour patrols. The unfavorable variance in Animal Control total personnel services is due to the increase in overtime salaries. The unfavorable variance in Animal Control materials and supplies is due to the increase in shelter supplies needed as a result of Hurricanes Gustav and Ike.

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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
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2008

	Special Revenue Funds				Capital Project Fund				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 LDCBG Grant	Total	
ASSETS									
Cash and cash equivalents	\$ 477,182	-	\$ 1,138,290	\$ 1,615,472	\$ 615,650	\$ 100,353	49,097	\$ 149,450	\$ 2,380,372
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable, net	140	\$ 6,899	25,198	32,237	755,310	-	\$ 7,918	7,918	795,465
Due from other funds	24,338	-	-	24,338	-	-	-	-	24,338
Total assets	\$ 501,660	\$ 6,899	\$ 1,163,488	\$ 1,672,047	\$ 1,370,960	\$ 100,353	\$ 57,015	\$ 157,368	\$ 3,200,375
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 14,823	\$ 6,899	-	\$ 21,722	-	-	\$ 57,015	\$ 57,015	\$ 78,737
Deposits	200	-	-	200	-	-	-	-	200
Due to other funds	24,409	-	2,661	27,070	-	-	218,815	218,815	245,885
Accrued Salaries	15,442	-	2,070	17,512	-	-	-	-	17,512
Total liabilities	54,874	6,899	4,731	66,504	-	-	275,830	275,830	342,334
Fund balances:									
Reserved for:									
Encumbrances	7,737	-	3,050	10,787	-	-	59,255	59,255	70,042
Debt service	-	-	-	-	\$ 1,370,960	-	-	-	1,370,960
Unreserved, undesignated	439,049	-	1,155,707	1,594,756	-	\$ 100,353	(278,070)	(177,717)	1,417,039
Total fund balances	446,786	-	1,158,757	1,605,543	1,370,960	100,353	(218,815)	(118,462)	2,858,041
Total liabilities and fund balances	\$ 501,660	\$ 6,899	\$ 1,163,488	\$ 1,672,047	\$ 1,370,960	\$ 100,353	\$ 57,015	\$ 157,368	\$ 3,200,375

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, 2008

	Special Revenue Funds				Capital Project Fund				Total Nonmajor Governmental Funds
	Ruston Parks & Recreation Board	D.A.R.T. Grant Program	Section 8 Voucher Housing	Debt Service Fund	Central Shop Construction	Sewer ICDBG Grant	Total	Total	
REVENUES									
Taxes	340,378	-	-	\$ 2,621,573	-	-	-	\$	2,961,951
Intergovernmental	-	\$ 23,978	\$ 993,748	-	-	\$ 445,395	445,395	-	1,463,121
Charges for services	131,405	-	-	-	-	-	-	-	131,405
Investment earnings	6,620	-	30,570	10,057	\$ 1,047	-	-	\$	50,284
Miscellaneous	12,058	-	9,154	21,212	-	-	-	-	21,212
Total revenues	492,461	23,978	1,033,472	2,631,630	1,047	445,395	446,442		4,627,983
EXPENDITURES									
Current:									
General Government	-	23,978	1,030,066	-	-	-	-	-	1,054,044
Recreation	942,465	-	-	-	-	-	-	-	942,465
Capital outlay	-	-	-	-	27,000	606,390	633,390	-	633,390
Bond principal	-	-	-	505,000	-	-	-	-	505,000
Bond interest	-	-	-	200,815	-	-	-	-	200,815
Total expenditures	942,465	23,978	1,030,066	705,815	27,000	606,390	633,390	-	3,335,714
Excess (deficiency) of revenues over (under) expenditures	(450,004)	-	3,406	1,925,815	(25,953)	(160,995)	(186,948)		1,292,269
OTHER FINANCING SOURCES (USES)									
Transfers in	590,659	-	-	-	-	-	-	-	590,659
Transfers out	-	-	-	(1,833,335)	-	-	-	-	(1,833,335)
Total other financing sources and us	590,659	-	-	(1,833,335)	-	-	-	-	(1,242,676)
Net change in fund balances	140,655	-	3,406	92,480	(25,953)	(160,995)	(186,948)		49,593
Fund balances - beginning	306,131	-	1,155,351	1,278,480	126,306	(57,820)	68,486		2,808,448
Fund balances - ending	446,786	\$	\$ 1,158,757	\$ 1,370,960	\$ 100,353	\$ (218,815)	\$ (118,462)	\$	2,858,041

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, 2008

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>General & Auto Liability</u>	<u>Total Internal Service Funds</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 268,403	\$ 685,011	\$ 58,255	\$ 106,458	\$ 1,118,127
Investments	465,289	1,081,275	-	-	1,546,564
Receivables, net	161	2,874	150	-	3,185
Due from other funds	-	-	458	-	458
Prepaid items	-	-	-	8,639	8,639
Total current assets	<u>733,853</u>	<u>1,769,160</u>	<u>58,863</u>	<u>115,097</u>	<u>2,676,973</u>
Noncurrent Assets:					
Capital Assets:					
Buildings	-	-	13,080	-	13,080
Equipment	-	-	48,123	-	48,123
Less accumulated depreciation	-	-	(55,863)	-	(55,863)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>5,340</u>	<u>-</u>	<u>5,340</u>
Total assets	<u>733,853</u>	<u>1,769,160</u>	<u>64,203</u>	<u>115,097</u>	<u>2,682,313</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 2,349	\$ 379	\$ 628	\$ -	\$ 3,356
Accrued liabilities	-	-	8,365	-	8,365
Due to other funds	-	-	15	-	15
Claims and judgments	97,724	168,321	-	-	266,045
Total current liabilities	<u>100,073</u>	<u>168,700</u>	<u>9,008</u>	<u>-</u>	<u>277,781</u>
Noncurrent Liabilities:					
Compensated absences	-	-	20,705	-	20,705
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>20,705</u>	<u>-</u>	<u>20,705</u>
Total liabilities	<u>100,073</u>	<u>168,700</u>	<u>29,713</u>	<u>-</u>	<u>298,486</u>
NET ASSETS					
Invested in capital assets, net of related debt	-	-	5,340	-	5,340
Unrestricted	633,780	1,600,460	29,150	115,097	2,378,487
Total net assets	<u>\$ 633,780</u>	<u>\$ 1,600,460</u>	<u>\$ 34,490</u>	<u>\$ 115,097</u>	<u>\$ 2,383,827</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, 2008

	<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					
Premiums paid by retired employees	-	\$ 248,703	-	-	\$ 248,703
Charges to other funds	\$ 240,000	2,233,565	\$ 225,000	\$ 439,821	3,138,386
Retiree drug subsidy	-	36,726	-	-	36,726
Other income	-	386	-	-	386
Total operating revenues	<u>240,000</u>	<u>2,519,380</u>	<u>225,000</u>	<u>439,821</u>	<u>3,424,201</u>
OPERATING EXPENSES					
Cost of Services:					
Salaries, wages and employee benefits	-	-	187,837	-	187,837
Operating services	-	-	13,183	-	13,183
Materials and supplies	-	-	8,873	-	8,873
Travel and other	-	-	591	-	591
Depreciation	-	-	4,576	-	4,576
Total cost of services	<u>-</u>	<u>-</u>	<u>215,060</u>	<u>-</u>	<u>215,060</u>
Claims	84,999	1,969,404	-	93,053	2,147,456
Insurance premiums	85,995	404,576	-	246,713	737,284
Total operating expenses	<u>170,994</u>	<u>2,373,980</u>	<u>215,060</u>	<u>339,766</u>	<u>3,099,800</u>
Operating income (loss)	<u>69,006</u>	<u>145,400</u>	<u>9,940</u>	<u>100,055</u>	<u>324,401</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	26,709	45,431	1,512	137	73,789
Income (loss) before transfers	<u>95,715</u>	<u>190,831</u>	<u>11,452</u>	<u>100,192</u>	<u>398,190</u>
Transfers in	-	-	-	14,905	14,905
Change in net assets	<u>95,715</u>	<u>190,831</u>	<u>11,452</u>	<u>115,097</u>	<u>413,095</u>
Total net assets - beginning	538,065	1,409,629	23,038	-	1,970,732
Total net assets - ending	<u>\$ 633,780</u>	<u>\$ 1,600,460</u>	<u>\$ 34,490</u>	<u>\$ 115,097</u>	<u>\$ 2,383,827</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, 2008

	Workmen's Compensation	General Insurance	Purchasing/ Warehouse	General & Auto Liability	Total Internal Service Funds
Cash flows from operating activities:					
Receipts from operations	\$ 239,839	\$ 2,524,947	\$ 224,392	\$ 439,821	\$ 3,428,999
Payments to suppliers	(114,525)	(406,468)	(22,842)	(255,352)	(799,187)
Payments to employees	-	-	(183,401)	-	(183,401)
Claims	(136,516)	(1,979,948)	-	(93,053)	(2,209,517)
Other receipts	-	37,112	-	-	37,112
Net cash provided by (used in) operating activities	<u>(11,202)</u>	<u>175,643</u>	<u>18,149</u>	<u>91,416</u>	<u>274,006</u>
Cash flows from noncapital financing activities:					
Transfers in	-	-	-	14,905	14,905
Net cash provided by (used in) noncapital activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,905</u>	<u>14,905</u>
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	465,289	848,539	-	-	1,313,828
Purchases on investments	(488,527)	(828,890)	-	-	(1,317,417)
Interest on investments	26,709	45,431	1,512	137	73,789
Net cash provided by (used in) investing activities	<u>3,471</u>	<u>65,080</u>	<u>1,512</u>	<u>137</u>	<u>70,200</u>
Net increase (decrease) in cash and cash equivalents	(7,731)	240,723	19,661	106,458	359,111
Cash and cash equivalents - beginning of year	276,134	444,288	38,594	-	759,016
Cash and cash equivalents - end of year	<u>\$ 268,403</u>	<u>\$ 685,011</u>	<u>\$ 58,255</u>	<u>\$ 106,458</u>	<u>\$ 1,118,127</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 69,006	\$ 145,400	\$ 9,940	\$ 100,055	\$ 324,401
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	-	-	4,576	-	4,576
(Increase) Decrease in assets:					
Receivables	(161)	42,679	(458)	-	42,060
Prepaid items	-	-	-	(8,639)	(8,639)
Due from other funds	-	-	(150)	-	(150)
Increase (Decrease) in liabilities:					
Accounts payable	(28,530)	(1,892)	376	-	(30,046)
Accrued liabilities	-	-	1,195	-	1,195
Due to other funds	-	-	(571)	-	(571)
Compensated absences	-	-	3,241	-	3,241
Claims and judgments	(51,517)	(10,544)	-	-	(62,061)
Total adjustments	<u>(80,208)</u>	<u>30,243</u>	<u>8,209</u>	<u>(8,639)</u>	<u>(50,395)</u>
Net cash provided by (used in) operating activities	<u>\$ (11,202)</u>	<u>\$ 175,643</u>	<u>\$ 18,149</u>	<u>\$ 91,416</u>	<u>274,006</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, 2008

	<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	\$ 315,000	\$ 315,000	\$ 340,378	\$ 25,378
Charges for services	130,000	130,000	131,405	1,405
Investment earnings	5,000	5,000	8,620	3,620
Miscellaneous	4,800	4,800	12,058	7,258
Total revenues	<u>454,800</u>	<u>454,800</u>	<u>492,461</u>	<u>37,661</u>
EXPENDITURES				
Current:				
Recreation:				
Salaries, wages and employee benefits	476,022	482,341	456,805	25,536
Operating services	301,906	307,817	276,419	31,398
Materials and supplies	21,000	21,000	20,877	123
Travel and other	8,000	12,000	10,359	1,641
Improvements and equipment	216,600	216,600	178,005	38,595
Total expenditures	<u>1,023,528</u>	<u>1,039,758</u>	<u>942,465</u>	<u>97,293</u>
Deficiency of revenues over expenditures	<u>(568,728)</u>	<u>(584,958)</u>	<u>(450,004)</u>	<u>134,954</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	560,416	560,416	590,659	30,243
Total other financing sources (uses)	<u>560,416</u>	<u>560,416</u>	<u>590,659</u>	<u>30,243</u>
Net change in fund balance	(8,312)	(24,542)	140,655	165,197
Fund balances - beginning	<u>306,131</u>	<u>306,131</u>	<u>306,131</u>	<u>-</u>
Fund balances - ending	<u>\$ 297,819</u>	<u>\$ 281,589</u>	<u>\$ 446,786</u>	<u>\$ 165,197</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, 2008

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,132,000	\$ 1,132,000	\$ 993,748	\$ (138,252)
Investment earnings	40,000	40,000	30,570	(9,430)
Miscellaneous	-	-	9,154	9,154
Total revenues	<u>1,172,000</u>	<u>1,172,000</u>	<u>1,033,472</u>	<u>(138,528)</u>
EXPENDITURES				
Current:				
General Government:				
Salaries, wages and employee benefits	87,591	69,452	61,117	8,335
Operating services	948,824	988,093	959,004	29,089
Materials and supplies	9,700	9,700	2,106	7,594
Travel and other	7,000	9,900	7,839	2,061
Total expenditures	<u>1,053,115</u>	<u>1,077,145</u>	<u>1,030,066</u>	<u>47,079</u>
Excess of revenues over expenditures	<u>118,885</u>	<u>94,855</u>	<u>3,406</u>	<u>(91,449)</u>
Net change in fund balance	118,885	94,855	3,406	(91,449)
Fund balances - beginning	<u>1,155,351</u>	<u>1,155,351</u>	<u>1,155,351</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,274,236</u>	<u>\$ 1,250,206</u>	<u>\$ 1,158,757</u>	<u>\$ (91,449)</u>

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

City of Ruston, Louisiana

**OMB Circular A-133 Report
For The Year Ended September 30, 2008**

(With Independent Auditor's Report Thereon)

Douglas A. Brewer, LLC

Certified Public Accountant

City of Ruston, Louisiana
Table of Contents

	<u>Page</u>
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1-2
Report on Compliance With Requirements Applicable To 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
Summary Schedule of Prior Audit Findings	8

Douglas A. Brewer, LLC

Certified Public Accountant

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Ruston, LA 71273-1250

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

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

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ruston, Louisiana (the City) as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued my report thereon dated March 20, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

I noted certain matters that were reported to management of the City in a separate letter dated March 20, 2009.

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 test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Douglas A. Brewer, LLC

March 20, 2009
Ruston, Louisiana

Douglas A. Brewer, LLC

Certified Public Accountant

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Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Honorable Mayor and Board of Aldermen of
Ruston, Louisiana

Compliance

I have audited the compliance of the City of Ruston, Louisiana (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. 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 requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, 2008, and have issued our report thereon dated March 20, 2009. My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Douglas A. Brenn, LLC

Ruston, Louisiana
March 20, 2009

City of Ruston, Louisiana
Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2008

<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	\$ 792,465
Enhanced Vouchers	14.871	159,804
Pass through Louisiana Office of Community Development:		
D.A.R.T. CDBG Program	14.231	23,978
Louisiana Community Development Block Grant	14.228	445,395
Total United States Department of Housing and Urban Development		<u>1,421,642</u>
Department of Homeland Security:		
Pass through Louisiana State Police		
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	25,803
Total Department of Homeland Security		<u>25,803</u>
United States Department of Transportation:		
Federal Highway Administration	20.205	2,204,132
United States Department of Justice:		
Bulletproof Vest Partnership	16.607	1,946
Total United States Department of Justice		<u>1,946</u>
Health Resources and Services Administration:		
Department of Health and Human Services		
Pass through Louisiana Department of Health and Hospitals		
Bioterrorism Grant	93.889	8,978
Federal Aviation Administration:		
Airport Improvement Program	20.106	7,218
United States Environmental Protection Agency:		
Pass through Louisiana Department of Environmental Quality:		
Construction Grants for Wastewater Treatment Works	66.418	1,929,314
Total Federal Awards		<u>\$ 5,599,033</u>

See accompanying notes to schedule of expenditures of federal awards.

City of Ruston, Louisiana
Notes to Schedule of Federal Awards
For The Year Ended September 30, 2008

1. General

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

2. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Subrecipients</u>
D.A.R.T. CDBG Program	14.231	\$ 23,978

City of Ruston, Louisiana
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2008

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. No instances of noncompliance material to the financial statements of the City of Ruston, Louisiana, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs are reported in the Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City of Ruston, Louisiana expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Sections 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included the Department of Housing and Urban Development Voucher Program, CFDA No. 14,857; the United States Environmental Protection Agency pass-through the Louisiana Department of Environmental Quality – Construction Grants for Wastewater Treatment Works, CFDA No. 66.418; and the Federal Highway Administration, Highway Planning and Construction Program, CFAD No. 20.205.
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.

Findings And Questioned Costs – Major Federal Award Programs Audit

N/A

City of Ruston, Louisiana
Summary Schedule of Prior Findings
For The Year Ended September 30, 2008

Federal Award Findings and Questioned Costs

No findings were reported for the fiscal year ended September 30, 2007.

Management Letter

A management letter, dated March 12, 2008, was issued for the year ended September 30, 2007.

Purchasing Procedures

In performing auditing procedures, one instance was noted of the City's purchasing procedures not being followed. The City's purchasing procedures require a purchase order for expenditures greater than \$200.

Status:

This item has been cleared.