

# City of Ruston

## LOUISIANA



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Release Date 4/16/08

## Comprehensive Annual Financial Report

For the Year Ended  
September 30, 2007

# Comprehensive Annual Financial Report



of the  
**City of Ruston, Louisiana**  
For the Year Ended September 30, 2007

Mayor  
Dan Hollingsworth

Prepared by the  
Finance Department  
Emmett Gibbs, Treasurer

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# **Introductory Section**

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**CITY OF RUSTON, LOUISIANA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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ANNUAL FINANCIAL REPORT  
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# City of Ruston

Emmett Gibbs  
Treasurer

Ashley Burton  
Controller

Pam Womack  
Administrative Assistant

March 12, 2008

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, 2007. 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 2007 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, 2007, 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, 2007, 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 \$63.3 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 2007 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 48% of the revenues and transfers in. In spite of the growth, increasing trends in retirement costs and health insurance make it difficult to balance the budget now and in the future. Rates have increased in both water and sewer services in order to provide needed improvements in the infrastructure of the systems.

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

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

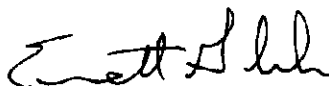
**Risk management.** The City partially retains the risk for property, liability, workers compensation, and general health insurance. As part of this comprehensive plan, resources are being accumulated in the General Fund to meet potential losses. In addition, various risk control techniques including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

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

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

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

Sincerely,



Emmett Gibbs  
Treasurer



Ashley Burton  
Controller



**CITY OF RUSTON, LOUISIANA**

**PRINCIPAL OFFICIALS**

**Dan Hollingworth**  
Mayor

**George Byrnside**  
Mayor Appointee

**Members of City Council**

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

## **Financial Section**

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# Douglas A. Brewer, LLC

## Certified Public Accountant

105 E. Reynolds Dr. Suite A

P.O. Box 1250

Ruston, LA 71273-1250

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

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### 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, 2007, 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, 2007, 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, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise and internal service funds of the City, as of September 30, 2007, 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 12, 2008, 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 should be considered in 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 and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly I express no opinion on them.

*Dolan A. Bremer, LLC*

Ruston, Louisiana  
March 12, 2008

## 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, 2007. 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, 2007 include the following:

- The assets of the City exceeded its liabilities at September 30, 2007 by \$107,156,887 (net assets). Of this amount, \$26,211,864 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$11,472,674 for the year ended September 30, 2007. Net assets of governmental activities increased \$10,407,005 and net assets of business-type activities increased \$1,065,669.
- As of September 30, 2007, the City's governmental funds reported combined ending fund balances of \$18,745,927, an decrease of \$757,186 from the prior year. Of this amount \$13,960,113 was unreserved, undesignated, and available for spending; \$(4,651,492) was unreserved but designated for subsequent years' expenditures; \$1,278,480 was reserved for debt service; \$6,646,576 was reserved for encumbrances; \$38,378 was reserved for inventories; and \$19,055 was reserved for prepaid items.
- At the end of the current fiscal year, unreserved, undesignated fund balances for the General Fund was \$6,641,433 or 40.4% of total General Fund expenditures and transfers out.
- The City's total long-term liabilities increased by \$9,083,013 during the current fiscal year due to the issuance of Sewer Revenue Bonds. The amount purchased to date is \$15,208,541.

### Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Financial Analysis of Government-wide Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City's, assets exceeded liabilities by \$107,156,887 at the close of the current fiscal year.

The largest portion of the City of Ruston's net assets totaling approximately \$78.8 million (74%) 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, 2007

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$22,367,613	\$22,484,599	\$15,048,040	\$16,939,493	\$37,415,653	\$39,424,092
Capital assets	42,813,800	31,673,842	52,927,381	40,345,647	95,741,181	72,019,489
<b>Total assets</b>	<b>65,181,413</b>	<b>54,158,441</b>	<b>67,975,421</b>	<b>57,285,140</b>	<b>133,156,834</b>	<b>111,443,581</b>
Current and other liabilities	1,620,057	1,262,695	4,482,693	3,682,489	6,102,750	4,945,184
Long-term liabilities	1,941,312	1,682,707	17,955,885	9,131,477	19,897,197	10,814,184
<b>Total liabilities</b>	<b>3,561,369</b>	<b>2,945,402</b>	<b>22,438,578</b>	<b>12,813,966</b>	<b>25,999,947</b>	<b>15,759,368</b>
Net assets:						
Invested in capital assets, net of related debt	42,813,800	31,673,842	36,018,840	38,570,647	78,832,640	70,244,489
Restricted	1,278,480	982,240	833,903	385,881	2,112,383	1,368,121
Unrestricted	17,527,764	18,556,957	8,684,100	5,514,646	26,211,864	24,071,603
<b>Total net assets</b>	<b>\$61,620,044</b>	<b>\$51,213,039</b>	<b>\$45,536,843</b>	<b>\$44,471,174</b>	<b>107,156,887</b>	<b>\$95,684,213</b>

2.0% of net assets represent resources that are subject to external restriction on how they may be used. Accounts reserved for debt service account for the total of restricted net assets. The remaining balance of unrestricted net assets of \$26,211,864 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 \$11,472,674 during the current fiscal year. Key elements of this increase are as follows:

### City of Ruston's Changes in Net Assets

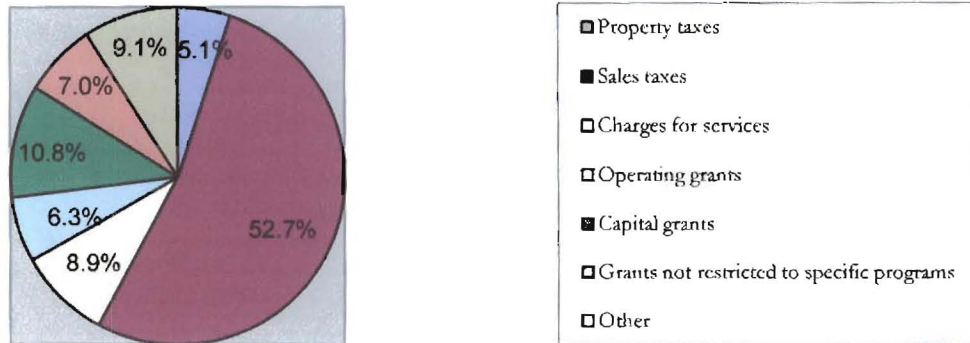
Revenues:	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Program revenues:</b>						
Charges for services	\$1,841,543	\$1,806,614	\$26,420,013	\$23,354,807	\$28,261,556	\$25,161,421
Operating grants and contributions	1,295,142	1,176,084	-	-	1,295,142	1,176,084
Capital grants and contributions	2,219,785	-	122,634	680,580	2,342,419	680,580
<b>General revenues:</b>						
Property taxes	1,059,052	1,020,058	-	-	1,059,052	1,020,058
Sales taxes	10,864,377	10,256,607	-	-	10,864,377	10,256,607
Other taxes	692,760	686,138	-	-	692,760	686,138
Grants and contributions not restricted to specific programs	1,445,212	1,227,809	-	-	1,445,212	1,227,809
Other	1,187,696	894,386	1,231,298	1,211,341	2,418,994	2,105,727
<b>Total revenues</b>	<b>20,605,567</b>	<b>17,067,696</b>	<b>27,773,945</b>	<b>25,246,728</b>	<b>48,379,512</b>	<b>42,314,424</b>
<b>Expenses:</b>						
General government	3,396,954	4,748,305	-	-	3,396,954	4,748,305
Public safety	6,163,581	5,684,546	-	-	6,163,581	5,684,546
Public works	2,019,725	981,655	-	-	2,019,725	981,655
Cultural and recreation	737,283	800,803	-	-	737,283	800,803
City Judge's Office and Marshal	416,723	418,555	-	-	416,723	418,555
Interest on long-term debt	8,601	11,284	-	-	8,601	11,284
Electric	-	-	18,497,167	15,607,087	18,497,167	15,607,087
Water	-	-	1,804,117	1,876,250	1,804,117	1,876,250
Sewer	-	-	3,044,800	2,363,029	3,044,800	2,363,029
Regional airport	-	-	429,218	398,078	429,218	398,078
Ambulance service	-	-	388,669	341,277	388,669	341,277
<b>Total expenses</b>	<b>12,742,867</b>	<b>12,645,148</b>	<b>24,163,971</b>	<b>20,585,721</b>	<b>36,906,838</b>	<b>33,230,869</b>
<b>Increase in net assets before transfers</b>	<b>7,862,700</b>	<b>4,422,548</b>	<b>3,609,974</b>	<b>4,661,007</b>	<b>11,472,674</b>	<b>9,083,555</b>
Transfers	2,544,305	2,429,692	(2,544,305)	(2,429,692)	-	-
<b>Increase (decrease) in net assets</b>	<b>10,407,005</b>	<b>6,852,240</b>	<b>1,065,669</b>	<b>2,231,315</b>	<b>11,472,674</b>	<b>9,083,555</b>
Net assets at beginning of year	51,213,039	44,360,799	44,471,174	42,239,859	95,684,213	86,600,658
<b>Net assets at end of year</b>	<b>\$61,620,044</b>	<b>\$51,213,039</b>	<b>\$45,536,843</b>	<b>\$44,471,174</b>	<b>\$107,156,887</b>	<b>\$95,684,213</b>

Revenues for the City's governmental activities for the year ended September 30, 2007 were \$20,605,567 compared to \$17,067,696 in 2006. The increase of \$3,537,871 was largely attributable to an increase in capital grants for the I-20 fund. Capital grants and ontributions received amounted to \$2,219,785. Sales tax also increased \$607,770 and interest revenue increased \$202,752.

General revenues, specifically sales tax (52.7%), are the largest component of revenues.

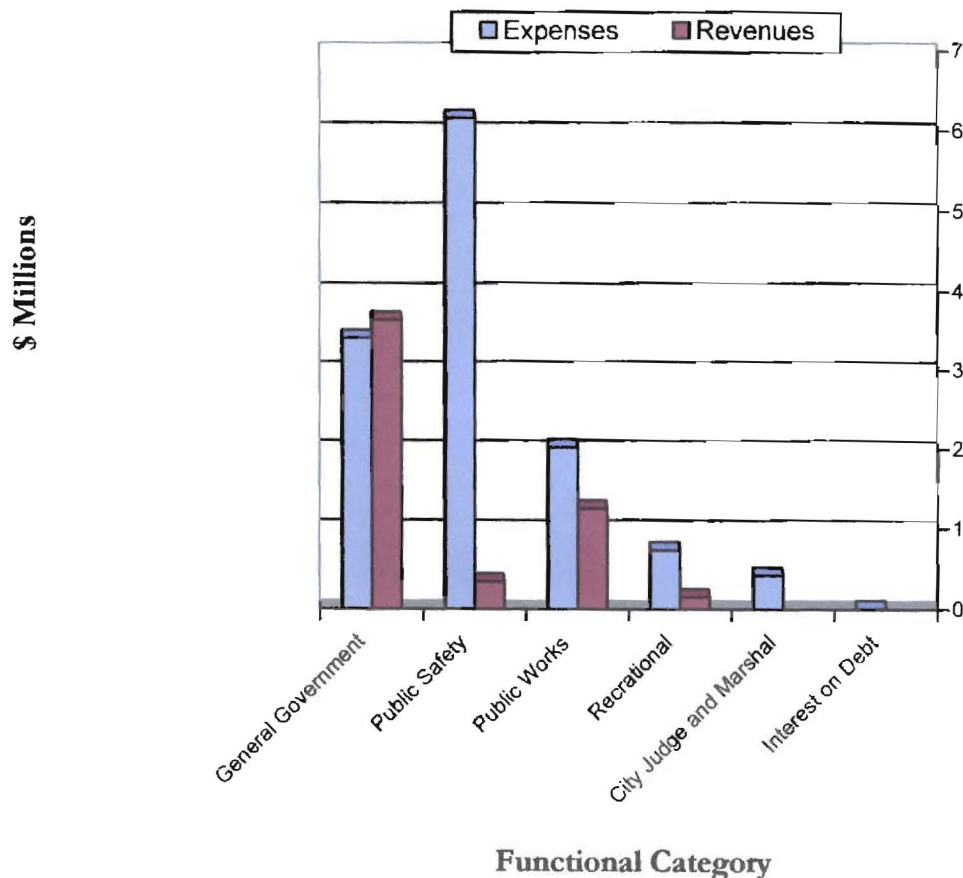
### Revenues by Sources – Governmental Activities

Revenues by Sources - Governmental Activities



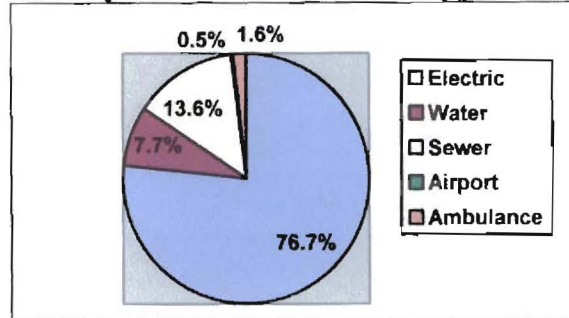
The cost of all governmental activities this year was \$12,742,867, an increase of approximately \$97,900 from 2006. The City's largest programs are general government, public safety, and public works. The graph below shows the expenses and program revenues generated by governmental activities.

### Expenses and Program Revenues – Governmental Activities



**Business-type Activities.** Charges for services for the City of Ruston’s business-type activities were \$26,420,013, an increase of \$3,065,206 from 2006. The majority of this resulted from the increase in charges for electricity usage during the year. This increase amounted to approximately \$2,598,600.

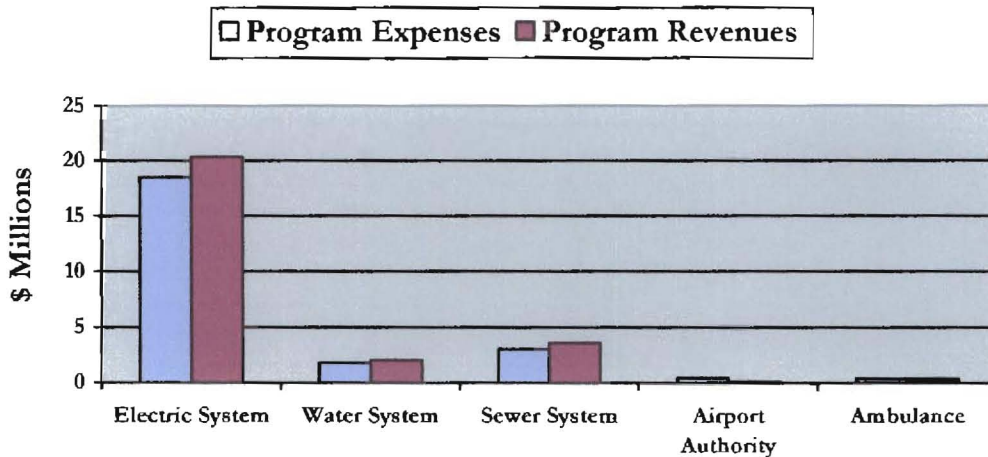
**Revenue by Source – Business-type Activities**



**Expenses and Program Revenues – Business-type Activities**

The costs of these activities were \$24,163,971, an increase of \$3,578,250 from 2006. This was the result of various factors that occurred during the year discussed on page 10.

**Program Expenses and Revenues – Business-type Activities**



**Financial Analysis of the City of Ruston’s Funds**

**Governmental Funds**

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

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



- As of the close of the current fiscal year, the City of Ruston's governmental funds reported a combined ending fund balance of \$18,745,927, a decrease of \$757,186 in comparison with the prior fiscal year. Of this amount, \$15,414,930 or 82.2% was unreserved, undesignated and available for spending. \$678,875 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 (\$1,316,209), (2) to pay debt service (\$1,278,480), or (3) for other restricted purposes (\$57,433).
- 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 \$6,641,433. The total (undesignated) is available for spending at the City Council's discretion. The fund balance of the General Fund decreased by \$1,181,890. A key factor in this decrease is an increase in Public Works expenditures of approximately \$1,100,000 for capital street projects.
- The 1968 Sales Tax Fund has a total fund balance of \$2,020,227 all of which is unreserved, undesignated and available for spending. Fund balance increased \$375,383 as a result of an increase in sales tax revenue received.
- The 1985 Sales Tax Fund has a total fund balance of \$2,405,711 all of which is unreserved, undesignated and available for spending. Fund balance increased \$465,386 as a result of an increase in sales tax revenue received.
- The 1990 Sales Tax Fund has a total fund balance of \$2,892,742 all of which is unreserved, undesignated and available for spending. Fund balance increased \$335,143 as a result of an increase in sales taxes revenue received.
- The I-20 Fund has unreserved fund balance of \$610,389. Fund balance decreased \$1,324,640 as a result of an increase in construction expenditures.

### **Proprietary funds**

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

- Unrestricted net assets of the Electric System at the end of the year amounted to \$6,089,962. Total net assets for the Electric System increased \$1,000,121 as a result of an increase in charges for services.
- The unrestricted net assets for the Water System amounted to \$1,408,666. Total net assets for the Water System increased \$5,589 primarily as a result of a decrease in interest expense.
- The unrestricted net assets for the Sewer System were \$993,375. Total net assets for the Sewer System increased \$292,907 as a result of an increase in charges for services.

## General Fund Budgetary Highlights

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

The original budget for the General Fund of the City of Ruston was adopted on September 5, 2006. 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 \$2,506,461 to appropriate open purchase orders as of September 30, 2006. The increase for open purchase orders was spread throughout all departments. Differences between the budget and the actual results of the General Fund are as follows:

### Revenues

- Licenses and permits were expected to be similar to prior year revenues. Actual revenues were more than budget by \$223,158 due to an increase in inspection fees and franchise taxes received.
- Intergovernmental revenues were expected to be similar to prior year revenues. Actual revenues were more than budget by \$485,104 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 similar to prior year revenues. Actual revenues were more than budget by \$322,253 due to an increase in interest rates during the year ending September 30, 2007.

### Expenditures

- Executive operating services were under budget by \$81,379 as a result of lower than anticipated consulting expenditures.
- Executive improvements and equipment expenditures were under budget by \$460,746 as a result of encumbrances open at the end of the year.
- Economic development expenditures were under budget for all groups by \$180,031 as a result of the postponement of hiring an economic development director.
- Inspections operating expenditures were under budget by \$75,287 as a result of lower than anticipated housing demolition expenditures.
- Fire department personnel expenditures were under budget by \$69,044 as a result of a decrease in retirement percentages paid by the City.
- Public Works Administration operating services were under budget by \$104,274 as a result of lower than anticipated consulting expenditures.
- Street department personnel expenditures were under budget by \$131,012 as a result of the postponement of hiring additional personnel.
- Street department operating expenditures were under budget by \$610,798 as a result of encumbrances open at the end of the year.
- Street department improvements and equipment expenditures were under budget by \$241,080 as a result of encumbrances open at the end of the year.

- Solid waste improvements and equipment expenditures were under budget by \$167,528 as a result of encumbrances open at the end of the year.
- Repair shop department personnel expenditures were under budget by \$67,148 as a result of the postponement of hiring additional personnel.

### Capital Assets and Debt Administration

**Capital assets.** The City of Ruston's investment in capital assets as of September 30, 2007 amounts to \$95,741,181, 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	
	2007	2006	2007	2006	2007	2006
Land and land improvements	\$9,021,092	\$8,066,273	\$1,266,223	\$1,266,223	\$10,287,315	\$9,332,496
Buildings	2,363,065	2,454,116	951,872	1,008,513	3,314,937	3,462,629
System Improvement	-	-	19,898,249	20,882,155	19,898,249	20,882,155
Improvements other than buildings	2,363,094	1,647,630	3,165,820	3,545,748	5,528,914	5,193,378
Equipment	4,776,612	3,890,487	6,085,696	5,838,621	10,862,308	9,729,108
Infrastructure	11,533,698	9,506,549	-	-	11,533,698	9,506,549
Construction in progress	12,756,239	6,108,787	21,559,521	7,804,387	34,315,760	13,913,174
<b>Total</b>	<b>\$42,813,800</b>	<b>\$31,673,842</b>	<b>\$52,927,381</b>	<b>\$40,345,647</b>	<b>\$95,741,181</b>	<b>\$72,019,489</b>

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

- The purchase of a centralized phone system to be used by various departments for approximately \$200,882.
- The purchase of a 100-foot platform ladder truck for the Fire department for approximately \$694,442.
- The completion of the Trenton Place Subdivision project for the Street department for approximately \$265,444
- The completion of the East Mississippi and Farmerville Streets intersection project for the Street department for approximately \$192,893.
- The completion of the south Service Road extension projection for the Street department for approximately \$344,651.
- The completion of the Sexton Lot improvements for the Street department for approximately \$109,482.

- The purchase of a street sweeper for the Street department for approximately \$157,917.
- The purchase of a garbage truck for the Solid Waste department for approximately \$105,026.
- The purchase of a multi-conductor cargo van for the Sewer fund for approximately \$127,428.
- The purchase of a combination sewer cleaner vehicle for the Sewer fund for approximately \$198,026.
- The completion of the Nancy and Industrial Drive lift station project for the Sewer fund for approximately \$586,091.
- The completion of the Automated Weather Observation System project for the Airport fund for approximately \$131,136.

**Long-term debt.** At the end of the current fiscal year, the City of Ruston had total debt outstanding of \$17,530,370. The following table summarizes bonds outstanding at September 30, 2007.

**Outstanding Debt**

	Governmental		Business-type		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	-	-	-	-	-	-
Revenue bonds	\$100,000	\$100,000	\$1,700,000	\$1,775,000	\$1,800,000	\$1,875,000
DEQ Revolving Loan fund	-	-	15,208,541	6,277,424	15,208,541	6,277,424
Due to State	-	-	521,829	608,801	521,829	608,801
<b>Total</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$17,430,370</b>	<b>\$8,661,225</b>	<b>\$17,530,370</b>	<b>\$8,761,225</b>

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 2007, 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 2008, the City has budgeted a 5% increase in sales tax dollars. Preliminary 2008 figures reflect an increase of closer to 6.25%. National unemployment rates for September 2007 were up to 4.7% compared to 4.6% at September 2006. Employment in services and in the retail/wholesale sectors is growing the fastest which mirror the national trend.

Spiraling health care costs nationwide continue to have an impact on City budgets, in addition to increasing retirement costs. In 2008, 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 2008 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, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,665,714	\$ 6,058,063	\$ 14,723,777	\$ 731,528
Investments	10,941,301	3,614,752	14,556,053	68,975
Receivables, net	2,322,653	2,693,421	5,016,074	1,305
Unbilled revenue	71,950	2,262,290	2,334,240	-
Due from other governments	-	47,173	47,173	6,277
Internal balances	284,831	(284,831)	-	-
Inventories	38,378	643,830	682,208	-
Prepaid items	19,055	-	19,055	4,413
Bond issue costs, net	23,731	13,342	37,073	-
Capital assets:				
Land and construction in progress	21,777,331	22,825,744	44,603,075	-
Other capital assets, net of depreciation	21,036,469	30,101,637	51,138,106	171,411
Total assets	<u>65,181,413</u>	<u>67,975,421</u>	<u>133,156,834</u>	<u>983,909</u>
<b>LIABILITIES</b>				
Accounts payable	882,342	3,441,152	4,323,494	10,023
Accrued liabilities	368,727	168,398	537,125	600
Accrued interest payable	382	167,245	167,627	-
Claims	328,106	-	328,106	-
Deposits	40,500	705,898	746,398	-
Non-current liabilities:				
Due within one year	145,000	344,972	489,972	25,000
Due in more than one year	1,796,312	17,610,913	19,407,225	50,000
Total liabilities	<u>3,561,369</u>	<u>22,438,578</u>	<u>25,999,947</u>	<u>85,623</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	42,813,800	36,018,840	78,832,640	96,411
Restricted for:				
Debt service	1,278,480	833,903	2,112,383	-
Unrestricted	17,527,764	8,684,100	26,211,864	801,875
Total net assets	<u>\$ 61,620,044</u>	<u>\$ 45,536,843</u>	<u>\$ 107,156,887</u>	<u>\$ 898,286</u>

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



CITY OF RUSTON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 3,396,954	\$ 245,648	\$ 1,159,716	\$ 2,219,785
Public safety	6,163,581	240,534	97,997	-
Public works	2,019,725	1,210,327	37,429	-
Cultural and recreation	737,283	145,034	-	-
City Judge and Marshal	416,723	-	-	-
Interest on long-term debt	8,601	-	-	-
Total governmental activities	<u>12,742,867</u>	<u>1,841,543</u>	<u>1,295,142</u>	<u>2,219,785</u>
Business-type activities:				
Electric System	18,497,167	20,359,184	-	-
Water System	1,804,117	2,042,985	-	-
Sewer System	3,044,800	3,597,507	-	-
Ruston Airport Authority	429,218	15,162	-	108,934
Ambulance	388,669	405,175	-	13,700
Total business-type activities	<u>24,163,971</u>	<u>26,420,013</u>	<u>-</u>	<u>122,634</u>
Total primary government	<u>\$36,906,838</u>	<u>\$28,261,556</u>	<u>\$ 1,295,142</u>	<u>\$ 2,342,419</u>
<b>Component units:</b>				
City Judge	448,153	533,298	-	-
City Marshall	286,369	275,535	-	-
Total component units	<u>\$ 734,522</u>	<u>\$ 808,833</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**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ 228,195	-	\$ 228,195	-
(5,825,050)	-	(5,825,050)	-
(771,969)	-	(771,969)	-
(592,249)	-	(592,249)	-
(416,723)	-	(416,723)	-
(8,601)	-	(8,601)	-
<u>(7,386,397)</u>	<u>-</u>	<u>(7,386,397)</u>	<u>-</u>
-	\$ 1,862,017	1,862,017	-
-	238,868	238,868	-
-	552,707	552,707	-
-	(305,122)	(305,122)	-
-	30,206	30,206	-
-	<u>2,378,676</u>	<u>2,378,676</u>	<u>-</u>
<u>(7,386,397)</u>	<u>2,378,676</u>	<u>(5,007,721)</u>	<u>-</u>
-	-	-	\$ 85,145
-	-	-	(10,834)
-	-	-	<u>74,311</u>
736,084	-	736,084	-
322,968	-	322,968	-
4,844,241	-	4,844,241	-
253,865	-	253,865	-
600,000	-	600,000	-
1,409,623	-	1,409,623	-
1,409,622	-	1,409,622	-
20,000	-	20,000	-
2,327,026	-	2,327,026	-
311,356	-	311,356	-
7,600	-	7,600	-
373,804	-	373,804	-
1,445,212	-	1,445,212	-
973,215	526,050	1,499,265	28,405
214,481	705,248	919,729	46
2,544,305	(2,544,305)	-	-
<u>17,793,402</u>	<u>(1,313,007)</u>	<u>16,480,395</u>	<u>28,451</u>
10,407,005	1,065,669	11,472,674	102,762
51,213,039	44,471,174	95,684,213	795,524
<u>\$ 61,620,044</u>	<u>\$ 45,536,843</u>	<u>\$ 107,156,887</u>	<u>\$ 898,286</u>

CITY OF RUSTON, LOUISIANA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007

	<b>General</b>	<b>1968 Sales Tax</b>	<b>1985 Sales Tax</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 985,277	\$ 3,776,246	-
Investments	6,586,147	2,812,179	-
Receivables, net	547,972	214,831	\$ 322,245
Unbilled revenues	71,950	-	-
Due from other funds	345,367	-	2,105,118
Inventories, at cost	38,378	-	-
Prepaid items	19,055	-	-
Total assets	\$ 8,594,146	\$ 6,803,256	\$ 2,427,363
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 187,853	-	-
Accrued liabilities	344,371	-	-
Due to other funds	13,012	\$ 4,783,029	\$ 21,652
Deposits and deferred charges	40,500	-	-
Total liabilities	585,736	4,783,029	21,652
Fund Balances:			
Reserved for:			
Debt service	-	-	-
Encumbrances	1,309,544	-	-
Inventories	38,378	-	-
Prepaid items	19,055	-	-
Unreserved, undesignated	6,641,433	2,020,227	2,405,711
Unreserved, designated reported in nonmajor:			
Capital project funds	-	-	-
Unreserved, undesignated, reported in nonmajor:			
Special revenue funds	-	-	-
Total fund balances	8,008,410	2,020,227	2,405,711
Total liabilities and fund balances	\$ 8,594,146	\$ 6,803,256	\$ 2,427,363

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>
-	\$ 821,015	\$ 2,324,160	\$ 7,906,698
-	-	-	9,398,326
\$ 214,831	429,581	547,640	2,277,100
-	-	-	71,950
2,677,911	-	34,664	5,163,060
-	-	-	38,378
-	-	-	19,055
<u>\$ 2,892,742</u>	<u>\$ 1,250,596</u>	<u>\$ 2,906,464</u>	<u>\$ 24,874,567</u>
-	\$ 640,207	\$ 20,880	\$ 848,940
-	-	17,186	361,557
-	-	59,950	4,877,643
-	-	-	40,500
<u>-</u>	<u>640,207</u>	<u>98,016</u>	<u>6,128,640</u>
-	-	1,278,480	1,278,480
-	-	6,665	1,316,209
-	-	-	38,378
-	-	-	19,055
\$ 2,892,742	-	-	13,960,113
-	610,389	68,486	678,875
-	-	1,454,817	1,454,817
<u>2,892,742</u>	<u>610,389</u>	<u>2,808,448</u>	<u>18,745,927</u>
<u>\$ 2,892,742</u>	<u>\$ 1,250,596</u>	<u>\$ 2,906,464</u>	<u>\$ 24,874,567</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, 2007

Fund balances - total governmental funds		\$ 18,745,927
<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	59,144,188	
Less accumulated depreciation	<u>(16,340,304)</u>	42,803,884
<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		23,731
<p>Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Accrued interest payable	(382)	
Compensated absences	(1,823,848)	
Bonds, notes, and loans payable	<u>(100,000)</u>	(1,924,230)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.</p>		
		<u>1,970,732</u>
Net assets of governmental activities		<u><u>\$ 61,620,044</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, 2007

	<u>General</u>	<u>1968 Sales Tax</u>	<u>1985 Sales Tax</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 736,084	-	-
Sales	-	\$ 2,439,245	\$ 3,658,861
Licenses and permits	938,408	-	-
Intergovernmental	1,637,073	-	-
Charges for services	1,198,653	-	-
Fines and forfeitures	252,208	-	-
Investment earnings	538,518	110,697	80,371
Miscellaneous	188,632	-	-
Total revenues	<u>5,489,576</u>	<u>2,549,942</u>	<u>3,739,232</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,722,887	18,651	23,181
Public safety	6,571,259	-	-
Public works	6,661,571	-	-
Culture and recreation	-	-	-
City Court and Marshal	412,345	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>16,368,062</u>	<u>18,651</u>	<u>23,181</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,878,486)</u>	<u>2,531,291</u>	<u>3,716,051</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	9,764,332	-	-
Transfers out	(67,736)	(2,155,908)	(3,250,665)
Total other financing sources and (uses)	<u>9,696,596</u>	<u>(2,155,908)</u>	<u>(3,250,665)</u>
Net change in fund balances	(1,181,890)	375,383	465,386
Fund balances - beginning	9,190,300	1,644,844	1,940,325
Fund balances - ending	<u>\$ 8,008,410</u>	<u>\$ 2,020,227</u>	<u>\$ 2,405,711</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>
-	-	\$ 322,968	\$ 1,059,052
\$ 2,439,245	-	2,327,026	10,864,377
-	-	-	938,408
-	\$ 2,215,180	1,107,886	4,960,139
-	-	145,034	1,343,687
-	-	-	252,208
64,457	93,331	85,841	973,215
-	17,710	8,139	214,481
<u>2,503,702</u>	<u>2,326,221</u>	<u>3,996,894</u>	<u>20,605,567</u>
15,651	-	923,398	3,703,768
-	-	-	6,571,259
-	-	-	6,661,571
-	-	789,383	789,383
-	-	-	412,345
-	-	-	-
-	-	4,590	4,590
-	5,701,717	62,425	5,764,142
<u>15,651</u>	<u>5,701,717</u>	<u>1,779,796</u>	<u>23,907,058</u>
<u>2,488,051</u>	<u>(3,375,496)</u>	<u>2,217,098</u>	<u>(3,301,491)</u>
-	2,050,856	437,768	12,252,956
(2,152,908)	-	(2,081,434)	(9,708,651)
<u>(2,152,908)</u>	<u>2,050,856</u>	<u>(1,643,666)</u>	<u>2,544,305</u>
335,143	(1,324,640)	573,432	(757,186)
<u>2,557,599</u>	<u>1,935,029</u>	<u>2,235,016</u>	<u>19,503,113</u>
<u>\$ 2,892,742</u>	<u>\$ 610,389</u>	<u>\$ 2,808,448</u>	<u>\$ 18,745,927</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, 2007

Net change in fund balances - total governmental funds \$ (757,186)

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	13,816,580	
Depreciation expense	<u>(1,528,648)</u>	12,287,932

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, write offs, and donations) is to decrease net assets. (1,143,399)

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

Amortization of issuance costs	(4,011)	
Increase in compensated absences	<u>(246,249)</u>	(250,260)

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. 269,918

Change in net assets of governmental activities \$ 10,407,005

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

CITY OF RUSTON, LOUISIANA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2007

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Funds			
	Major Funds	Sewer System	Airport Authority	Ambulance	Total		
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 3,375,232	\$ 1,019,487	\$ 143,057	\$ 141,299	\$ 5,295,552	\$ 759,016	
Investments	2,084,587	-	-	-	2,677,847	1,542,975	
Receivables, net	1,194,510	1,281,520	-	94,013	2,693,421	45,553	
Unbilled revenue	1,844,108	263,478	-	-	2,262,290	-	
Due from other funds	-	334,181	-	-	514,044	-	
Due from other governments	-	-	44,673	2,500	47,173	-	
Inventories	429,141	41,018	-	-	643,830	-	
Total current assets	8,927,578	2,939,684	187,730	237,812	14,134,157	2,347,544	
Noncurrent assets:							
Restricted:							
Cash and cash equivalents	24,539	721,915	-	-	762,511	-	
Investments	836,299	100,606	-	-	936,905	-	
Capital assets:							
Land	622,501	218,801	349,851	-	1,266,223	-	
Construction in progress	4,682,149	16,120,556	77,557	-	21,559,521	-	
Buildings	2,112,128	112,384	407,215	-	2,771,661	13,080	
Improvements other than buildings	-	-	5,975,236	-	5,975,236	-	
Equipment	20,106,554	4,684,562	191,275	386,784	25,988,725	48,123	
Distribution and collection systems	20,387,127	18,958,007	-	-	49,379,083	-	
Less accumulated depreciation	(32,924,738)	(11,431,718)	(2,910,033)	(282,576)	(54,013,068)	(51,287)	
Total capital assets (net of accumulated depreciation)	14,985,721	28,662,592	4,091,101	104,208	52,927,381	9,916	
Deferred bond costs, at cost less amortization	-	13,342	-	-	13,342	-	
Total noncurrent assets	15,846,559	29,498,455	4,091,101	104,208	54,640,139	9,916	
Total assets	\$ 24,774,137	\$ 32,438,139	\$ 4,278,831	\$ 342,020	\$ 68,774,296	\$ 2,357,460	

	Business-type Activities						Governmental Activities
	Enterprise Funds			Internal Service Funds			
	Major Funds		Nonmajor Funds	Major Funds		Nonmajor Funds	
	Electric System	Water System	Sewer System	Airport Authority	Ambulance	Total	
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable	\$ 1,517,737	\$ 34,276	\$ 1,850,316	\$ 19,946	\$ 18,877	\$ 3,441,152	\$ 33,402
Accrued liabilities	117,143	16,541	26,434	-	8,280	168,398	7,170
Due to other funds	643,958	9,893	10,186	23,814	111,024	798,875	586
Claims and judgments	-	-	-	-	-	-	328,106
Compensated absences	5,000	1,000	3,000	-	4,000	13,000	-
Total current liabilities	<u>2,283,838</u>	<u>61,710</u>	<u>1,889,936</u>	<u>43,760</u>	<u>142,181</u>	<u>4,421,425</u>	<u>369,264</u>
Current liabilities payable from restricted assets:							
Customer deposits	701,223	-	4,675	-	-	705,898	-
Bonds payable	-	-	245,000	-	-	245,000	-
Due to LADOTD	37,148	49,824	-	-	-	86,972	-
Accrued interest	148,485	-	18,760	-	-	167,245	-
Total current liabilities payable from restricted assets	<u>886,856</u>	<u>49,824</u>	<u>268,435</u>	<u>-</u>	<u>-</u>	<u>1,205,115</u>	<u>-</u>
Noncurrent liabilities:							
Compensated absences	342,019	72,037	50,955	-	47,504	512,515	17,464
Bonds payable	-	-	1,455,000	-	-	1,455,000	-
DEQ Revolving Loan fund	-	-	15,208,541	-	-	15,208,541	-
Due to LADOTD	185,741	249,116	-	-	-	434,857	-
Total noncurrent liabilities	<u>527,760</u>	<u>321,153</u>	<u>16,714,496</u>	<u>-</u>	<u>47,504</u>	<u>17,610,913</u>	<u>17,464</u>
Total liabilities	<u>3,698,454</u>	<u>432,687</u>	<u>18,872,867</u>	<u>43,760</u>	<u>189,685</u>	<u>23,237,453</u>	<u>386,728</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	14,985,721	5,083,759	11,754,051	4,091,101	104,208	36,018,840	9,916
Restricted for debt service	-	16,057	817,846	-	-	833,903	-
Unrestricted (deficit)	<u>6,089,962</u>	<u>1,408,666</u>	<u>993,375</u>	<u>143,970</u>	<u>48,127</u>	<u>8,684,100</u>	<u>1,960,816</u>
Total net assets (deficit)	<u>\$ 21,075,683</u>	<u>\$ 6,508,482</u>	<u>\$ 13,565,272</u>	<u>\$ 4,235,071</u>	<u>\$ 152,335</u>	<u>\$ 45,536,843</u>	<u>\$ 1,970,732</u>

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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, 2007

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Funds			
	Major Funds	Airport Authority		Ambulance	Total		
Electric System	Water System	Sewer System	-	-	-	-	
<b>OPERATING REVENUES</b>							
Charges for services	\$ 20,359,184	\$ 2,042,985	\$ 3,597,507	\$ 15,162	\$ 405,175	\$ 26,420,013	\$ 57,850
Charges to other funds	-	-	-	-	-	-	2,671,590
Premiums paid by retired employees	-	-	-	-	-	-	224,691
Rent income	35,377	-	-	20,226	-	55,603	-
Miscellaneous	536,561	95,967	16,929	112	76	649,645	-
Total operating revenues	20,931,122	2,138,952	3,614,436	35,500	405,251	27,125,261	2,954,131
<b>OPERATING EXPENSES</b>							
Personal services	1,918,464	418,952	680,062	-	245,078	3,262,556	197,139
Operating services	1,248,541	696,864	761,004	30,948	13,616	2,750,973	14,948
Materials and supplies	13,734,995	262,566	215,050	429	86,650	14,299,690	6,444
Travel and other	31,254	4,402	7,064	-	12,800	55,520	1,343
Depreciation	1,538,378	421,333	994,948	397,841	30,525	3,383,025	4,575
Claims	-	-	-	-	-	-	2,155,709
Insurance premiums	-	-	-	-	-	-	430,035
Total operating expenses	18,471,632	1,804,117	2,658,128	429,218	388,669	23,751,764	2,810,193
Operating income (loss)	2,459,490	334,835	956,308	(393,718)	16,582	3,373,497	143,938
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Investment earnings	417,244	52,165	45,953	7,114	3,574	526,050	125,980
Interest expense	(21,996)	-	(377,539)	-	-	(399,535)	-
Amortization	-	-	(2,669)	-	-	(2,669)	-
(Gain) Loss on disposal of fixed assets	(3,539)	-	(6,464)	-	-	(10,003)	-
Total nonoperating revenues (expenses)	391,709	52,165	(340,719)	7,114	3,574	113,843	125,980
Income (loss) before contributions and transfers	2,851,199	387,000	615,589	(386,604)	20,156	3,487,340	269,918
Capital contributions	-	-	-	108,934	13,700	122,634	-
Transfers in	-	-	-	10,866	-	10,866	-
Transfers out	(1,851,078)	(381,411)	(322,682)	-	-	(2,555,171)	-
Change in net assets	1,000,121	5,589	292,907	(266,804)	33,856	1,065,669	269,918
Total net assets (deficit) - beginning	20,075,562	6,502,893	13,272,365	4,501,875	118,479	44,471,174	1,700,814
Total net assets (deficit) - ending	\$ 21,075,683	\$ 6,508,482	\$ 13,565,272	\$ 4,235,071	\$ 152,335	\$ 45,536,843	\$ 1,970,732

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, 2007

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Major Funds			Nonmajor Funds			
	Electric System	Water System	Sewer System	Airport Authority	Ambulance	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from operations	\$ 19,504,941	\$ 2,219,563	\$ 3,609,594	\$ 33,525	\$ 396,566	\$ 25,764,189	\$ 2,900,703
Payments to suppliers	(14,515,521)	(958,664)	(767,780)	(53,101)	(61,513)	(16,356,579)	(422,197)
Payments to employees	(1,852,714)	(415,323)	(679,351)	-	(228,619)	(3,176,007)	(184,193)
Claim payments	-	-	-	-	-	-	(2,149,375)
Other receipts	571,938	95,967	16,929	112	76	685,022	57,850
	3,708,644	941,543	2,179,392	(19,464)	106,510	6,916,625	202,788
Net cash provided by operating activities							
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Transfers in	-	-	-	10,866	-	10,866	-
Transfers out	(1,851,078)	(381,411)	(322,682)	-	-	(2,555,171)	-
Net cash provided by (used in) noncapital financing activities	(1,851,078)	(381,411)	(322,682)	10,866	-	(2,544,305)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Acquisition and construction of capital assets	(4,728,227)	(701,702)	(10,429,762)	(100,079)	(14,992)	(15,974,762)	-
Capital contributions	-	-	-	108,934	13,700	122,634	-
DEQ Revolving Loan fund	-	-	8,931,117	-	-	8,931,117	-
Payable to State	(37,148)	(49,824)	(75,000)	-	-	(161,972)	-
Principal paid on debt	(26,680)	-	(358,779)	-	-	(75,000)	-
Interest paid on debt	(4,792,055)	(751,526)	(1,932,424)	8,855	(1,292)	(7,468,442)	-
Net cash used in capital and related financing activities							
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Proceeds from sales and maturities of investments	4,573,859	906,378	199,997	-	-	5,680,234	2,332,538
Purchase of investments	(4,673,628)	(770,569)	(205,938)	-	-	(5,650,135)	(2,405,160)
Interest and dividends received	417,244	52,165	45,953	7,114	3,574	526,050	125,980
Net cash provided by (used in) investing activities	317,475	187,974	40,012	7,114	3,574	556,149	53,358
Net increase (decrease) in cash and cash equivalents	(2,617,014)	(3,420)	(35,702)	7,371	108,792	(2,539,973)	256,146
Cash and cash equivalents, beginning of year	6,016,785	635,954	1,777,104	135,686	32,507	8,598,036	502,870
Cash and cash equivalents, end of year	\$ 3,399,771	\$ 632,534	\$ 1,741,402	\$ 143,057	\$ 141,299	\$ 6,058,063	\$ 759,016
Noncash item:							
Amortization	-	-	2,669	-	-	2,669	-
Loss on disposal of fixed assets	3,539	-	6,464	-	-	10,003	-

	Business-type Activities				Governmental Activities		
	Enterprise Funds		Nonmajor Funds			Internal Service Funds	
	Major Funds		Major Funds				
Electric System	Sewer System	Water System	Airport Authority	Ambulance	Total		
Operating income (loss)	\$ 2,459,490	\$ 956,308	\$ 334,835	\$ (393,718)	\$ 16,582	\$ 3,373,497	\$ 143,938
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	1,538,378	994,948	421,333	397,841	30,525	3,383,025	4,575
(Increase) Decrease in assets:							
Receivables	(869,008)	140,895	181,196	(1,863)	(8,609)	(557,389)	4,422
Due from other funds	-	(131,208)	(4,618)	-	-	(135,826)	-
Inventories	(59,654)	3,394	(9,318)	-	-	(65,578)	-
Prepaid items	-	-	-	-	-	-	-
Increase (Decrease) in liabilities:							
Accounts payable	486,774	209,550	15,578	9,917	15,858	737,677	20,084
Accrued liabilities	30,958	(33)	(644)	-	1,005	31,286	590
Due to other funds	72,149	2,394	(1,092)	(31,641)	35,695	77,505	(107)
Customers' deposits	14,765	2,400	-	-	-	17,165	-
Claims	-	-	-	-	-	-	16,930
Compensated absences	34,792	744	4,273	-	15,454	55,263	12,356
Total adjustments	1,249,154	1,223,084	606,708	374,254	89,928	3,543,128	58,850
Net cash provided by operating activities	\$ 3,708,644	\$ 2,179,392	\$ 941,543	\$ (19,464)	\$ 106,510	\$ 6,916,625	\$ 202,788

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

Operating income (loss)

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

  Depreciation and amortization

  (Increase) Decrease in assets:

    Receivables

    Due from other funds

    Inventories

    Prepaid items

  Increase (Decrease) in liabilities:

    Accounts payable

    Accrued liabilities

    Due to other funds

    Customers' deposits

    Claims

    Compensated absences

  Total adjustments

Net cash provided by operating activities



CITY OF RUSTON, LOUISIANA  
STATEMENT OF NET ASSETS  
COMPONENT UNITS  
SEPTEMBER 30, 2007

	<u>Ruston City Judge's Office</u>	<u>Ruston City Marshal's Office</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 698,594	\$ 32,934	\$ 731,528
Investments	-	68,975	68,975
Receivables	-	1,305	1,305
Prepaid items	3,470	943	4,413
Due from governmental units	6,277	-	6,277
Capital assets, net of depreciation	141,988	29,423	171,411
Total assets	<u>850,329</u>	<u>133,580</u>	<u>983,909</u>
<b>LIABILITIES</b>			
Accounts payable	9,852	171	10,023
Accrued liabilities	600	-	600
Non-current liabilities:			
Due within one year	25,000	-	25,000
Due in more than one year	50,000	-	50,000
Total liabilities	<u>85,452</u>	<u>171</u>	<u>85,623</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	66,988	29,423	96,411
Unrestricted	697,889	103,986	801,875
Total net assets	<u>\$ 764,877</u>	<u>\$ 133,409</u>	<u>\$ 898,286</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, 2007

	<u>Program Revenues</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>			
	<u>Charges for Services</u>	<u>Ruston City Judge's Office</u>	<u>Ruston City Marshal's Office</u>	<u>Total</u>	
<u>Expenses</u>					
City Judge Judicial	\$ 448,153	\$ 533,298	\$ 85,145	-	\$ 85,145
City Marshal Judicial	<u>286,369</u>	<u>275,535</u>	<u>-</u>	<u>\$ (10,834)</u>	<u>(10,834)</u>
	<u>\$ 734,522</u>	<u>\$ 808,833</u>	85,145	(10,834)	74,311
General Revenues:					
Interest earnings		24,438	3,967		28,405
Miscellaneous		46	-		46
Total general revenues		<u>24,484</u>	<u>3,967</u>		<u>28,451</u>
Change in net assets		109,629	(6,867)		102,762
Net assets - beginning		655,248	140,276		795,524
Net assets - ending		<u>\$ 764,877</u>	<u>\$ 133,409</u>		<u>\$ 898,286</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, 2007

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, 2007.

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, 2007.

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, 2007

OTHER RELATED ORGANIZATIONS

Housing Authority

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

Lincoln Parish Sales and Use Tax Commission

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

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

Ruston Housing Authority  
1615 North Farmerville  
Ruston, Louisiana 71270

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

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

a. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense is identified by function and is included in the direct expense of each function. Interest on

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

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

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

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

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

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

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as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met and all other eligibility requirements are met.

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

**Governmental Funds**

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

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

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

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

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

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

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

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

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

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

**Proprietary Funds**

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

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



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

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

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

c. CAPITAL ASSETS

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

Capital assets are not reported in the governmental FFS.

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

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

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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, 2007 were primarily Certificates of Deposit, U.S. government and U.S. government agency securities (see note 2 for the City's investment policy.)

f. PREPAID ITEMS

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

g. INVENTORIES

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

h. REFUNDABLE DEPOSITS

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

i. VACATION AND SICK LEAVE

City employees are granted vacation and sick leave in varying amounts. Employees are permitted to use sick leave toward retirement up to a maximum of six months, if they have sufficient time to qualify for retirement. Only unpaid vacation pay for the employees has been accrued, and sick leave for the employees eligible for retirement benefits has been accrued. All other sick leave is recorded as an expenditure when

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paid. The estimated liability for unused vacation for governmental funds is recorded in the GWFS. Vacation leave of governmental funds is recorded as an expenditure when paid. Accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as it is earned by the employees.

j. PENSION PLANS

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

k. RESTRICTED ASSETS

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

l. FUND EQUITY

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

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

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

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

Specific reservations of the fund balance accounts are summarized below:

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

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

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

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

m. INTERFUND RECEIVABLES AND PAYABLES

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

n. PROPERTY TAXES

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

o. GRANTS FROM OTHER GOVERNMENTAL AGENCIES

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

p. CASH AND CASH EQUIVALENTS

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

q. SELF-INSURANCE CLAIMS

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

*Incurring 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.*

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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, 2007, the carrying amount of the City's deposits was \$27,490,546 and the bank balance was \$30,195,209. The difference is due to the outstanding checks and deposits in transit at September 30, 2007.

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, 2007, 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, 2007. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

	<u>CATEGORY</u>			Carrying Amount & Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. government and U.S. government agency securities	<u>\$90,299</u>	<u>\$ --</u>	<u>\$ --</u>	\$90,299
Louisiana Asset Management Pool				<u>1,698,985</u>
Total Investments				1,789,284
Total Deposits				<u>27,490,546</u>
Total cash, cash equivalents & investments, including restricted cash and investments				<u>\$29,279,830</u>

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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 \$692,269 at September 30, 2007.

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 \$128,354,400 and \$122,128,139 in 2007 and 2006, respectively. The distribution of the City's levy (tax rate per \$1,000 assessed value) was as follows for 2007 and 2006:

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

4. RECEIVABLES

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

	<u>Customers</u>	<u>Taxes</u>	<u>Other</u>	<u>Allowance for uncollectible accounts</u>	<u>Net Receivable</u>
Governmental activities:					
General	\$127,752	-	\$502,854	(\$82,634)	\$547,972
1968 Sales Tax	-	\$214,831	-	-	214,831
1985 Sales Tax	-	322,245	-	-	322,245
1990 Sales Tax	-	214,831	-	-	214,831
I-20	-	-	429,581	-	429,581
Nonmajor governmental funds	-	535,238	57,955	-	593,193
Total governmental activities	<u>\$127,752</u>	<u>\$1,287,145</u>	<u>\$990,390</u>	<u>(\$82,634)</u>	<u>\$2,322,653</u>

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	<u>Customers</u>	<u>Taxes</u>	<u>Other</u>	<u>Allowance for uncollectible accounts</u>	<u>Net Receivable</u>
<b>Business-type activities:</b>					
Electric System	\$2,055,202	-	-	(\$860,692)	\$1,194,510
Water System	259,992	-	-	(136,614)	123,378
Sewer System	355,022	-	\$1,132,843	(206,345)	1,281,520
Ambulance	336,801	-	-	(242,788)	94,013
<b>Total business-type activities</b>	<b><u>\$3,007,017</u></b>	<b><u>-</u></b>	<b><u>\$1,132,843</u></b>	<b><u>(\$1,446,439)</u></b>	<b><u>\$2,693,421</u></b>

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance September 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2007</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$8,066,273	\$954,819	-	\$9,021,092
Construction in progress	<u>6,108,787</u>	<u>7,816,057</u>	<u>(\$1,168,605)</u>	<u>12,756,239</u>
Total capital assets, not being depreciated	<u>14,175,060</u>	<u>8,770,876</u>	<u>(1,168,605)</u>	<u>21,777,331</u>
Capital assets, being depreciated:				
Buildings	4,513,919	28,944	-	4,542,863
Improvements other than buildings	4,417,186	912,470	-	5,329,656
Equipment	10,496,438	1,700,945	(257,507)	11,939,876
Infrastructure	<u>13,212,320</u>	<u>2,403,345</u>	-	<u>15,615,665</u>
Total capital assets being depreciated	32,639,863	5,045,704	(257,507)	37,428,060
Less accumulated depreciation for:				
Buildings	(2,059,803)	(119,995)	-	(2,179,798)
Improvements other than buildings	(2,769,556)	(197,006)	-	(2,966,562)
Equipment	(6,605,951)	(840,025)	282,712	(7,163,264)
Infrastructure	<u>(3,705,771)</u>	<u>(376,196)</u>	-	<u>(4,081,967)</u>
Total accumulated depreciation	<u>(15,141,081)</u>	<u>(1,533,222)</u>	<u>282,712</u>	<u>(16,391,591)</u>
Total capital assets, being depreciated, net	<u>17,498,782</u>	<u>3,512,482</u>	<u>25,205</u>	<u>21,036,469</u>
Governmental activities capital assets, net	<u>\$31,673,842</u>	<u>\$12,283,358</u>	<u>(\$1,143,400)</u>	<u>\$42,813,800</u>

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

Construction in progress for governmental activities consisted of \$11,037,440 for an I-20 Infrastructure project; \$80,528 for the software conversion project; \$18,159 for the Civic Center Parking lot project; \$3,000 for the renovation of the historic fire station; \$25,900 for the City Hall Restroom Renovations; \$224,200 for the Commerce Street overlay project; \$847,577 for the Wynnwood project; \$53,025 for the Celebrity Drive project; \$87,885 for the Streetscape project; \$57,910 for the West Kentucky/North Chautauqua project; \$25,278 for the Reynolds Drive project; \$194,324 for the Public Works Complex Additions; \$13,918 for the Martin Luther King Extension;

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\$6,474 for the Willow Glen Extension; \$18,196 for the Welcome Sign project; and \$62,425 for the LCDBG Sewer Rehabilitation project.

	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2007</u>
<b>Business-type activities:</b>				
<b>Electric System</b>				
Capital assets, not being depreciated:				
Land	\$622,501	-	-	\$622,501
Construction in progress	<u>814,533</u>	<u>\$3,971,522</u>	<u>(\$103,906)</u>	<u>4,682,149</u>
Total capital assets, not being depreciated	<u>1,437,034</u>	<u>3,971,522</u>	<u>(103,906)</u>	<u>5,304,650</u>
Capital assets, being depreciated:				
Buildings	2,112,128	-	-	2,112,128
System Improvement	19,638,287	752,585	(3,745)	20,387,127
Equipment	<u>20,015,858</u>	<u>108,027</u>	<u>(17,331)</u>	<u>20,106,554</u>
Total capital assets being depreciated	41,766,273	860,612	(21,076)	42,605,809
Less accumulated depreciation for:				
Buildings	(1,567,155)	(37,758)	-	(1,604,913)
System Improvement	(12,821,254)	(923,574)	2,516	(13,742,312)
Equipment	<u>(17,015,487)</u>	<u>(577,046)</u>	<u>15,020</u>	<u>(17,577,513)</u>
Total accumulated depreciation	<u>(31,403,896)</u>	<u>(1,538,378)</u>	<u>17,536</u>	<u>(32,924,738)</u>
Total capital assets, being depreciated, net	<u>10,362,377</u>	<u>(677,767)</u>	<u>(3,540)</u>	<u>9,681,071</u>
Electric System capital assets, net	<u>\$11,799,411</u>	<u>\$3,293,755</u>	<u>(\$107,446)</u>	<u>\$14,985,721</u>

Construction in progress for the electric system consisted of \$105,562 on the software conversion project; \$4,281,373 for the Second Interconnection with Entergy; \$57,971 for the Maple Street project; \$1,860 for the 69 kV Transmission Line Upgrade; \$75,179 for the North Treatment Plant project; \$61,574 for the French Quarter Subdivision project; \$22,901 for the South Service Road project; \$752 for the Collegiate Apartments project; \$55,259 for the Celebrity Drive Electric Phase 2 project; \$14,638 for the Scada System Upgrade; \$82 for Customer Service Office Improvements; \$4,998 on the Public Works Complex Additions.

	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2007</u>
<b>Water System</b>				
Capital assets, not being depreciated:				
Land	\$75,070	-	-	\$75,070
Construction in progress	<u>79,619</u>	<u>\$599,640</u>	-	<u>679,259</u>
Total capital assets, not being depreciated	<u>154,689</u>	<u>599,640</u>	-	<u>754,329</u>
Capital assets, being depreciated:				
Buildings	139,934	-	-	139,934
System Improvement	9,931,887	102,062	-	10,033,949
Equipment	<u>637,542</u>	-	<u>(\$17,992)</u>	<u>619,550</u>
Total capital assets being depreciated	10,709,363	102,062	(17,992)	10,793,433



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	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2007</u>
Less accumulated depreciation for:				
Buildings	(91,336)	(4,116)	-	(95,452)
System Improvement	(5,496,892)	(370,726)	-	(5,867,618)
Equipment	<u>(472,434)</u>	<u>(46,491)</u>	<u>17,992</u>	<u>(500,933)</u>
Total accumulated depreciation	<u>(6,060,662)</u>	<u>(421,333)</u>	<u>17,992</u>	<u>(6,464,003)</u>
Total capital assets, being depreciated, net	<u>4,648,701</u>	<u>(319,271)</u>	=	<u>4,329,430</u>
Water System capital assets, net	<u>\$4,803,390</u>	<u>\$280,369</u>	=	<u>\$5,083,759</u>

Construction in progress for the water system consisted of \$54,655 for the software conversion project; \$77,200 for the new Elevated Water Storage Tank; and \$547,404 for the I-20 Corridor project.

	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2007</u>
<b>Sewer System</b>				
Capital assets, not being depreciated:				
Land	\$218,801	-	-	\$218,801
Construction in progress	<u>6,769,086</u>	<u>\$10,027,212</u>	<u>(\$675,742)</u>	<u>16,120,556</u>
Total capital assets, not being depreciated	<u>6,987,887</u>	<u>10,027,212</u>	<u>(675,742)</u>	<u>16,339,357</u>
Capital assets, being depreciated:				
Buildings	112,384	-	-	112,384
System Improvement	18,970,244	-	(12,237)	18,958,007
Equipment	<u>3,680,598</u>	<u>1,078,292</u>	<u>(74,328)</u>	<u>4,684,562</u>
Total capital assets being depreciated	<u>22,763,226</u>	<u>1,078,292</u>	<u>(86,565)</u>	<u>23,754,953</u>
Less accumulated depreciation for:				
Buildings	(43,753)	(3,224)	-	(46,977)
System Improvement	(9,340,117)	(543,025)	12,237	(9,870,905)
Equipment	<u>(1,133,001)</u>	<u>(448,699)</u>	<u>67,864</u>	<u>(1,513,836)</u>
Total accumulated depreciation	<u>(10,516,871)</u>	<u>(994,948)</u>	<u>80,101</u>	<u>(11,431,718)</u>
Total capital assets, being depreciated, net	<u>12,246,355</u>	<u>83,344</u>	<u>(6,464)</u>	<u>12,323,235</u>
Sewer System capital assets, net	<u>\$19,234,242</u>	<u>\$10,110,556</u>	<u>(\$682,206)</u>	<u>\$28,662,592</u>

Construction in progress consisted of \$15,865,834 for the Wastewater Treatment Plant Upgrade; \$70,691 for a lift station replacement at Nancy and Industrial Drives; \$134,125 for the Cedar Creek lift station; and \$49,906 for the software conversion project.

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	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2007</u>
<b>Airport Authority</b>				
Capital assets, not being depreciated:				
Land	\$349,851	-	-	\$349,851
Construction in progress	<u>141,149</u>	<u>\$100,080</u>	<u>(\$163,672)</u>	<u>77,557</u>
Total capital assets, not being depreciated	491,000	100,080	(163,672)	427,408
Capital assets, being depreciated:				
Buildings	407,215	-	-	407,215
Runways, aprons, and taxiways	5,975,236	-	-	5,975,236
Equipment	<u>27,604</u>	<u>163,671</u>	-	<u>191,275</u>
Total capital assets being depreciated	6,410,055	163,671	-	6,573,726
Less accumulated depreciation for:				
Buildings	(60,904)	(11,543)	-	(72,447)
Runways, aprons, and taxiways	(2,429,488)	(379,928)	-	(2,809,416)
Equipment	<u>(21,800)</u>	<u>(6,370)</u>	-	<u>(28,170)</u>
Total accumulated depreciation	<u>(2,512,192)</u>	<u>(397,841)</u>	-	<u>(2,910,033)</u>
Total capital assets, being depreciated, net	<u>3,897,863</u>	<u>(234,170)</u>	-	<u>3,663,693</u>
Airport Authority capital assets, net	<u>\$4,388,863</u>	<u>(\$134,090)</u>	<u>(\$163,672)</u>	<u>\$4,091,101</u>

Construction in progress consisted of \$77,557 for the Airport Runway project.

	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2007</u>
<b>Ambulance Fund</b>				
Capital assets, being depreciated:				
Equipment	\$472,195	\$14,994	(\$100,405)	\$386,784
Less accumulated depreciation for:	<u>(352,454)</u>	<u>(30,527)</u>	<u>100,405</u>	<u>(282,576)</u>
Total capital assets, being depreciated, net	<u>\$119,741</u>	<u>(\$15,533)</u>	-	<u>\$104,208</u>
<b>Business-type activities capital assets</b>				
Capital assets, not being depreciated:				
Land	\$1,266,223	-	-	\$1,266,223
Construction in progress	<u>7,804,387</u>	<u>\$14,698,454</u>	<u>(\$943,320)</u>	<u>21,559,521</u>
Total capital assets, not being depreciated	<u>9,070,610</u>	<u>14,698,454</u>	<u>(943,320)</u>	<u>22,825,744</u>
Capital assets, being depreciated:				
Buildings	2,771,661	-	-	2,771,661
System Improvement	48,540,418	854,648	(15,982)	49,379,084
Runways, aprons, and taxiways	5,975,236	-	-	5,975,236
Equipment	<u>24,833,797</u>	<u>1,364,984</u>	<u>(210,057)</u>	<u>25,988,724</u>
Total capital assets being depreciated	82,121,112	2,219,632	(226,039)	84,114,705

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	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2007</u>
Less accumulated depreciation for:				
Buildings	(1,763,148)	(56,641)	-	(1,819,789)
System Improvement	(27,658,263)	(1,837,326)	14,754	(29,480,835)
Runways, aprons, and taxiways	(2,429,488)	(379,928)	-	(2,809,416)
Equipment	(18,995,176)	(1,109,134)	201,282	(19,903,028)
Total accumulated depreciation	<u>(50,846,075)</u>	<u>(3,383,029)</u>	<u>216,036</u>	<u>(54,013,068)</u>
Total capital assets, being depreciated, net	<u>31,275,037</u>	<u>(1,163,397)</u>	<u>(10,003)</u>	<u>30,101,637</u>
Business-type activities capital assets, net	<u>\$40,345,647</u>	<u>\$13,535,057</u>	<u>(\$953,323)</u>	<u>\$52,927,381</u>

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

**Governmental activities:**

General government	\$221,414
Public safety	295,301
Public works, including depreciation of general infrastructure assets	947,835
Recreation	<u>60,792</u>
Total depreciation expense-governmental activities	<u>\$1,525,342</u>

**Business-type activities:**

Electric System	1,538,378
Water System	421,333
Sewer System	994,948
Airport Authority	397,841
Ambulance	<u>30,525</u>
Total depreciation expense-business-type activities	<u>\$3,383,025</u>

6. LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2007 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Revenue bonds payable	\$100,000	-	-	\$100,000	-
Compensated absences	<u>1,582,707</u>	<u>\$983,347</u>	<u>\$724,742</u>	<u>1,841,312</u>	<u>\$200,000</u>
Governmental activities					
Total long-term liabilities	<u>\$1,682,707</u>	<u>\$983,347</u>	<u>\$724,742</u>	<u>\$1,941,312</u>	<u>\$200,000</u>
<b>Business-type activities:</b>					
<b>Electric System:</b>					
Due to other governments	\$260,037	-	\$37,148	\$222,889	\$37,148
Compensated absences	<u>312,227</u>	<u>\$101,007</u>	<u>66,215</u>	<u>347,019</u>	<u>5,000</u>
Electric System long-term liabilities	<u>\$572,264</u>	<u>\$101,007</u>	<u>\$103,363</u>	<u>\$569,908</u>	<u>\$42,148</u>

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	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Water System:</b>					
Due to other governments	\$348,764	-	\$49,824	\$298,940	\$49,824
Compensated absences	68,764	\$19,376	15,103	73,037	1,000
Water System long-term liabilities	<u>\$417,528</u>	<u>\$19,376</u>	<u>\$64,927</u>	<u>\$371,977</u>	<u>\$50,824</u>
<b>Sewer System:</b>					
Revenue bonds	\$1,775,000	-	\$75,000	\$1,700,000	\$245,000
DEQ Revolving Loan fund	6,277,424	\$8,931,117	-	15,208,541	-
Compensated absences	53,211	33,939	33,195	53,955	3,000
Sewer System long-term liabilities	<u>\$8,105,635</u>	<u>\$8,965,056</u>	<u>\$108,195</u>	<u>\$16,962,496</u>	<u>\$248,000</u>
<b>Ambulance Fund:</b>					
Compensated absences	<u>\$36,050</u>	<u>\$39,943</u>	<u>\$24,489</u>	<u>\$51,504</u>	<u>\$4,000</u>
<b>Business-type activities long-term liabilities</b>					
Revenue bonds	\$1,775,000	-	\$75,000	\$1,700,000	\$245,000
DEQ Revolving Loan fund	6,277,424	\$8,931,117	-	15,208,541	-
Due to other governments	608,801	-	86,972	521,829	86,972
Compensated absences	470,252	194,265	139,002	525,515	13,000
Business-type activity long-term liabilities	<u>\$9,131,477</u>	<u>\$9,125,382</u>	<u>\$300,974</u>	<u>\$17,955,885</u>	<u>\$344,972</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, 2007 are comprised of the following issues:

<b>Governmental Activities:</b>	<b>Outstanding</b>
<b><u>Tax Increment Bonds</u></b>	<b><u>09-30-07</u></b>
\$2,000,000 – 2001 Sales Tax Increment Revenue Bonds dated 12-21-01, of \$100,000 due 9-1-13, interest at 4.59%	<u>\$100,000</u>
Total Tax Increment Bonds	<u>\$100,000</u>
<b><u>Revenue Bonds</u></b>	
\$1,620,000 authorized 1993 Sewer Revenue Bonds \$1,432,536 issued, interest at 2.45%, payable in annual installments of \$75,000 to \$90,000 through October 1, 2014.	\$585,000
\$1,655,000 2003 Sewer Utility Revenue Refunding Bonds dated 5-22-03 due in annual installments of \$170,000 to \$195,000 through October 1, 2012, interest at 2.500% to 4.000%.	<u>1,115,000</u>
Total Revenue Bonds	<u>\$1,700,000</u>

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**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. \$521,829

Total Due to Other Governments \$521,829

The annual requirements to amortize all debt outstanding as of September 30, 2007, including interest requirements are as follows:

	Governmental activities		Business-type activities		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Year ending September 30:					
2008	-	\$4,590	\$331,972	\$33,093	\$369,655
2009	-	4,590	346,972	45,765	397,327
2010	-	4,590	351,972	38,495	395,057
2011	-	4,590	361,972	30,338	396,900
2012	-	4,590	366,972	21,606	393,168
2013-2014	<u>100,000</u>	<u>4,590</u>	<u>\$461,969</u>	<u>14,415</u>	<u>580,974</u>
	<u>\$100,000</u>	<u>\$27,540</u>	<u>\$2,221,829</u>	<u>\$183,712</u>	<u>\$2,533,081</u>

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

In May 2003, the City issued \$1,655,000 in Sewer Utilities Revenue Refunding Bonds to advance refund \$2,005,000 of outstanding 1990 Utilities Revenue Bonds. The proceeds, net of issuance costs, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 Utilities Revenue Bonds. The 1990 bonds are considered to be defeased and have been removed from the City's financial statements. The principal outstanding at September 30, 2007 on the refunded bonds was \$1,125,000.

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

In January 2007, the City authorized the issuance of \$19,500,000 of Sewer Revenue Bonds. The bonds were issued through a Loan and Pledge Agreement with the Louisiana Department of Environmental Quality for the purpose of construction of the sewer treatment plant and paying the costs of issuance. Principal payments are \$460,000 to \$1,480,000 with an interest rate of 3.45% and an administrative fee of 0.5% for a total of 3.95% and maturity dates from 2008 through 2027.

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The Louisiana Department of Environmental Quality, as the initial purchaser of the bonds will pay the purchase price of the bonds in installments as needed to pay the project costs, and interest shall be payable only on the amount purchased from the date of purchase. At September 30, 2007, the bonds authorized that have not been fully purchased are \$19,500,000 and the amount purchased to date is \$15,208,541. The amounts drawn down in 2007 were \$15,208,541.

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, 2007, was \$122,128,139. The maximum debt allowable for any one purpose and total debt allowable by state law as of December 31, 2007, is \$12,212,814 and \$42,744,849 respectively. The City currently has no general bonded debt outstanding.

7. SALES TAX

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

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

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

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

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

Municipal Employees' Retirement System

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

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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, 2007, 2006, and 2005 were \$839,547, \$857,603, and \$788,171, 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 13.75% 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, 2007, 2006, and 2005 were \$210,949, \$222,518, and \$295,013, respectively, equal to the required contributions for each year. In accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*, the net pension obligation was determined to be zero. Prior to adoption of GASB 27, the City did not report a pension liability.

Municipal Police Employees' Retirement System (MPERS)

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

Funding Policy - Plan members are required to contribute 7.5% of their annual compensation and the City is required to contribute 13.75% 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, 2007, 2006, and 2005 were \$252,928, \$260,827, and \$317,355, respectively, equal to the required contributions for each year.

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9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

a. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at September 30, 2007 were as follows:

DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS									Total
	General Fund	1968 Sales Tax	1985 Sales Tax	Electric System	Water System	Sewer System	Nonmajor Govern- mental Funds	Nonmajor Enterprise Funds	Internal service	
General Fund	-	-	-	\$190,239	\$9,893	\$9,811	-	\$134,838	\$586	\$345,367
1985 Sales Tax	-	\$2,105,118	-	-	-	-	-	-	-	2,105,118
1990 Sales Tax	-	2,677,911	-	-	-	-	-	-	-	2,677,911
Water System	-	-	-	179,488	-	375	-	-	-	179,863
Sewer System	-	-	-	274,231	-	-	\$59,950	-	-	334,181
Nonmajor governmental	<u>\$13,012</u>	=	<u>\$21,652</u>	=	=	=	=	=	=	<u>\$34,664</u>
Total	<u>\$13,012</u>	<u>\$4,783,029</u>	<u>\$21,652</u>	<u>\$643,958</u>	<u>\$9,893</u>	<u>\$10,186</u>	<u>\$59,950</u>	<u>\$134,838</u>	<u>\$586</u>	<u>\$5,677,104</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, 2007 were as follows:

TRANSFERS OUT	TRANSFERS IN				Total
	General Fund	I-20	Airport Authority	Nonmajor Govern- mental Funds	
General Fund	-	-	-	\$67,736	\$67,736
1968 Sales Tax	\$2,155,908	-	-	-	2,155,908
1985 Sales Tax	2,996,800	-	-	253,865	3,250,665
1990 Sales Tax	2,152,908	-	-	-	2,152,908
Electric System	1,769,250	-	\$10,236	71,592	1,851,078
Water System	366,784	-	630	13,997	381,411
Sewer System	322,682	-	-	-	322,682
Nonmajor governmental	=	<u>\$2,050,856</u>	=	<u>30,578</u>	<u>2,081,434</u>
Total transfers	<u>\$9,764,332</u>	<u>\$2,050,856</u>	<u>\$10,866</u>	<u>\$437,768</u>	<u>\$12,263,822</u>

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



CITY OF RUSTON, LOUISIANA  
Notes to Financial Statements  
For the Year Ended September 30, 2007

c. DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

The Sewer LCDBG Grant Fund had a deficit fund balance of \$57,820 at September 30, 2007. 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:			
Executive – Travel & other	\$11,000	\$11,070	(\$70)
City Hall/Civic Center – Overtime salaries	4,000	4,396	(396)
Public Safety:			
Police – Operating services	213,146	218,811	(5,665)
Fire – Regular salaries	1,322,676	1,341,975	(19,299)
Street lighting – Operating services	224,505	233,224	(8,719)

The unfavorable variance for the Executive travel and other is due to higher than anticipated travel expense. The unfavorable variance in City Hall/Civic Center overtime is due to the increase in vacancies. The unfavorable variance for Police operating services is due to higher than anticipated auto liability claims. The unfavorable variance in Fire regular salaries is due to the increase in straight time and stand by pay. The unfavorable variance in Street lighting operating services is due to an increase in construction and in the cost of materials.

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 2007, expenses of \$328,102 were recognized for post-retirement health care. The expense is recognized when costs are incurred. The costs are funded on a pay-as-you-go basis. At year-end, an estimate is made for incurred but not reported claims.

CITY OF RUSTON, LOUISIANA  
Notes to Financial Statements  
For the Year Ended September 30, 2007

12. COMMITMENTS AND CONTINGENCIES

Construction projects

There are certain construction projects in progress at September 30, 2007. In 2001, the City issued \$2,000,000 in sales tax increment bonds for the purpose of providing engineering and construction expenditures related to the I-20 Service Road Project. The project is estimated to cost approximately \$25 million. The City is planning to sell additional bonds to cover the costs. The City is in the process of converting the accounting software and spent approximately \$290,651 in 2007. The City has spent approximately \$18,159 on the Civic Center Parking lot project. The City has spent approximately \$3,000 on the renovation of the historic fire station. The City also expended approximately \$25,900 in 2007 on the City Hall restroom renovations. The City has expended approximately \$1,316,267 on various street projects. The city paid \$199,322 on the Public Works complex additions and \$18,196 on the City welcome signs. The city paid approximately \$4,281,373 for the Second Interconnection with Entergy. It also has expended \$275,578 on the various electric line extension and relocation projects. The City has also expended \$14,638 for the Scada system upgrade. The City has also paid \$77,200 for the new Elevated Water Storage Tank and \$547,404 for the I-20 Corridor project. In 2004 through 2007, the City paid \$15,865,834 for the Wastewater Treatment Plant Upgrade. The City also paid \$134,125 for the Cedar Creek lift station and \$70,691 for the sewer line relocation project on Highway 33. The City also expended approximately \$77,557 for the Airport Runway project.

Risk Management

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

Worker's Compensation

The City established a limited risk management program for worker's compensation in 1988. Premiums are paid into the Workmen's Compensation Self-Insurance Fund by other funds and are available to pay claims, claim reserves, and administrative costs of the program. An excess coverage insurance policy covers individual claims in excess of \$175,000. Reported and an estimate of incurred but not reported claims of \$149,241 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 \$538,065 at September 30, 2007. There was no increase in insurance coverage from the prior year. No claims exceeded the City's insurance coverage for each of the past three fiscal years.

CITY OF RUSTON, LOUISIANA  
Notes to Financial Statements  
For the Year Ended September 30, 2007

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, 2007, a total of \$2,362,304 was paid in benefits and administrative costs. The insurance fund has net assets of \$1,409,629 at September 30, 2007. An excess coverage co-insurance policy covers individual claims in excess of \$70,000 per calendar year. Incurred but not reported claims of \$178,865 have been accrued as a liability based upon information provided by the claims administrators. Interfund payments are based on total operating expenses minus employee contributions and payments by retired employees. Payments to the General Self-Insurance Fund are accounted for as an expenditure/expense of the paying fund. There were no reductions in insurance coverage from the prior year. No claims exceeded the City's insurance coverage for each of the past three fiscal years.

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

	Accrued claims <u>October 1</u>	Claims <u>incurred</u>	Claims <u>paid</u>	Accrued claims <u>September 30</u>
Worker's Compensation:				
2006	\$125,155	\$146,343	\$148,468	\$123,030
2007	123,030	249,651	223,440	149,241
General Insurance:				
2006	135,699	2,251,552	2,199,105	188,146
2007	188,146	2,001,025	2,010,306	178,865

Litigation

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

Grant Disallowances

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

Revenues from the State of Louisiana

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

CITY OF RUSTON, LOUISIANA  
Notes to Financial Statements  
For the Year Ended September 30, 2007

Subsequent Event

In March 2008, the City issued \$10,000,000 in Sales Tax Increment Revenue Bonds, for the purpose of funding the costs of improvements along Interstate 20 and other improvements in a designated economic development area.

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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, 2007  
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 680,000	\$ 680,000	\$ 736,084	\$ 56,084
Licenses and Permits	715,250	715,250	938,408	223,158
Intergovernmental	949,000	1,151,969	1,637,073	485,104
Charges for services	1,108,500	1,108,500	1,198,653	90,153
Fines and forfeitures	299,650	299,650	252,208	(47,442)
Investment earnings	200,000	216,265	538,518	322,253
Miscellaneous	55,100	67,300	188,632	121,332
Total revenues	<u>4,007,500</u>	<u>4,238,934</u>	<u>5,489,576</u>	<u>1,250,642</u>
<b>EXPENDITURES</b>				
General government:				
Executive:				
Regular salaries	552,440	552,440	544,588	7,852
Other employee benefits	189,473	208,939	192,217	16,722
Total salaries, wages, and employee benefits	<u>741,913</u>	<u>761,379</u>	<u>736,805</u>	<u>24,574</u>
Operating services	584,095	641,153	559,774	81,379
Materials and supplies	69,614	69,614	57,338	12,276
Travel and other	11,000	11,000	11,070	(70)
Improvements and equipment	1,733,000	715,509	254,763	460,746
Total executive	<u>3,139,622</u>	<u>2,198,655</u>	<u>1,619,750</u>	<u>578,905</u>
Information technology:				
Regular salaries	90,213	91,013	90,927	86
Other employee benefits	25,466	27,327	24,962	2,365
Total salaries, wages, and employee benefits	<u>115,679</u>	<u>118,340</u>	<u>115,889</u>	<u>2,451</u>
Operating services	37,300	37,217	30,171	7,046
Materials and supplies	20,300	25,371	23,865	1,506
Travel and other	7,000	7,000	5,231	1,769
Improvements and equipment	16,000	16,000	13,056	2,944
Total information technology	<u>196,279</u>	<u>203,928</u>	<u>188,212</u>	<u>15,716</u>
Economic development:				
Regular salaries	75,000	75,000	-	75,000
Other employee benefits	20,691	22,147	134	22,013
Total salaries, wages, and employee benefits	<u>95,691</u>	<u>97,147</u>	<u>134</u>	<u>97,013</u>
Operating services	64,160	74,455	11,537	62,918
Materials and supplies	7,200	8,355	1,255	7,100
Travel and other	13,000	13,000	-	13,000
Total economic development	<u>180,051</u>	<u>192,957</u>	<u>12,926</u>	<u>180,031</u>
City Court	238,195	241,998	228,948	13,050
Marshal	181,588	187,469	183,397	4,072
Civic center/city hall:				
Regular salaries	150,678	150,678	127,460	23,218
Overtime salaries	4,000	4,000	4,396	(396)
Other employee benefits	62,079	67,996	55,778	12,218
Total salaries, wages, and employee benefits	<u>216,757</u>	<u>222,674</u>	<u>187,634</u>	<u>35,040</u>
Operating services	196,523	264,051	220,762	43,289
Materials and supplies	34,210	34,210	29,575	4,635
Travel and other	6,000	4,000	3,395	605
Improvements and equipment	62,000	71,167	33,067	38,100
Total civic center/city hall	<u>515,490</u>	<u>596,102</u>	<u>474,433</u>	<u>121,669</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, 2007  
 (unaudited)

(Continued)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Planning &amp; zoning:</b>				
Regular salaries	68,040	68,040	67,696	344
Overtime salaries	2,500	2,500	2,070	430
Other employee benefits	25,039	27,603	25,524	2,079
Total salaries, wages, and employee benefits	<u>95,579</u>	<u>98,143</u>	<u>95,290</u>	<u>2,853</u>
Operating services	56,333	70,150	46,759	23,391
Materials and supplies	11,000	11,190	10,504	686
Travel and other	6,000	6,000	2,645	3,355
Total planning & zoning	<u>168,912</u>	<u>185,483</u>	<u>155,198</u>	<u>30,285</u>
<b>Inspections:</b>				
Regular salaries	187,614	187,614	166,497	21,117
Overtime salaries	2,000	2,000	-	2,000
Other employee benefits	58,186	63,098	46,483	16,615
Total salaries, wages, and employee benefits	<u>247,800</u>	<u>252,712</u>	<u>212,980</u>	<u>39,732</u>
Operating services	97,532	107,478	32,191	75,287
Materials and supplies	22,050	22,050	20,346	1,704
Travel and other	10,000	10,000	6,851	3,149
Total inspections	<u>377,382</u>	<u>392,240</u>	<u>272,368</u>	<u>119,872</u>
Total general government	<u>4,997,519</u>	<u>4,198,832</u>	<u>3,135,232</u>	<u>1,063,600</u>
<b>Public safety:</b>				
<b>Police:</b>				
Regular salaries	1,668,489	1,708,489	1,707,045	1,444
Overtime salaries	150,000	195,000	184,065	10,935
Other employee benefits	677,871	657,621	638,278	19,343
Total salaries, wages, and employee benefits	<u>2,496,360</u>	<u>2,561,110</u>	<u>2,529,388</u>	<u>31,722</u>
Operating services	199,768	213,146	218,811	(5,665)
Materials and supplies	201,700	236,545	232,997	3,548
Travel and other	43,400	45,378	43,502	1,876
Improvements and equipment	126,000	164,071	162,879	1,192
Total police	<u>3,067,228</u>	<u>3,220,250</u>	<u>3,187,577</u>	<u>32,673</u>
<b>Fire:</b>				
Regular salaries	1,223,262	1,322,676	1,341,975	(19,299)
Overtime salaries	81,000	148,500	147,176	1,324
Other employee benefits	585,214	664,493	577,474	87,019
Total salaries, wages, and employee benefits	<u>1,889,476</u>	<u>2,135,669</u>	<u>2,066,625</u>	<u>69,044</u>
Operating services	121,704	126,262	112,366	13,896
Materials and supplies	114,835	115,464	100,349	15,115
Travel and other	49,200	49,200	41,384	7,816
Improvements and equipment	49,000	748,870	743,174	5,696
Total fire	<u>2,224,215</u>	<u>3,175,465</u>	<u>3,063,898</u>	<u>111,567</u>
<b>Street lighting:</b>				
Operating services	222,000	224,505	233,224	(8,719)
Total street lighting	<u>222,000</u>	<u>224,505</u>	<u>233,224</u>	<u>(8,719)</u>
<b>Probation</b>				
	83,044	86,150	86,560	(410)
Total public safety	<u>5,596,487</u>	<u>6,706,370</u>	<u>6,571,259</u>	<u>135,111</u>

(Continued)

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, 2007  
 (unaudited)

(Continued)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works:				
Administration:				
Regular salaries	315,359	315,359	297,316	18,043
Overtime salaries	3,000	3,000	2,370	630
Other employee benefits	75,474	79,690	70,441	9,249
Total salaries, wages, and employee benefits	<u>393,833</u>	<u>398,049</u>	<u>370,127</u>	<u>27,922</u>
Operating services	187,330	193,015	88,741	104,274
Materials and supplies	22,750	24,937	22,789	2,148
Travel and other	15,000	15,000	6,071	8,929
Total administration	<u>618,913</u>	<u>631,001</u>	<u>487,728</u>	<u>143,273</u>
Streets:				
Regular salaries	621,996	621,996	573,109	48,887
Overtime salaries	30,000	45,000	35,621	9,379
Other employee benefits	340,549	367,013	294,267	72,746
Total salaries, wages, and employee benefits	<u>992,545</u>	<u>1,034,009</u>	<u>902,997</u>	<u>131,012</u>
Operating services	977,211	1,663,188	1,052,390	610,798
Materials and supplies	221,600	229,604	193,036	36,568
Travel and other	2,000	2,000	1,723	277
Improvements and equipment	2,314,000	2,404,980	2,163,900	241,080
Total streets	<u>4,507,356</u>	<u>5,333,781</u>	<u>4,314,046</u>	<u>1,019,735</u>
Solid waste:				
Regular salaries	583,023	583,023	543,869	39,154
Overtime salaries	35,000	35,000	20,516	14,484
Other employee benefits	251,436	275,066	251,132	23,934
Total salaries, wages, and employee benefits	<u>869,459</u>	<u>893,089</u>	<u>815,517</u>	<u>77,572</u>
Operating services	174,184	181,609	159,643	21,966
Materials and supplies	217,800	217,800	185,051	32,749
Travel and other	3,000	3,000	75	2,925
Improvements and equipment	296,000	289,200	121,672	167,528
Total solid waste	<u>1,560,443</u>	<u>1,584,698</u>	<u>1,281,958</u>	<u>302,740</u>
Repair shop:				
Regular salaries	315,349	315,349	278,348	37,001
Overtime salaries	12,000	12,000	5,403	6,597
Other employee benefits	114,448	124,956	101,406	23,550
Total salaries, wages, and employee benefits	<u>441,797</u>	<u>452,305</u>	<u>385,157</u>	<u>67,148</u>
Operating services	13,944	13,944	13,726	218
Materials and supplies	36,950	37,249	28,857	8,392
Travel and other	3,000	3,000	1,409	1,591
Total repair shop	<u>495,691</u>	<u>506,498</u>	<u>429,149</u>	<u>77,349</u>
Animal Control:				
Regular salaries	75,022	76,022	75,255	767
Overtime salaries	7,000	7,000	4,643	2,357
Other employee benefits	40,612	44,336	34,379	9,957
Total salaries, wages, and employee benefits	<u>122,634</u>	<u>127,358</u>	<u>114,277</u>	<u>13,081</u>
Operating services	37,094	37,526	19,622	17,904
Materials and supplies	14,100	14,100	13,472	628
Travel and other	7,500	7,500	1,319	6,181
Total animal control	<u>181,328</u>	<u>186,484</u>	<u>148,690</u>	<u>37,794</u>
Total public works	<u>7,363,731</u>	<u>8,242,462</u>	<u>6,661,571</u>	<u>1,580,891</u>
Total expenditures	<u>17,957,737</u>	<u>19,147,664</u>	<u>16,368,062</u>	<u>2,779,602</u>

CITY OF RUSTON, LOUISIANA  
General Fund

(Continued)

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual on a Budgetary Basis  
For the Year Ended September 30, 2007  
(unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	<u>(13,950,237)</u>	<u>(14,908,730)</u>	<u>(10,878,486)</u>	<u>4,030,244</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	9,809,224	9,809,224	9,764,332	44,892
Transfers out	<u>(67,736)</u>	<u>(67,736)</u>	<u>(67,736)</u>	<u>-</u>
Total other financing sources and uses	<u>9,741,488</u>	<u>9,741,488</u>	<u>9,696,596</u>	<u>44,892</u>
Net change in fund balance	(4,208,749)	(5,167,242)	(1,181,890)	3,985,352
Fund balances - beginning	<u>9,190,300</u>	<u>9,190,300</u>	<u>9,190,300</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,981,551</u>	<u>\$ 4,023,058</u>	<u>\$ 8,008,410</u>	<u>\$ 3,985,352</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, 2007  
 (unaudited)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 2,140,908	\$ 2,140,908	\$ 2,439,245	\$ 298,337
Investment earnings	40,000	40,000	110,697	70,697
Total revenues	<u>2,180,908</u>	<u>2,180,908</u>	<u>2,549,942</u>	<u>369,034</u>
<b>EXPENDITURES</b>				
General government:				
Collection and administrative	25,000	25,000	18,651	6,349
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>18,651</u>	<u>6,349</u>
Excess of revenues over expenditures	<u>2,155,908</u>	<u>2,155,908</u>	<u>2,531,291</u>	<u>375,383</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(2,155,908)	(2,155,908)	(2,155,908)	-
Total other financing sources and uses	<u>(2,155,908)</u>	<u>(2,155,908)</u>	<u>(2,155,908)</u>	<u>-</u>
Net change in fund balance	-	-	375,383	375,383
Fund balances - beginning	<u>1,644,844</u>	<u>1,644,844</u>	<u>1,644,844</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,644,844</u>	<u>\$ 1,644,844</u>	<u>\$ 2,020,227</u>	<u>\$ 375,383</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, 2007  
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 3,211,355	\$ 3,211,355	\$ 3,658,861	\$ 447,506
Investment earnings	40,000	40,000	80,371	40,371
Total revenues	<u>3,251,355</u>	<u>3,251,355</u>	<u>3,739,232</u>	<u>487,877</u>
<b>EXPENDITURES</b>				
General government:				
Collection and administrative	32,000	32,000	23,181	8,819
Total expenditures	<u>32,000</u>	<u>32,000</u>	<u>23,181</u>	<u>8,819</u>
Excess of revenues over expenditures	<u>3,219,355</u>	<u>3,219,355</u>	<u>3,716,051</u>	<u>496,696</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(3,219,355)	(3,219,355)	(3,250,665)	(31,310)
Total other financing sources and uses	<u>(3,219,355)</u>	<u>(3,219,355)</u>	<u>(3,250,665)</u>	<u>(31,310)</u>
Net change in fund balance	-	-	465,386	465,386
Fund balances - beginning	<u>1,940,325</u>	<u>1,940,325</u>	<u>1,940,325</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,940,325</u>	<u>\$ 1,940,325</u>	<u>\$ 2,405,711</u>	<u>\$ 465,386</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, 2007  
 (unaudited)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 2,140,908	\$ 2,140,908	\$ 2,439,245	\$ 298,337
Investment earnings	34,000	34,000	64,457	30,457
<b>Total revenues</b>	<u>2,174,908</u>	<u>2,174,908</u>	<u>2,503,702</u>	<u>328,794</u>
<b>EXPENDITURES</b>				
General government:				
Collection and administrative	22,000	22,000	15,651	6,349
<b>Total expenditures</b>	<u>22,000</u>	<u>22,000</u>	<u>15,651</u>	<u>6,349</u>
Excess of revenues over expenditures	<u>2,152,908</u>	<u>2,152,908</u>	<u>2,488,051</u>	<u>335,143</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(2,152,908)	(2,152,908)	(2,152,908)	-
<b>Total other financing sources and uses</b>	<u>(2,152,908)</u>	<u>(2,152,908)</u>	<u>(2,152,908)</u>	<u>-</u>
Net change in fund balance	-	-	335,143	335,143
Fund balances - beginning	<u>2,557,599</u>	<u>2,557,599</u>	<u>2,557,599</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,557,599</u>	<u>\$ 2,557,599</u>	<u>\$ 2,892,742</u>	<u>\$ 335,143</u>

See accompanying independent auditors' report.

CITY OF RUSTON, LOUISIANA  
Notes to Budgetary Comparison Schedules  
For the Year Ended September 30, 2007  
(Unaudited)

**Budget and Budgetary Accounting**

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

- (1) The Treasurer's Office compiles for the Mayor estimates of revenues and requests for appropriations of the annual budget.
- (2) During August, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (3) A public hearing is then conducted, after proper official journal notification, to obtain taxpayer comments.
- (4) Prior to September 30, the budget is legally enacted through passage of an ordinance.
- (5) The budget ordinance is structured such that revenues are budgeted by source, and appropriations are budgeted by department and by principal object of expenditure. Budgetary control is exercised at the departmental code level, with the exception of salaries, regular and overtime, which are at the line item level, or by projects, and the City Court and Probation (total combined), and City Marshal departments, which are budgeted at the department level. The Council may revise or amend the budget at its discretion during legally convened sessions. For the year ended September 30, 2006, amendments were made to the budget, including health insurance benefit accounts to provide funds to incorporate the change in rates in December; and Fire Department salary and benefit accounts to appropriate for the change in that pay plan; and telephone expense accounts to provide funds for the maintenance agreement on the new telephone equipment; and City Hall/Civic Center Mainstreet account to appropriate grant funds received from the state; 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

CITY OF RUSTON, LOUISIANA  
Notes to Budgetary Comparison Schedules  
For the Year Ended September 30, 2007  
(Unaudited)

Compensation, General Insurance, and Purchasing/Warehouse Funds. The City is not, however, required to present an actual-to-budget comparison for the enterprise and internal service funds.

**Excess of Expenditures over Budget**

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

<u>Fund</u>	<u>Budget</u>	Actual on a budgetary basis	<u>Negative variance</u>
General Fund:			
General Government:			
Executive – Travel & Other	11,000	11,070	(\$70)
City Hall/Civic Center – Overtime salaries	4,000	4,396	(396)
Public Safety:			
Police – Operating services	213,146	218,811	(5,665)
Fire – Regular salaries	1,322,676	1,341,975	(19,299)
Street lighting – Operating services	224,505	233,224	(8,719)

The unfavorable variance for the Executive travel and other is due to higher than anticipated travel expense. The unfavorable variance in City Hall/Civic Center overtime is due to the increase in vacancies. The unfavorable variance for Police operating services is due to higher than anticipated auto liability claims. The unfavorable variance in Fire regular salaries is due to the increase in straight time and stand by pay. The unfavorable variance in Street lighting operating services is due to an increase in construction and in the cost of materials.



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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, 2007

	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	
<b>ASSETS</b>									
Cash and cash equivalents	\$ 297,788	-	\$ 1,156,824	\$ 1,454,612	\$ 743,242	\$ 126,306	-	\$ 126,306	\$ 2,324,160
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable, net	940	\$ 5,918	939	7,797	535,238	-	\$ 4,605	4,605	547,640
Due from other funds	32,833	-	1,831	34,664	-	-	-	-	34,664
Total assets	\$ 331,561	\$ 5,918	\$ 1,159,594	\$ 1,497,073	\$ 1,278,480	\$ 126,306	\$ 4,605	\$ 130,911	\$ 2,906,464
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ 11,682	\$ 5,918	\$ 805	\$ 18,405	-	-	\$ 2,475	\$ 2,475	\$ 20,880
Due to other funds	-	-	-	-	-	-	59,950	59,950	59,950
Accrued Salaries	13,748	-	3,438	17,186	-	-	-	-	17,186
Total liabilities	25,430	5,918	4,243	35,591	-	-	62,425	62,425	98,016
Fund balances:									
Reserved for:									
Encumbrances	5,922	-	743	6,665	-	-	-	-	6,665
Debt service	-	-	-	-	\$ 1,278,480	-	-	-	1,278,480
Unreserved, undesignated	300,209	-	1,154,608	1,454,817	-	\$ 126,306	(57,820)	68,486	1,523,303
Total fund balances	306,131	-	1,155,351	1,461,482	1,278,480	126,306	(57,820)	68,486	2,808,448
Total liabilities and fund balances	\$ 331,561	\$ 5,918	\$ 1,159,594	\$ 1,497,073	\$ 1,278,480	\$ 126,306	\$ 4,605	\$ 130,911	\$ 2,906,464

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, 2007

	Special Revenue Funds					Capital Project Fund			Total Nonmajor Governmental Funds	
	Ruston Parks & Recreation Board	D.A.R.T. Grant Program	Section 8 Housing	Section 8 Housing	Section 8 Voucher Housing	Total	Debt Service Fund	Central Shop Construction		Sewer LCDBG Grant
<b>REVENUES</b>										
Taxes	322,968	-	-	-	-	\$ 322,968	\$ 2,327,026	-	-	\$ 2,649,994
Intergovernmental	-	\$ 22,138	-	-	\$ 1,081,143	1,103,281	-	-	\$ 4,605	1,107,886
Charges for services	145,034	-	-	-	-	145,034	-	-	-	145,034
Investment earnings	9,517	-	-	-	50,408	59,925	24,660	\$ 1,256	-	\$ 85,841
Miscellaneous	6,975	-	-	-	1,164	8,139	-	-	-	8,139
Total revenues	484,494	22,138	-	-	1,132,715	1,639,347	2,351,686	1,256	4,605	3,996,894
<b>EXPENDITURES</b>										
Current:										
General Government	-	22,138	-	-	901,260	923,398	-	-	-	923,398
Recreation	789,383	-	-	-	-	789,383	-	-	-	789,383
Capital outlay	-	-	-	-	-	-	-	-	62,425	62,425
Bond interest	-	-	-	-	-	-	4,590	-	-	4,590
Total expenditures	789,383	22,138	-	-	901,260	1,712,781	4,590	-	62,425	1,779,796
Excess (deficiency) of revenues over (under) expenditures	(304,889)	-	-	-	231,455	(73,434)	2,347,096	1,256	(57,820)	2,217,098
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	407,190	-	30,578	-	-	437,768	-	-	-	437,768
Transfers out	-	-	-	(30,578)	(30,578)	(30,578)	(2,050,856)	-	-	(2,081,434)
Total other financing sources and us	407,190	-	30,578	(30,578)	(30,578)	407,190	(2,050,856)	-	-	(1,643,666)
Net change in fund balances	102,301	-	30,578	200,877	954,474	333,756	296,240	1,256	(57,820)	573,432
Fund balances - beginning	203,890	-	(30,578)	-	-	1,127,726	982,240	125,050	-	2,235,016
Fund balances - ending	306,131	\$ -	\$ -	\$ 1,155,351	\$ 1,461,482	\$ 1,461,482	\$ 1,278,480	\$ 126,306	\$ (57,820)	\$ 2,808,448

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.



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CITY OF RUSTON, LOUISIANA  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2007

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>Total Internal Service Funds</u>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 276,134	\$ 444,288	\$ 38,594	\$ 759,016
Investments	442,051	1,100,924	-	1,542,975
Receivables, net	-	45,553	-	45,553
Total current assets	<u>718,185</u>	<u>1,590,765</u>	<u>38,594</u>	<u>2,347,544</u>
Noncurrent Assets:				
Capital Assets:				
Buildings	-	-	13,080	13,080
Equipment	-	-	48,123	48,123
Less accumulated depreciation	-	-	(51,287)	(51,287)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>9,916</u>	<u>9,916</u>
Total assets	<u>718,185</u>	<u>1,590,765</u>	<u>48,510</u>	<u>2,357,460</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 30,879	\$ 2,271	\$ 252	\$ 33,402
Accrued liabilities	-	-	7,170	7,170
Due to other funds	-	-	586	586
Claims and judgments	149,241	178,865	-	328,106
Total current liabilities	<u>180,120</u>	<u>181,136</u>	<u>8,008</u>	<u>369,264</u>
Noncurrent Liabilities:				
Compensated absences	-	-	17,464	17,464
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>17,464</u>	<u>17,464</u>
Total liabilities	<u>180,120</u>	<u>181,136</u>	<u>25,472</u>	<u>386,728</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	-	9,916	9,916
Unrestricted	538,065	1,409,629	13,122	1,960,816
Total net assets	<u>\$ 538,065</u>	<u>\$ 1,409,629</u>	<u>\$ 23,038</u>	<u>\$ 1,970,732</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, 2007

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>Total Internal Service Funds</u>
<b>OPERATING REVENUES</b>				
Premiums paid by retired employees	-	\$ 224,691	-	\$ 224,691
Charges to other funds	\$ 239,999	2,206,591	\$ 225,000	2,671,590
Retiree drug subsidy	-	57,850	-	57,850
Other income	-	-	-	-
Total operating revenues	<u>239,999</u>	<u>2,489,132</u>	<u>225,000</u>	<u>2,954,131</u>
<b>OPERATING EXPENSES</b>				
Cost of Services:				
Salaries, wages and employee benefits	-	-	197,139	197,139
Operating services	-	-	14,948	14,948
Materials and supplies	-	-	6,444	6,444
Travel and other	-	-	1,343	1,343
Depreciation	-	-	4,575	4,575
Total cost of services	<u>-</u>	<u>-</u>	<u>224,449</u>	<u>224,449</u>
Claims	145,403	2,010,306	-	2,155,709
Insurance premiums	78,037	351,998	-	430,035
Total operating expenses	<u>223,440</u>	<u>2,362,304</u>	<u>224,449</u>	<u>2,810,193</u>
Operating income (loss)	<u>16,559</u>	<u>126,828</u>	<u>551</u>	<u>143,938</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	26,957	97,706	1,317	125,980
Change in net assets	43,516	224,534	1,868	269,918
Total net assets - beginning	494,549	1,185,095	21,170	1,700,814
Total net assets - ending	<u>\$ 538,065</u>	<u>\$ 1,409,629</u>	<u>\$ 23,038</u>	<u>\$ 1,970,732</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, 2007

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>Total Internal Service Funds</u>
<b>Cash flows from operating activities:</b>				
Receipts from operations	\$ 239,999	\$ 2,435,704	\$ 225,000	\$ 2,900,703
Payments to suppliers	(59,894)	(339,131)	(23,172)	(422,197)
Payments to employees	-	-	(184,193)	(184,193)
Claims	(119,192)	(2,030,183)	-	(2,149,375)
Other receipts	-	57,850	-	57,850
Net cash provided by (used in) operating activities	<u>60,913</u>	<u>124,240</u>	<u>17,635</u>	<u>202,788</u>
<b>Cash flows from investing activities:</b>				
Proceeds from sales and maturities of investments	420,000	1,912,538	-	2,332,538
Purchases on investments	(442,051)	(1,963,109)	-	(2,405,160)
Interest on investments	26,957	97,706	1,317	125,980
Net cash provided by (used in) investing activities	<u>4,906</u>	<u>47,135</u>	<u>1,317</u>	<u>53,358</u>
Net increase (decrease) in cash and cash equivalents	65,819	171,375	18,952	256,146
Cash and cash equivalents - beginning of year	210,315	272,913	19,642	502,870
Cash and cash equivalents - end of year	<u>\$ 276,134</u>	<u>\$ 444,288</u>	<u>\$ 38,594</u>	<u>\$ 759,016</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating Income (loss)	<u>\$ 16,559</u>	<u>\$ 126,828</u>	<u>\$ 551</u>	<u>\$ 143,938</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	4,575	4,575
(increase) Decrease in assets:				
Receivables	-	4,422	-	4,422
Increase (Decrease) in liabilities:				
Accounts payable	18,143	2,271	(330)	20,084
Accrued liabilities	-	-	590	590
Due to other funds	-	-	(107)	(107)
Compensated absences	-	-	12,356	12,356
Claims and judgments	26,211	(9,281)	-	16,930
Total adjustments	<u>44,354</u>	<u>(2,588)</u>	<u>17,084</u>	<u>58,850</u>
Net cash provided by (used in) operating activities	<u>\$ 60,913</u>	<u>\$ 124,240</u>	<u>\$ 17,635</u>	<u>202,788</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, 2007

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 307,000	\$ 307,000	\$ 322,968	\$ 15,968
Charges for services	103,000	103,000	145,034	42,034
Investment earnings	4,000	4,000	9,517	5,517
Miscellaneous	7,800	7,800	6,975	(825)
Total revenues	<u>421,800</u>	<u>421,800</u>	<u>484,494</u>	<u>62,694</u>
<b>EXPENDITURES</b>				
Current:				
Recreation:				
Salaries, wages and employee benefits	467,226	472,355	437,337	35,018
Operating services	318,528	314,971	257,725	57,246
Materials and supplies	16,600	22,600	22,368	232
Travel and other	7,000	7,000	6,709	291
Improvements and equipment	70,000	70,000	65,244	4,756
Total expenditures	<u>879,354</u>	<u>886,926</u>	<u>789,383</u>	<u>97,543</u>
Deficiency of revenues over expenditures	<u>(457,554)</u>	<u>(465,126)</u>	<u>(304,889)</u>	<u>160,237</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>365,291</u>	<u>365,291</u>	407,190	41,899
Total other financing sources (uses)	<u>365,291</u>	<u>365,291</u>	<u>407,190</u>	<u>41,899</u>
Net change in fund balance	(92,263)	(99,835)	102,301	202,136
Fund balances - beginning	<u>203,830</u>	<u>203,830</u>	203,830	-
Fund balances - ending	<u>\$ 111,567</u>	<u>\$ 103,995</u>	<u>\$ 306,131</u>	<u>\$ 202,136</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,270,000	\$ 1,270,000	\$ 1,081,143	\$ (188,857)
Investment earnings	25,000	25,000	50,408	25,408
Miscellaneous	-	-	1,164	1,164
Total revenues	<u>1,295,000</u>	<u>1,295,000</u>	<u>1,132,715</u>	<u>(162,285)</u>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Salaries, wages and employee benefits	96,806	99,370	81,569	15,237
Operating services	1,026,173	1,026,916	812,077	214,096
Materials and supplies	9,710	9,710	2,590	7,120
Travel and other	6,000	6,000	5,024	976
Total expenditures	<u>1,138,689</u>	<u>1,141,996</u>	<u>901,260</u>	<u>237,429</u>
Excess of revenues over expenditures	<u>156,311</u>	<u>153,004</u>	<u>231,455</u>	<u>78,451</u>
<b>OTHER FINANCING USE</b>				
Transfers out	-	-	(30,578)	30,578
Net change in fund balance	156,311	153,004	200,877	44,566
Fund balances - beginning	<u>954,474</u>	<u>954,474</u>	<u>954,474</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,110,785</u>	<u>\$ 1,107,478</u>	<u>\$ 1,155,351</u>	<u>\$ 44,566</u>

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

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## **City of Ruston, Louisiana**

**OMB Circular A-133 Report  
For The Year Ended September 30, 2007**

**(With Independent Auditor's Report Thereon)**

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**Douglas A. Brewer, LLC**

Certified Public Accountant

**City of Ruston, Louisiana**  
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# Douglas A. Brewer, LLC

Certified Public Accountant

105 E. Reynolds Dr. Suite A

P.O. Box 1250

Ruston, LA 71273-1250

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

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## **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, 2007, which collectively comprise the City's basic financial statements and have issued my report thereon dated March 12, 2008. 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 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.

### **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*.

I noted certain matters that were reported to management of the City in a separate letter dated March 12, 2008.

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

*Dolan A. Brewer, LLC*

March 12, 2008  
Ruston, Louisiana

# Douglas A. Brewer, LLC

Certified Public Accountant

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Ruston, LA 71273-1250

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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, 2007. 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, 2007.

### **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, 2007, and have issued our report thereon dated March 12, 2008. 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.

*Dale A. Bremer, LLC*

Ruston, Louisiana  
March 12, 2008

**City of Ruston, Louisiana**  
**Schedule of Expenditures of Federal Awards**  
**For The Year Ended September 30, 2007**

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>United States Department of Housing and Urban Development:</b>		
Section 8 - Housing Choice Vouchers	14.871	\$ 924,747
Disaster Voucher Program	14.871	11,740
Enhanced Vouchers	14.871	125,545
Pass through Louisiana Office of Community Development:		
D.A.R.T. CDBG Program	14.231	22,138
<b>Total United States Department of Housing and Urban Development</b>		<b><u>1,084,170</u></b>
<b>Department of Homeland Security:</b>		
Assistance to Firefighters Grant	83.554	5,156
Homeland Security Grant Program	97.067	79,378
<b>Total Department of Homeland Security</b>		<b><u>84,534</u></b>
<b>United States Department of Transportation:</b>		
Federal Highway Administration	20.205	2,644,761
<b>United States Department of Justice:</b>		
Bulletproof Vest Partnership	16.607	3,748
Pass through Lincoln Parish Police Jury		
Edward Byrne Memorial Justice Assistance Grant	16.738	5,277
<b>Total United States Department of Justice</b>		<b><u>9,025</u></b>
<b>Health Resources and Services Administration:</b>		
<b>Department of Health and Human Services</b>		
Pass through Louisiana Department of Health and Hospitals		
Bioterrorism Grant	93.889	13,700
<b>Federal Aviation Administration:</b>		
Airport Improvement Program	20.106	73,679
<b>United States Environmental Protection Agency:</b>		
Pass through Louisiana Department of Environmental Quality:		
Construction Grants for Wastewater Treatment Works	66.418	8,931,116
<b>Total Federal Awards</b>		<b><u>\$ 12,840,985</u></b>

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, 2007**

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**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	\$	22,138

**City of Ruston, Louisiana**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended September 30, 2007**

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**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 reportable conditions disclosed during the audit of the financial statements are reported in the Report on Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards* and on the Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133.
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 reportable conditions disclosed during the audit of the major federal award programs are reported in the Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City of Ruston, Louisiana expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Sections 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included the Department of Housing and Urban Development Voucher Program, CFDA No. 14.857; 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.

**City of Ruston, Louisiana**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended September 30, 2007**

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**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, 2007**

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**Federal Award Findings and Questioned Costs**

**06-1 Housing Quality Standards Inspections**

**Condition:**

In performing the audit on compliance for HUD on the Section 8 Housing department (the City), it was noted that three (3) housing assistance payments were not abated as a result of failed Housing Quality Standards inspections. The deficiencies were not remedied in the mandated 30-day period.

**Recommendation:**

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

**Status:**

This item has been cleared.

**06-2 HUD Form 50058**

**Condition:**

In performing the audit on compliance for HUD on the Section 8 housing department (the City), there were four (4) instances that the City did not properly fill out the HUD 50058 for sections 5h – last HQS inspection passed, and 5i – last annual inspection performed.

**Recommendation:**

The City should review each Form HUD 50058 for accuracy and completeness before submitting the forms to HUD.

**Status:**

This item has been cleared.

**City of Ruston, Louisiana  
Summary Schedule of Prior Findings  
For The Year Ended September 30, 2007**

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**06-3 Utility Service Fees Not Being Assessed**

**Condition:**

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

**Recommendation:**

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

**Status:**

This item has been cleared.

**Management Letter**

A management letter, dated February 16, 2007, was issued for the year ended September 30, 2006.

**City of Ruston, Louisiana  
Management's Corrective Action Plan  
For The Year Ended September 30, 2007**

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**Federal Award Findings and Questioned Costs**

N/A

**Management Letter**

**Condition:**

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 over \$200.

**Recommendation:**

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

**Response:**

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

**Status:**

The City is in the process of correcting this condition.

# Douglas A. Brewer, LLC

## Certified Public Accountant

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Honorable Mayor and Board of Aldermen of  
Ruston, Louisiana

In planning and performing the audit of the financial statements of the City of Ruston, Louisiana for the year ended September 30, 2007, I considered the City's internal control in order to determine my procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, I noted certain matters involving the internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in my judgment, could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

### **Purchasing Procedures**

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

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

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

*Douglas A. Brewer, LLC*

March 12, 2008  
Ruston, Louisiana