

City of Ruston

LOUISIANA



Comprehensive Annual Financial Report

For the Year Ended

September 30, 2011

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

Release Date APR 18 2012

Comprehensive Annual Financial Report



of the
City of Ruston, Louisiana
For the Year Ended September 30, 2011

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, 2011**

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CITY OF RUSTON

Mayor Dan Hollingsworth

Board of Aldermen
Glenda Howard - District
Elmore Mayfield - District
Jedd Lewis - District
Jim Pearce - District
Marie Riggs - District

March 23, 2012

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, 2011. 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 fiscal year 2011 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, 2011, 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, 2011, 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 21 square miles.

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

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

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

Budgetary Control

The annual budget serves as the foundation for the City's financial planning and control. The Treasurer's Office compiles for the Mayor estimates of revenues and requests for appropriations of the annual budget. Before August 31, the Mayor's budget is submitted to the Council for

possible revision and adoption. The Council conducts a public hearing on the budget, which must be adopted by September 30 to become effective October 1. State law provides that in no event shall the total appropriations exceed total anticipated revenues taking into account the estimated surplus or deficit at the end of the current fiscal year. Budgets may be amended during the year with Council approval.

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

Local economy. The local economy has taken a downturn in economic growth and development over the past fiscal year in the same manner as the national economy has. Building permit valuations were \$22.5 million for the fiscal year which was a 21% decrease over the previous fiscal year.

The City of Ruston and Lincoln Parish have experienced steady population growth from 1970 to 2010 with approximately 4,500 new City residents and about 9,400 new parish residents.

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

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

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

Long-term financial planning. Recently, the City has experienced a slight decline in our largest general revenue source which is sales taxes. In the General Fund, sales tax represents 53.8% of the revenues and transfers in. Because of the decline on sales taxes and increasing trends in retirement costs and health insurance, difficulty to balance the budget will exist now and in the future. Rates have increased in both water and sewer services in order to provide needed improvements in the infrastructure of the systems.

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

The City's investment policy is to exercise judgment and care which men of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments are selected as investments, not for speculation, considering the probable safety of the capital, as well as the

probable income to be derived. Accordingly, deposits are either insured by federal depository insurance or collateralized. All of the investments held by the City are classified in the category of lowest risk. State statutes require that all public funds should be insured or collateralized. The City's policy is not to have uninsured/uncollateralized funds which it controls

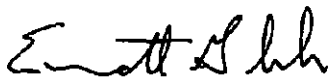
Risk management. The City partially retains the risk for property, liability, workers compensation, and general health insurance. As part of this comprehensive plan, resources are being accumulated in the respective funds to meet potential losses. In addition, various risk control techniques including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

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

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

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

Sincerely,

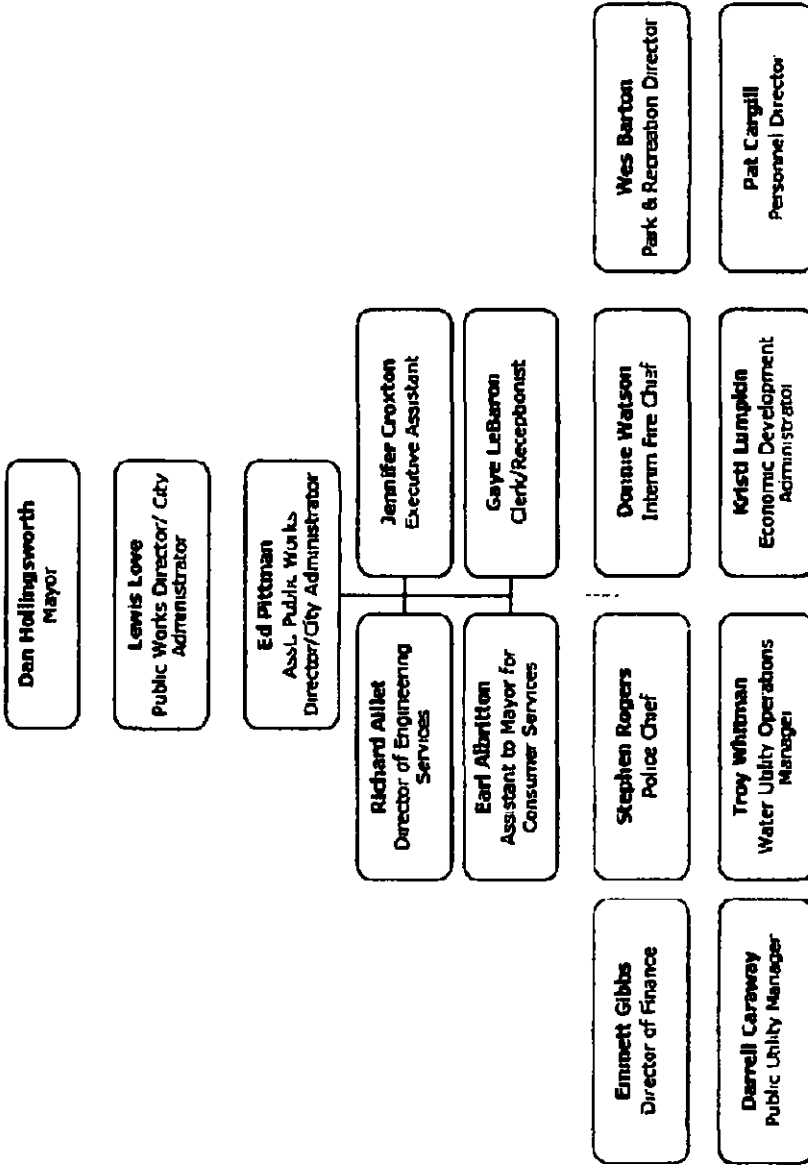


Emmett Gibbs
Treasurer



Kathleen Dupree
Controller

**City of Ruston
Organizational Chart**



CITY OF RUSTON, LOUISIANA

PRINCIPAL OFFICIALS

**Dan Hollingsworth
Mayor**

Members of City Council

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

Financial Section

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Douglas A. Brewer, LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen of
The City 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. I have also audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, and internal service funds presented as supplementary information in the accompanying combining fund financial statements as of and for the year ended September 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the Ruston City Judge's Office, which represents 91%, 91%, and 85%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to me, and my opinion, insofar as it relates to the amounts included for the Ruston City Judge's Office, is based on the reports of the other auditors.

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

In my opinion, based on my audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ruston, Louisiana, as of September 30, 2011, and the respective changes in its financial position and, where applicable, its cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise and internal service funds of the City, as of September 30, 2011, 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 22, 2012, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly I express no opinion on it.

Douglas A. Brewer, LLC

Ruston, Louisiana
March 22, 2012

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, 2011. 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, 2011, include the following.

- The assets of the City exceeded its liabilities at September 30, 2011, by \$128,032,204 (net assets). Of this amount, \$12,502,997 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$3,424,428 for the year ended September 30, 2011. Net assets of governmental activities increased \$912,705 and net assets of business-type activities increased \$2,511,723.
- As of September 30, 2011, the City's governmental funds reported combined ending fund balances of \$12,947,978, a decrease of \$600,988 from the prior year. Of this amount \$7,814,157 was unrestricted, unassigned, and available for spending, \$1,536,051 was unreserved but designated for subsequent years' expenditures, \$1,864,834 was reserved for debt service; \$1,641,634 was reserved for encumbrances, \$84,290 was reserved for inventories, and \$7,012 was reserved for prepaid items.
- At the end of the current fiscal year, unreserved, undesignated fund balances for the General Fund was \$3,394,341, or 18.9% of total General Fund expenditures and transfers out.
- The City's total long-term liabilities decreased by \$1,385,142 during the current fiscal year due to the payment of debt as it became due.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

The City maintains eleven individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, 1968 Sales Tax Special Revenue Fund, 1985 Sales Tax Special Revenue Fund, 1990 Sales Tax Special Revenue Fund, and 1-20 Capital Project Fund, all of which are considered to be major funds. Data for the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report

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

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

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

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

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

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

Financial Analysis of Government-wide Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$127,602,891 at the

close of the current fiscal year. The largest portion of the City of Ruston's net assets, totaling approximately \$113.3 million (88.5%), reflects its investment in capital assets (e.g., land, buildings, streets, drainage, machinery, and equipment); less any related debt that is still outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens, consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Ruston's Net Assets
September 30, 2011**

	Governmental Activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$17,020,189	\$17,580,164	\$9,423,816	\$10,446,083	\$26,444,005	\$28,026,247
Capital assets	72,779,916	71,699,189	64,236,626	61,013,825	137,016,542	132,713,014
Total assets	89,800,105	89,279,353	73,660,442	71,459,908	163,460,547	160,739,261
Current and other liabilities	1,464,813	1,324,528	3,704,871	3,162,753	5,169,684	4,487,281
Long-term liabilities	11,260,364	11,792,199	18,998,295	19,851,602	30,258,659	31,643,801
Total liabilities	12,725,177	13,116,727	22,703,166	23,014,355	35,428,343	36,131,082
Net assets						
Invested in capital assets, net of related debt	64,919,916	63,274,189	48,368,019	44,230,218	113,287,935	107,504,407
Restricted	1,864,834	1,685,151	376,438	345,850	2,241,272	2,031,001
Unrestricted	10,290,178	11,202,883	2,212,819	3,869,485	12,502,997	15,072,368
Total net assets	\$77,074,928	\$76,162,223	\$50,957,276	\$48,445,553	\$128,032,204	\$124,607,776

1.75% 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 \$12,502,997 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 \$3,424,428 during the current fiscal year. Key elements of this increase are as follows:

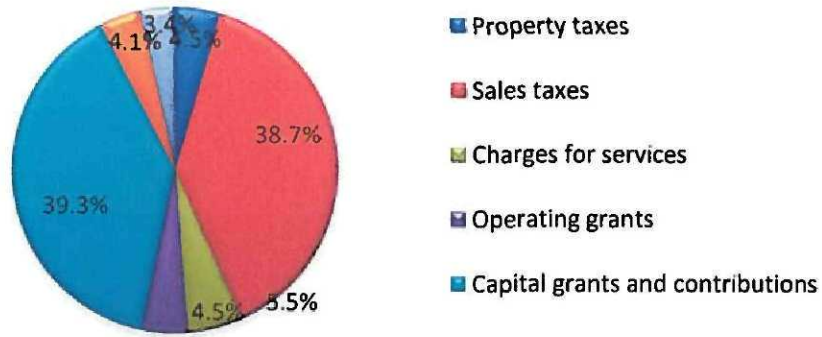
City of Ruston's Changes in Net Assets

Revenues.	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Program revenues						
Charges for services	\$1,755,836	\$1,751,499	\$29,687,504	\$26,195,298	\$31,443,340	\$27,946,797
Operating grants and contributions	1,434,302	1,364,839	-	-	1,434,302	1,364,839
Capital grants and contributions	481,456	3,836,126	1,943,167	1,308,455	2,424,623	5,144,581
General revenues						
Property taxes	1,450,795	1,455,307	-	-	1,450,795	1,455,307
Sales taxes	12,416,281	11,660,389	-	-	12,416,281	11,660,389
Other taxes	755,767	739,797	-	-	755,767	739,797
Grants and contributions not restricted to specific programs	1,318,874	1,070,880	-	-	1,318,874	1,070,880
Other	339,305	435,861	174,092	4,587,361	513,397	5,023,222
Total revenues	<u>19,952,616</u>	<u>22,314,698</u>	<u>31,804,763</u>	<u>32,091,114</u>	<u>51,757,379</u>	<u>54,405,812</u>
Expenses:						
General government	5,730,070	5,607,880	-	-	5,730,070	5,607,880
Public safety	7,921,769	7,201,719	-	-	7,921,769	7,201,709
Public works	6,070,653	9,178,500	-	-	6,070,653	9,178,500
Cultural and recreation	720,377	708,727	-	-	720,377	708,727
City Judge's Office and Marshal	570,619	443,621	-	-	570,619	443,621
Interest on long-term debt	362,749	385,874	-	-	362,749	385,874
Electric	-	-	21,237,156	20,310,867	21,237,156	20,310,867
Water	-	-	1,901,070	1,696,490	1,901,070	1,696,490
Sewer	-	-	3,343,220	3,281,479	3,343,220	3,281,479
Regional airport	-	-	436,031	406,955	436,031	406,955
Ambulance service	-	-	469,236	422,861	469,236	422,861
Total expenses	<u>21,376,237</u>	<u>23,526,321</u>	<u>27,386,714</u>	<u>26,118,652</u>	<u>48,762,950</u>	<u>49,644,973</u>
Increase (decrease) in net assets before transfers	(1,423,621)	(1,211,623)	4,418,049	5,972,462	2,994,428	4,760,839
Transfers	<u>1,906,326</u>	<u>2,695,283</u>	<u>(1,906,326)</u>	<u>(2,695,283)</u>	-	-
Increase (decrease) in net assets	482,705	1,483,660	2,511,723	3,277,179	2,994,428	4,760,839
Net assets at beginning of year	<u>76,162,223</u>	<u>74,678,563</u>	<u>48,445,553</u>	<u>45,168,374</u>	<u>124,607,776</u>	<u>119,846,937</u>
Net assets at end of year	<u>\$76,644,928</u>	<u>\$76,162,223</u>	<u>\$50,957,276</u>	<u>\$48,445,553</u>	<u>\$127,602,204</u>	<u>\$124,607,776</u>

Revenues for the City's governmental activities for the year ended September 30, 2011, were \$19,952,616 compared to \$22,314,698 in 2010. The decrease of \$2,362,082 was largely due to the reduction of federal grants.

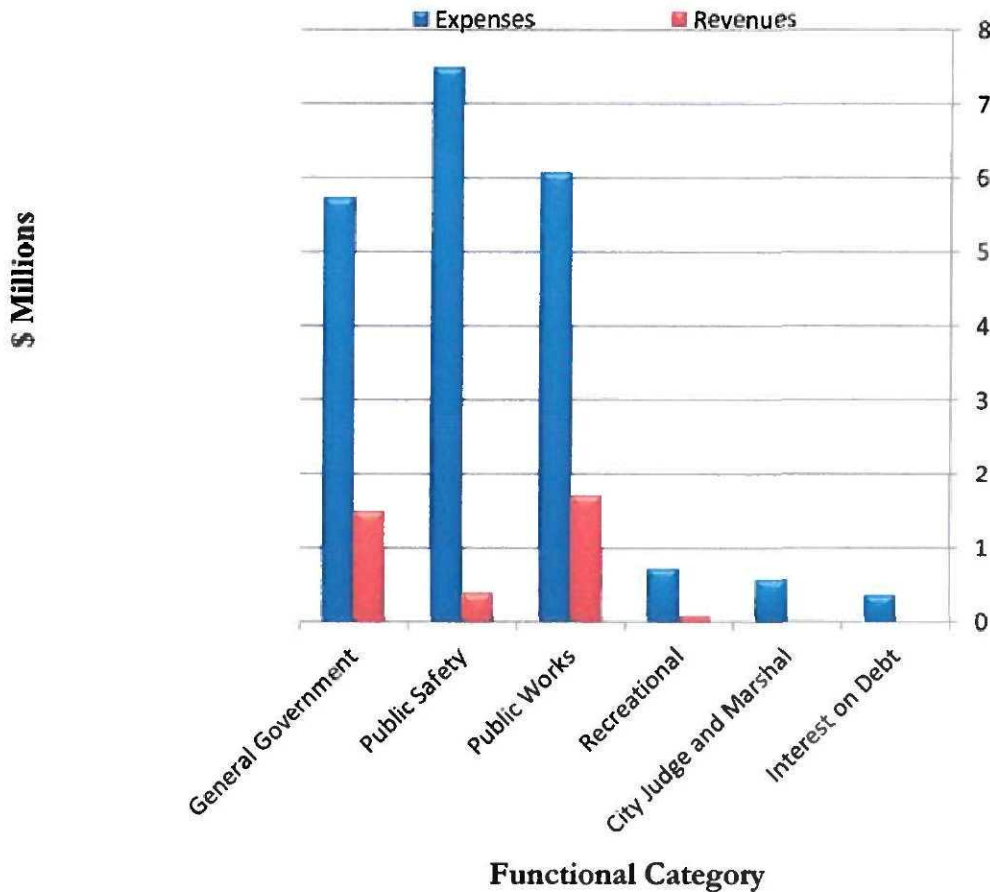
General revenues, specifically sales tax (38.7%), is the largest component of revenues.

Revenues by Sources – Governmental Activities



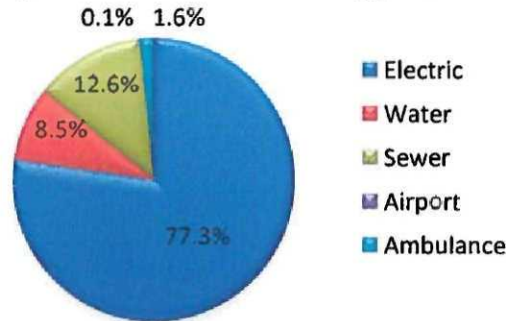
The cost of all governmental activities this year was \$20,946,237, a decrease of approximately \$2,580,084 from 2010. The City's largest programs are general government, public safety, and public works. The graph below shows the expenses and program revenues generated by governmental activities.

Expenses and Program Revenues – Governmental Activities



Business-type Activities. Charges for services for the City of Ruston’s business-type activities were \$29,687,504, an increase of \$3,492,206 from 2010. This increase in revenues came from several sources: capital grants to the electric and water systems and the airport authority; revision of charges and an increase in fee revenues in the electric, water, and sewer systems; and an increase in fuel adjustment revenue because of an increase in the cost of energy.

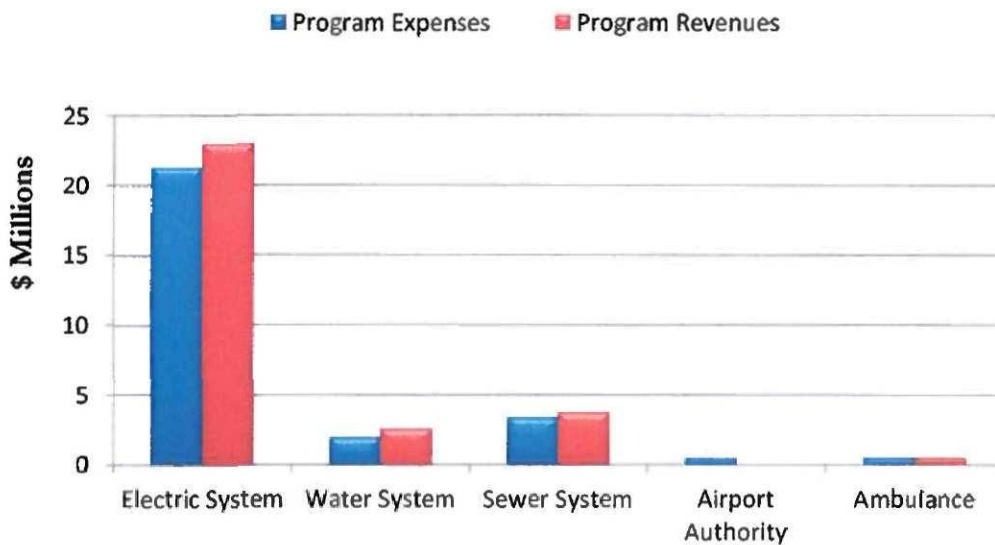
Revenue by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities

The costs of these activities were \$27,386,714, an increase of \$1,268,062 from 2010. This increase was due to remediation costs for the diesel plant, an increase in the employer contribution rate to retirement funds, and an increase in the cost of energy.

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 \$12,947,978, a decrease of \$600,988 in comparison with the prior fiscal year. Of the combined ending fund balance, \$9,248,401, or 71.4% was unrestricted, unassigned and available for spending \$101,807 was assigned for subsequent years' expenditures. The remainder of the fund balance was assigned to indicate that it was not available for new spending because it had already been committed (1) to liquidate contracts and purchase orders of the prior period (\$1,641,634), (2) to pay debt service (\$1,864,834), or (3) for other restricted purposes (\$91,302)
- The General Fund is the chief operating fund of the City of Ruston. At the end of the current fiscal year, unrestricted, unassigned fund balance of the General Fund was \$3,394,341, the total of which was available for spending at the City Council's discretion. The fund balance of the General Fund decreased by \$588,521. A key factor in this decrease was a concerted effort to improve the City's infrastructure.
- The 1968 Sales Tax Fund had a total fund balance of \$362,757 all of which was unrestricted, unassigned and available for spending for its specified purpose. Fund balance decreased \$264,925 as a result of an increase in transfers to the General Fund.
- The 1985 Sales Tax Fund had a total fund balance of \$821,944 all of which was unrestricted, unassigned and available for spending for its specified purpose. Fund balance decreased \$392,815 as a result of an increase in transfers to the General Fund.
- The 1990 Sales Tax Fund had a total fund balance of \$209,275 all of which was unrestricted, unassigned and available for spending for its specified purpose. Fund balance decreased \$265,036 as a result of an increase in transfers to the General Fund.
- The I-20 Fund had an unrestricted, unassigned fund balance of \$3,025,840. Total fund balance increased \$1,202,084 as a result of a decrease in capital outlay and an increase in incremental sales taxes received in excess of debt service requirements.

Proprietary funds

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

- Unrestricted net assets of the Electric System at September 30, 2011, were \$1,076,795. Total net assets for the Electric System increased \$956,285 as a result of an increase in charges for services
- The unrestricted net assets for the Water System at September 30, 2011, were (\$152,037). Total net assets for the Water System increased \$344,067 primarily as a result of an increase in charges for services
- The unrestricted net assets for the Sewer System at September 30, 2011, were \$1,181,988. Total net assets for the Sewer System increased \$974,455 as a result of a transfer from the I-20 Fund for debt service payments

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 7, 2010. During the year, the City Council revised the City's budget several times. Changes were made as new information indicated a need. The major difference between the original budget and the final budget was primarily an increase to appropriate open purchase orders as of September 30, 2010. The open purchase orders were spread throughout various departments. Differences between the budget and the actual results of the General Fund are as follows:

Revenues

- Licenses and permits were expected to be similar to prior year revenues. Actual revenues were less than budget by \$24,594 due to a decrease in new construction.
- Intergovernmental revenues were expected to be less than prior year revenues. Actual revenues were more than budget by \$93,873 due primarily to an increase in the sales tax activity of the parish.
- Charges for services were expected to be more than prior year revenues. Actual revenues were less than budget by \$43,047 due primarily to a less than anticipated increase in refuse collection fees.
- Investment earnings were expected to be less than prior year revenues. Actual revenues were less than budget by \$35,469 due to a decrease in interest rates.

Expenditures

- Executive operating services were under budget by \$185,880 as a result of encumbrances open at the end of the year and projected projects not being realized.

- Civic center/city hall operating services were under budget by \$75,682 as a result of repairs and maintenance of building and grounds being lower than expected
- Police department operating services were under budget by \$62,531 as a result of utilities expenditures, equipment maintenance costs, and vehicle repair costs being lower than expected.
- Police department materials and supplies were under budget by \$78,361 as a result of encumbrances open at the end of the year
- Fire department materials and supplies were under budget by \$71,745 as a result of encumbrances open at the end of the year, and uniforms and supplies costs being lower than expected
- Street department personnel expenditures were under budget by \$180,829 as a result of not being fully staffed.
- Street department operating services were under budget by \$859,916 as a result of encumbrances open at the end of the year and maintenance of streets costs being lower than expected
- Repair shop department personnel expenditures were under budget by \$60,514 as a result of not being fully staffed.

Capital Assets and Debt Administration

Capital assets. The City of Ruston's investment in capital assets as of September 30, 2011, amounts to \$132,683,014 net of depreciation. This investment in capital assets includes land, buildings and improvements, streets, drainage, furniture and equipment, and construction in progress. The table below shows the value at the end of the fiscal year.

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

	Governmental Activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land and land improvements	\$10,706,474	\$10,237,956	\$1,266,223	\$1,266,223	\$11,972,697	\$11,474,179
Buildings	7,573,347	2,515,352	3,816,049	820,021	11,389,396	3,335,373
System Improvement	-	-	25,035,393	22,049,142	25,035,392	22,049,142
Improvements other than buildings	3,790,238	4,057,236	2,018,797	2,328,952	5,809,035	6,386,188
Equipment	5,165,463	4,741,941	4,870,929	5,421,236	10,036,392	10,163,177
Infrastructure	29,542,501	17,941,129	-	-	29,542,501	17,941,129
Construction in progress	16,001,893	32,205,575	27,229,235	29,128,251	43,231,128	61,333,826
Total	\$72,779,916	\$71,699,189	\$64,236,626	\$61,013,825	\$137,016,542	\$132,683,014

The major capital asset addition during the current fiscal year was the completion of the Public Works Complex for approximately \$5,327,413

The major capital asset addition during the current fiscal year was the completion of the Public Works Complex for approximately \$5,327,413

Long-term debt. At the end of the current fiscal year, the City of Ruston had total debt outstanding of \$26,453,024. The following table summarizes long-term debt outstanding at September 30, 2011

	Outstanding Debt					
	Governmental		Business-type		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	-	-	-	-	-	-
Revenue bonds	\$7,860,000	\$8,425,000	\$460,000	\$740,000	\$8,320,000	\$9,165,000
DEQ Revolving Loan fund	-	-	16,043,607	16,563,607	16,043,607	16,563,607
DHH Revolving Loan fund	-	-	1,915,474	1,911,444	1,915,474	1,911,444
Due to State	-	-	173,943	260,915	173,943	260,915
Totals	\$7,860,000	\$8,425,000	\$18,593,024	\$19,475,966	\$26,453,024	\$27,900,966

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

Economic Factors and Next Year's Budgets and Rates

In setting the budgets for fiscal year 2011, the City dealt with a number of issues with City-wide impact. One of the factors was the national economy. Although the local economy is stable, the City is not immune to national economic trends. For the fiscal year 2012, the City budgeted for sales tax dollars to remain steady. Preliminary 2012 figures reflect an increase of approximately 1.5%. National unemployment rates for September 2011 were down at 9.0% compared to 9.5% at September 2010.

Spiraling retirement costs continue to have an impact on City budgets. In fiscal year 2012, the budgets will be required to provide more than \$2.2 million to pay the City's portion of retirement costs.

All of these factors were considered in preparing the City's budget for the fiscal year 2012.

Requests for Information

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

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Basic Financial Statements

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CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$8,736,713	\$4,066,506	\$12,803,219	\$1,214,390
Investments	4,881,726	1,941,985	6,823,711	-
Receivables, net	2,240,056	1,468,859	3,708,915	1,020
Unbilled revenue	76,182	2,085,433	2,161,615	-
Due from other governments	-	2,500	2,500	8,842
Internal balances	893,635	(893,635)	-	-
Inventories	84,290	708,561	792,851	-
Prepaid items	52,012	170	52,182	2,603
Bond issue costs, net	55,575	43,437	99,012	-
Capital assets				
Land and construction in progress	38,823,574	28,495,458	67,319,032	-
Other capital assets, net of depreciation	33,956,342	35,741,169	69,697,511	98,203
Total assets	<u>89,800,105</u>	<u>73,660,442</u>	<u>163,460,547</u>	<u>1,325,058</u>
LIABILITIES				
Accounts payable	707,201	2,717,600	3,424,801	6,173
Accrued liabilities	242,973	58,968	301,941	3,402
Accrued interest payable	25,784	87,326	113,110	-
Claims	419,384	-	419,384	-
Deposits	69,471	840,977	910,448	-
Non-current liabilities				
Due within one year	860,000	1,025,972	1,885,972	-
Due in more than one year	8,787,330	17,972,323	26,759,653	-
Post employment benefit obligation	1,613,034	-	1,613,034	-
Total liabilities	<u>12,725,177</u>	<u>22,703,166</u>	<u>35,428,343</u>	<u>9,575</u>
NET ASSETS				
Invested in capital assets, net of related debt	64,919,916	48,368,019	113,287,935	98,203
Restricted for				
Debt service	1,864,834	376,438	2,241,272	-
Unrestricted	10,290,178	2,212,819	12,502,997	1,217,280
Total net assets	<u>\$77,074,928</u>	<u>\$50,957,276</u>	<u>\$128,032,204</u>	<u>\$1,315,483</u>

The accompanying notes are an integral part of the financial statements

CITY OF RUSTON, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities				
General government	\$5,730,070	\$139,138	\$1,341,308	\$12,938
Public safety	7,491,769	299,488	92,994	-
Public works	6,070,653	1,242,637	-	468,518
Cultural and recreation	720,377	74,573	-	-
City Judge and Marshal	570,619	-	-	-
Interest on long-term debt	362,749	-	-	-
Total governmental activities	<u>20,946,237</u>	<u>1,755,836</u>	<u>1,434,302</u>	<u>481,456</u>
Business-type activities				
Electric System	21,237,156	22,902,497	-	1,099,240
Water System	1,901,070	2,524,466	-	252,354
Sewer System	3,343,220	3,729,234	-	-
Ruston Airport Authority	436,031	16,529	-	579,171
Ambulance	469,236	479,340	-	12,402
Total business-type activities	<u>27,386,714</u>	<u>29,652,067</u>	<u>-</u>	<u>1,943,167</u>
Total primary government	<u>\$48,332,951</u>	<u>\$31,407,903</u>	<u>\$ 1,434,302</u>	<u>\$ 2,424,623</u>
Component units:				
City Judge	\$495,778	\$590,292	-	-
City Marshal	325,225	324,974	-	-
Total component units	<u>\$821,003</u>	<u>\$915,266</u>	<u>-</u>	<u>-</u>

General revenues

Taxes

Property taxes levied for general purposes
Property taxes levied for recreation facilities and programs
Sales taxes levied for general purposes
Sales taxes levied for recreation facilities and programs
Sales taxes levied for street and drainage facilities
Sales taxes levied for fire protection
Sales taxes levied for police protection
Sales taxes levied for drug prevention programs
Sales taxes levied for debt service

Insurance taxes

Alcoholic beverage taxes

Franchise taxes

Intergovernmental

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in Net Assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of the financial statements

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
(\$4,236,686)	-	(\$4,236,686)	-
(7,099,287)	-	(7,099,287)	-
(4,359,498)	-	(4,359,498)	-
(645,804)	-	(645,804)	-
(570,619)	-	(570,619)	-
(362,749)	-	(362,749)	-
<u>(17,274,643)</u>	<u>-</u>	<u>(17,274,643)</u>	<u>-</u>
-	\$2,764,581	2,764,581	-
-	875,750	875,750	-
-	386,014	386,014	-
-	159,669	159,669	-
-	22,506	22,506	-
<u>-</u>	<u>4,208,520</u>	<u>4,208,520</u>	<u>-</u>
<u>(\$17,274,643)</u>	<u>\$4,208,520</u>	<u>(\$13,066,123)</u>	<u>-</u>
-	-	-	\$94,514
-	-	-	(251)
<u>-</u>	<u>-</u>	<u>-</u>	<u>94,263</u>
\$968,764	-	\$968,764	-
482,031	-	482,031	-
5,045,851	-	5,045,851	-
236,279	-	236,279	-
600,000	-	600,000	-
1,446,427	-	1,446,427	-
1,446,428	-	1,446,428	-
20,000	-	20,000	-
3,621,296	-	3,621,296	-
342,846	-	342,846	-
10,995	-	10,995	-
401,926	-	401,926	-
1,318,874	-	1,318,874	-
51,799	\$41,645	93,444	15,043
287,506	167,884	455,390	-
1,906,326	(1,906,326)	-	-
<u>18,187,348</u>	<u>(1,696,797)</u>	<u>16,490,551</u>	<u>15,043</u>
912,705	2,511,723	3,424,428	109,306
76,162,223	48,445,553	124,607,776	113,612
<u>\$77,074,928</u>	<u>\$50,957,276</u>	<u>\$128,032,204</u>	<u>\$222,918</u>

CITY OF RUSTON, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>General</u>	<u>1968 Sales Tax</u>
ASSETS		
Cash and cash equivalents	\$1,513,166	\$601,047
Investments	2,981,630	-
Receivables, net	459,623	233,513
Unbilled revenues	76,182	-
Due from other funds	1,074,543	23,249
Inventories, at cost	84,290	-
Prepaid items	7,012	-
Total assets	<u><u>\$6,196,446</u></u>	<u><u>\$857,809</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$637,767	\$21,893
Accrued liabilities	233,015	-
Due to other funds	649,110	473,159
Deposits and deferred charges	68,957	-
Total liabilities	<u><u>1,588,849</u></u>	<u><u>495,052</u></u>
Fund Balances:		
Unrestricted, assigned for:		
Debt service	-	-
Encumbrances	1,121,954	-
Inventories	84,290	-
Prepaid items	7,012	-
Unrestricted, unassigned	3,394,341	362,757
Unrestricted, assigned reported in nonmajor		
Capital project funds	-	-
Unrestricted, assigned, reported in nonmajor		
Special revenue funds	-	-
Total fund balances	<u><u>4,607,597</u></u>	<u><u>362,757</u></u>
Total liabilities and fund balances	<u><u>\$6,196,446</u></u>	<u><u>\$857,809</u></u>

The accompanying notes are an integral part of the financial statements

1985 Sales Tax	1990 Sales Tax	1-20 Fund	Other Governmental Funds	Total Governmental Funds
-	-	\$3,417,439	\$2,177,752	\$7,709,404
-	-	-	-	2,981,630
\$350,268	\$233,513	-	960,411	2,237,328
-	-	-	-	76,182
473,159	-	-	501,377	2,072,328
-	-	-	-	84,290
-	-	-	-	7,012
<u>\$823,427</u>	<u>\$233,513</u>	<u>\$3,417,439</u>	<u>\$3,639,540</u>	<u>\$15,168,174</u>
\$1,483	\$989	\$12,694	\$24,446	\$699,272
-	-	-	7,290	240,305
-	23,249	-	65,630	1,211,148
-	-	-	514	69,471
<u>1,483</u>	<u>24,238</u>	<u>12,694</u>	<u>97,880</u>	<u>2,220,196</u>
-	-	-	1,864,834	1,864,834
-	-	378,905	140,775	1,641,634
-	-	-	-	84,290
-	-	-	-	7,012
821,944	209,275	3,025,840	-	7,814,157
-	-	-	101,807	101,807
-	-	-	1,434,244	1,434,244
<u>821,944</u>	<u>209,275</u>	<u>3,404,745</u>	<u>3,541,660</u>	<u>12,947,978</u>
<u>\$823,427</u>	<u>\$233,513</u>	<u>\$3,417,439</u>	<u>\$3,639,540</u>	<u>\$15,168,174</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, 2011

Fund balances - total governmental funds		\$ 12,947,978
<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	95,623,817	
Less accumulated depreciation	<u>(22,847,796)</u>	72,776,021
<p>Unfunded post employment benefit obligations are not financial resources and therefore are not reported in the funds</p>		
		(1,613,034)
<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		55,575
<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	(25,784)	
Compensated absences	(1,778,712)	
Bonds, notes, and loans payable	<u>(7,860,000)</u>	(9,664,496)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities</p>		
		<u>2,572,884</u>
Net assets of governmental activities		<u>\$ 77,074,928</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, 2011

	<u>General</u>	<u>1968 Sales Tax</u>	<u>1985 Sales Tax</u>
REVENUES			
Taxes.			
Property	\$968,764	-	-
Sales	-	\$2,512,855	\$3,769,275
Licenses and permits	894,906	-	-
Intergovernmental	1,413,266	-	-
Charges for services	1,237,953	-	-
Fines and forfeitures	304,173	-	-
Investment earnings	44,531	349	423
Miscellaneous	273,921	-	-
Total revenues	<u>5,137,514</u>	<u>2,513,204</u>	<u>3,769,698</u>
EXPENDITURES			
Current			
General government	3,109,229	31,897	40,091
Public safety	8,041,527	-	-
Public works	6,241,083	-	-
Culture and recreation	-	-	-
City Court and Marshal	455,094	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>17,846,933</u>	<u>31,897</u>	<u>40,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,709,419)</u>	<u>2,481,307</u>	<u>3,729,607</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	12,288,634	-	-
Transfers out	(167,736)	(2,746,232)	(4,122,422)
Total other financing sources and (uses)	<u>12,120,898</u>	<u>(2,746,232)</u>	<u>(4,122,422)</u>
Net change in fund balances	(588,521)	(264,925)	(392,815)
Fund balances - beginning	5,196,118	627,682	1,214,759
Fund balances - ending	<u>\$4,607,597</u>	<u>\$362,757</u>	<u>\$821,944</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>
-	-	\$482,031	\$1,450,795
\$2,512,855	-	3,621,296	12,416,281
-	-	-	894,906
-	\$12,938	1,339,908	2,766,112
-	-	74,573	1,312,526
-	-	-	304,173
142	3,318	3,036	51,799
-	-	13,585	287,506
<u>2,512,997</u>	<u>16,256</u>	<u>5,534,429</u>	<u>19,484,098</u>
26,801	2,270	1,283,534	4,493,822
-	-	-	8,041,527
-	-	-	6,241,083
-	-	1,182,587	1,182,587
-	-	-	455,094
-	-	565,000	565,000
-	-	356,377	356,377
-	572,669	83,253	655,922
<u>26,801</u>	<u>574,939</u>	<u>3,470,751</u>	<u>21,991,412</u>
<u>2,486,196</u>	<u>(558,683)</u>	<u>2,063,678</u>	<u>(2,507,314)</u>
-	2,520,236	579,576	15,388,446
<u>(2,751,232)</u>	<u>(1,174,262)</u>	<u>(2,520,236)</u>	<u>(13,482,120)</u>
<u>(2,751,232)</u>	<u>1,345,974</u>	<u>(1,940,660)</u>	<u>1,906,326</u>
<u>(265,036)</u>	<u>787,291</u>	<u>123,018</u>	<u>(600,988)</u>
<u>474,311</u>	<u>2,617,454</u>	<u>3,418,642</u>	<u>13,548,966</u>
<u>\$209,275</u>	<u>\$3,404,745</u>	<u>\$3,541,660</u>	<u>\$12,947,978</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, 2011

Net change in fund balances - total governmental funds		(\$600,988)
<p>Amounts reported for governmental activities in the statement of activities are different because.</p>		
<p>Governmental funds report capital outlays as expenditures However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense</p>		
Capital outlay	7,476,523	
Depreciation expense	<u>(1,597,851)</u>	5,878,672
<p>Donations of capital assets increase net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial revenues</p>		
		468,518
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, write offs, and donations) is to decrease net assets</p>		
		(5,266,464)
<p>Post employment benefit obligation</p>		
		(15,132)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of these differences in the treatment of long-term debt and related items is as follows:</p>		
Principal payments	<u>565,000</u>	565,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds</p>		
Amortization of issuance costs	(8,364)	
Decrease in compensated absences	(17,850)	
Decrease in accrued interest	<u>1,992</u>	(24,222)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities</p>		
		<u>(92,679)</u>
Change in net assets of governmental activities		<u><u>\$912,705</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Business-type Activities							Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Funds				
	Major Funds	Sewer System		Airport Authority	Ambulance	Total		
Electric System	Water System							
ASSETS								
Current assets								
Cash and cash equivalents	\$2,479,501	\$182,787	\$667,093	\$248,921	\$195,980	\$3,774,282	\$1,027,309	
Investments	1,147,834	606,453	-	-	-	1,754,286	1,900,096	
Receivables net	1,130,648	125,884	1,54,782	325	57,220	1,468,859	2,728	
Unbilled revenue	1,580,620	232,811	272,002	-	-	2,085,433	-	
Due from other funds	112,124	770,090	971,735	-	655	1,854,603	34,404	
Due from other governments	-	-	-	-	2,500	2,500	-	
Inventories	491,837	176,835	39,890	-	-	708,561	-	
Prepaid items	30	-	-	-	140	170	45,000	
Total current assets	6,942,594	2,094,859	2,105,502	249,246	256,495	11,648,695	3,009,537	
Noncurrent assets								
Restricted								
Cash and cash equivalents	15,066	71,892	205,267	-	-	292,224	-	
Investments	81,529	-	106,169	-	-	187,698	-	
Capital assets								
Land	622,501	75,070	218,801	349,851	-	1,266,223	-	
Construction in progress	4,344,053	3,417,743	18,492,818	974,621	-	27,229,235	-	
Buildings	4,593,487	139,934	1,511,353	1,056,681	-	5,941,455	13,080	
Improvements other than buildings	-	-	-	6,060,391	-	6,060,391	-	
Equipment	20,774,426	826,280	6,234,682	231,239	703,893	28,772,521	48,123	
Distribution and collection systems	31,778,409	11,031,650	19,608,972	-	-	62,419,031	-	
Less accumulated depreciation	(39,279,028)	(8,183,093)	(15,271,435)	(4,332,338)	(386,335)	(67,452,230)	(57,995)	
Total capital assets (net of accumulated depreciation)	22,833,848	7,307,584	29,437,192	4,340,445	317,558	64,236,626	3,208	
Deferred bond costs, at cost less amortization	-	40,769	2,669	-	-	43,437	-	
Total noncurrent assets	22,930,442	7,420,244	29,751,296	4,340,445	317,558	64,759,986	3,208	
Total assets	\$29,873,036	\$9,515,103	\$31,856,798	\$4,589,691	\$574,053	\$76,408,681	\$3,012,745	

	Business-type Activities						Governmental Activities	
	Enterprise Funds							Internal Service Funds
	Major Funds		Nonmajor Funds		Total			
Electric System	Water System	Sewer System	Airport Authority	Ambulance				
LIABILITIES								
Current liabilities								
Accounts payable	\$2,342,351	\$163,462	\$206,619	\$7	\$5,162	\$2,717,600	\$7,929	
Accrued liabilities	34,549	7,695	11,855	-	4,869	58,968	2,668	
Due to other funds	2,321,200	55,665	46,284	4,337	320,751	2,748,237	1,949	
Claims and judgments	-	-	-	-	-	-	418,697	
Compensated absences	5,000	2,000	2,000	-	6,000	15,000	-	
Total current liabilities	4,703,099	228,823	266,758	4,344	336,781	5,539,805	431,243	
Current liabilities payable from restricted assets								
Customer deposits	830,587	-	6,890	3,500	-	840,977	-	
Bonds payable	-	-	195,000	-	-	195,000	-	
DEQ Revolving Loan fund	-	-	635,000	-	-	635,000	-	
DHH Revolving Loan fund	-	94,000	-	-	-	94,000	-	
Due to LADOTD	37,148	49,824	-	-	-	86,972	-	
Accrued interest	87,326	-	-	-	-	87,326	-	
Total current liabilities payable from restricted assets	955,061	143,824	836,890	3,500	-	1,939,275	-	
Noncurrent liabilities								
Compensated absences	267,085	43,720	24,424	-	55,042	390,271	8,618	
Bonds payable	-	-	-	-	-	-	-	
DEQ Revolving Loan fund	-	-	15,673,607	-	-	15,673,607	-	
DHH Revolving Loan fund	-	1,821,474	-	-	-	1,821,474	-	
Due to LADOTD	37,148	49,823	-	-	-	86,971	-	
Total noncurrent liabilities	304,233	1,915,017	15,698,031	-	55,042	17,972,323	8,618	
Total liabilities	5,962,393	2,287,664	16,801,679	7,844	391,823	25,451,403	439,861	
NET ASSETS								
Invested in capital assets net of related debt	22,833,848	7,307,584	13,568,585	4,340,445	317,558	48,368,019	3,208	
Restricted for debt service	-	71,892	304,546	-	-	376,438	-	
Unrestricted (deficit)	1,076,795	(152,037)	1,181,986	241,401	(135,328)	2,212,819	2,569,676	
Total net assets (deficit)	\$23,910,643	\$7,227,439	\$15,055,119	\$4,581,846	\$182,230	\$50,957,277	\$2,572,884	

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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, 2011

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds			Nonmajor Funds			
	Electric System	Major Funds Water System	Sewer System	Airport Authority	Ambulance	Total	
OPERATING REVENUES							
Charges for services	\$22,902,497	\$2,524,466	\$3,729,234	\$16,529	\$479,340	\$29,652,067	\$36,276
Charges to other funds	-	-	-	-	-	-	3,376,251
Premiums paid by retired employees	-	-	-	-	-	-	285,906
Rent income	35,437	-	-	40,355	-	75,792	-
Miscellaneous	89,561	2,097	-	134	300	92,092	25
Total operating revenues	23,027,495	2,526,563	3,729,234	57,018	479,640	29,819,951	3,698,458
OPERATING EXPENSES							
Personnel services	2,186,291	447,624	789,550	-	305,442	3,728,907	176,413
Operating services	1,400,687	762,776	795,830	68,031	21,923	3,049,247	12,396
Materials and supplies	15,969,354	215,287	144,742	1,869	66,417	16,397,669	12,158
Travel and other	30,729	5,886	6,677	-	11,687	54,979	3,444
Depreciation	1,650,096	408,110	966,338	366,131	63,766	3,454,441	283
Claims	-	-	-	-	-	-	2,670,190
Insurance premiums	-	-	-	-	-	-	956,083
Total operating expenses	21,237,156	1,839,683	2,703,136	436,031	469,236	26,685,243	3,830,967
Operating income (loss)	1,790,339	686,880	1,026,098	(379,013)	10,404	3,134,708	(132,509)
NONOPERATING REVENUES (EXPENSES)							
Investment earnings	32,628	4,242	4,546	137	92	41,645	39,830
Capital grants	1,099,240	252,354	-	579,171	12,402	1,943,167	-
Interest expense	-	(59,122)	(637,416)	-	-	(696,538)	-
Amortization	-	(2,265)	(2,668)	-	-	(4,933)	-
Total nonoperating revenues (expenses)	1,131,868	195,209	(635,538)	579,308	12,494	1,283,341	39,830
Income (loss) before contributions and transfers	2,922,207	882,090	390,559	200,295	22,898	4,418,049	(92,679)
Transfers in	-	-	1,174,262	13,724	-	1,187,986	-
Transfers out	(1,965,922)	(538,023)	(590,367)	-	-	(3,094,312)	-
Change in net assets	956,285	344,067	974,455	214,019	22,898	2,511,724	(92,679)
Total net assets (deficit) - beginning	22,954,358	6,883,372	14,080,664	4,367,827	159,332	48,445,553	2,665,563
Total net assets (deficit) - ending	\$23,910,643	\$7,227,439	\$15,055,119	\$4,581,846	\$182,230	\$50,957,277	\$2,572,884

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, 2011

	Business-type Activities						Governmental Activities Internal Service Funds
	Enterprise Funds						
	Major Funds	Sewer System	Water System	Alpsort Authority	Nonmajor Funds	Ambulance	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from operations	\$22,549,348	\$3,384,412	\$118,192	\$450,140	\$28,884,854	\$3,662,061	
Payments to suppliers	(16,358,157)	(784,611)	(69,563)	(103,429)	(18,447,136)	(1,040,864)	
Payments to employees	(2,170,985)	(444,216)	-	(1,69,483)	(3,566,853)	(175,966)	
Claim payments	-	-	-	-	-	(2,867,675)	
Other receipts	124,998	2,097	134	300	127,529	36,301	
	4,145,204	1,817,633	48,763	177,528	6,998,395	(586,143)	
Net cash provided by operating activities							
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	-	1,174,262	13,724	-	1,187,986	-	
Transfers out	(1,965,922)	(538,023)	-	-	(3,094,312)	-	
Net cash provided by (used in) noncapital financing activities							
	(1,965,922)	583,895	13,724	-	(1,906,326)	-	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(4,807,844)	(583,951)	(856,651)	(91,581)	(6,963,891)	-	
Capital contributions	1,099,240	-	820,077	12,402	2,184,073	-	
Bond issuance costs	-	-	-	-	269,029	-	
DEQ Revolving Loan fund	(37,148)	264,999	-	-	(37,148)	-	
Payable to State	-	(1,065,000)	-	-	(1,114,824)	-	
Principal paid on debt	(29,691)	(637,416)	-	-	(726,229)	-	
Interest paid on debt	-	-	-	-	-	-	
Net cash used in capital and related financing activities							
	(3,775,442)	(2,021,368)	(36,574)	(79,180)	(6,388,990)	-	
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	802,139	-	-	-	802,139	243,904	
Purchase of investments	-	(1,494)	-	-	(5,425)	(21,992)	
Interest and dividends received	32,628	4,548	137	92	41,647	39,830	
Net cash provided by (used in) investing activities							
	834,767	3,054	137	92	838,361	261,742	
Net increase (decrease) in cash and cash equivalents	(761,394)	383,214	26,050	98,440	(458,560)	(124,401)	
Cash and cash equivalents beginning of year	3,255,961	459,550	222,871	97,540	4,525,068	1,151,710	
Cash and cash equivalents end of year	\$2,494,567	\$872,360	\$248,921	\$195,980	\$4,066,508	\$1,027,309	
Noncash item	-	-	-	-	-	-	
Amortization	-	2,265	-	-	2,669	4,934	

The accompanying notes are an integral part of the financial statements

	Business-type Activities				Governmental Activities Internal Service Funds
	Enterprise Funds				
	Major Funds	Sewer System	Nonmajor Funds	Total	
Electric System	Water System	Airport Authority	Ambulance		
	\$1,790,339	\$686,880	\$1,026,098	\$10,404	\$3,134,708
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	1,650,096	408,110	966,338	63,766	3,454,441
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation					283
(Increase) Decrease in assets					
Receivables	(322,715)	84,793	(47,136)	(29,200)	(314,593)
Due from other funds	(76,966)	(226,498)	(298,181)	(379)	(543,890)
Inventories	(18,025)	8,745	(996)	-	(10,275)
Prepaid items	885	-	-	75	960
Increase (Decrease) in liabilities					
Accounts payable	813,678	(1,970,068)	184,071	(3,023)	(49,643)
Accrued liabilities	6,487	1,759	1,781	182	10,209
Due to other funds	246,959	40,834	(20,437)	337	388,944
Customers' deposits	46,532	-	495	-	50,527
Claims and judgments	-	-	-	-	-
Compensated absences	7,935	1,648	5,600	14,452	(177,485)
Total adjustments	2,354,865	122,387	791,535	427,776	3,863,687
Net cash provided by operating activities	\$4,145,204	\$809,267	\$1,817,633	\$48,763	\$6,998,395
					\$386,143

CITY OF RUSTON, LOUISIANA
STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2011

	<u>Ruston City Judge's Office</u>	<u>Ruston City Marshal's Office</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$1,125,602	\$88,788	\$1,214,390
Receivables	-	1,020	1,020
Prepaid items	2,220	383	2,603
Due from governmental units	8,842	-	8,842
Capital assets, net of depreciation	71,097	27,106	98,203
Total assets	<u>1,207,761</u>	<u>117,297</u>	<u>1,325,058</u>
LIABILITIES			
Accounts payable	3,659	2,514	6,173
Accrued liabilities	3,402	-	3,402
Non-current liabilities:			
Due within one year	-	-	-
Total liabilities	<u>7,061</u>	<u>2,514</u>	<u>9,575</u>
NET ASSETS			
Invested in capital assets, net of related debt	71,097	27,106	98,203
Unrestricted	1,129,603	87,677	1,217,280
Total net assets	<u>\$1,200,700</u>	<u>\$114,783</u>	<u>\$1,315,483</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, 2011

	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>On-Behalf Revenues</u>	<u>Ruston City Judge's Office</u>	<u>Ruston City Marshal's Office</u>	<u>Total</u>
City Judge Judicial	\$495,778	\$590,292	-	\$94,514	-	\$94,514
City Marshal Judicial	<u>325,225</u>	<u>102,971</u>	<u>\$222,003</u>	<u>-</u>	<u>(\$251)</u>	<u>(251)</u>
	<u>\$821,003</u>	<u>\$693,263</u>	<u>\$222,003</u>	<u>94,514</u>	<u>(251)</u>	<u>94,263</u>
General Revenues						
Interest earnings				11,304	1,422	12,726
Total general revenues				<u>11,304</u>	<u>1,422</u>	<u>12,726</u>
Change in net assets				105,818	1,171	106,989
Net assets - beginning				<u>1,094,882</u>	<u>113,612</u>	<u>1,208,494</u>
Net assets - ending				<u>\$1,200,700</u>	<u>\$114,783</u>	<u>\$1,315,483</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, 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

City Judge's Office

The Ruston City Judge's Office was created by special legislative act. Its jurisdiction includes the incorporated area of the City. The City Judge is elected and cannot be removed by City officials. The City Judge's Office is fiscally dependent on the City. The City has the ability to modify or approve its budget which comes from the General Fund. There are certain funds collected by the City Judge's Office, pursuant to state statute, which are under the control of the Court. The City Judge's Office serves the citizenry of the City. The financial statements of the City Judge's Office included in the accompanying financial statements are as of and for the fiscal year ended September 30, 2011.

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, 2011.

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, 2011

OTHER RELATED ORGANIZATIONS

Housing Authority

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

Lincoln Parish Sales and Use Tax Commission

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

Union Lincoln Regional Water Supply Initiative

The Initiative is an independent agency that develops and utilizes any and all alternate water sources within Lincoln and Union parishes to reduce the consumption of water from the Sparta Aquifer. The Initiative is a joint venture. The City does retain an ongoing financial responsibility for its operations. It is not included in the City's financial statements.

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

Ruston Housing Authority
1615 North Farmerville
Ruston, Louisiana 71270

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

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

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

a GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2011

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

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

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

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

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

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

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

Property taxes are considered "measurable" at the time of levy whereas such items as beer taxes are considered "measurable" when in the hands of intermediary collecting

CITY OF RUSTON, LOUISIANA
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For the Year Ended September 30, 2011

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

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

Governmental Funds

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

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

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

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

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

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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2011

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

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

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

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

Proprietary Funds

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

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

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

The City reports the following major enterprise funds

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

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

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

CITY OF RUSTON, LOUISIANA
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For the Year Ended September 30, 2011

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

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

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

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

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

c. CAPITAL ASSETS

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

CITY OF RUSTON, LOUISIANA
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For the Year Ended September 30, 2011

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

Capital assets are not reported in the governmental FFS

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

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

d LONG-TERM LIABILITIES

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

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

e INVESTMENTS

For all funds, investments are stated at fair value based on quoted market prices. The investments at September 30, 2011 were primarily Certificates of Deposit, U.S. government and U.S. government agency securities (see note 2 for the City's investment policy.)

f PREPAID ITEMS

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

CITY OF RUSTON, LOUISIANA
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g. INVENTORIES

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

h. REFUNDABLE DEPOSITS

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

i. VACATION AND SICK LEAVE

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

j. PENSION PLANS

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

k. RESTRICTED ASSETS

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

l. FUND EQUITY

GASB Statement No. 54 establishes standards for five fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories, or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

CITY OF RUSTON, LOUISIANA
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Restricted Fund Balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the aldermen, - the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City aldermen remove the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City aldermen and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance - This fund balance is the residual classification for the General Fund. It is used to report negative fund balances in other governmental funds

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed

m INTERFUND RECEIVABLES AND PAYABLES

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

n PROPERTY TAXES

Property taxes attach as an enforceable lien on property when the assessment is approved by the Louisiana Tax Commission. Property taxes levied are based on the assessed value of property as listed on the previous December 31. Taxes are normally levied in November of each year and are due on or before December 31. A revaluation of all real property must be made every four years. The last revaluation date was January 1, 2008.

o GRANTS FROM OTHER GOVERNMENTAL AGENCIES

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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.

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

r ESTIMATES

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

2. CASH AND INVESTMENTS

All deposits of the City are held by area financial institutions. At September 30, 2011, the carrying amount of the City's deposits was \$19,626,930 and the bank balance was \$19,324,130. The difference is due to the outstanding checks and deposits in transit at September 30, 2011.

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, 2011, the City invested in certificates of deposit and U.S. government and U.S. government agency securities.

CITY OF RUSTON, LOUISIANA
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For the Year Ended September 30, 2011

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, 2011. 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.

	CATEGORY			Carrying Amount & Fair Value
	1	2	3	
U.S. government and U.S. government agency securities	\$81,529	\$--	\$--	\$ 81,529
Louisiana Asset Management Pool				<u>758,817</u>
Total Investments				840,346
Total Deposits				<u>18,786,584</u>
Total cash, cash equivalents, & investments, including restricted cash and investments				<u>\$19,626,930</u>

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

Discretely Presented Component Units – Deposits

All deposits of the component units are held by area financial institutions. At the respective year ends, all deposits are insured or collateralized with securities held in the component unit's name by its agent (the trust department of a bank other than the pledging bank). The securities have a fair value of \$1,214,390 at September 30, 2011.

3 PROPERTY TAXES

The City levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the City on property values assessed by the Lincoln Parish Assessor and approved by the State of Louisiana Tax Commission. Total assessed value was \$160,743,929 and \$160,986,617 in 2011 and 2010, respectively. The distribution of the City's levy (tax rate per \$1,000 assessed value) was, as follows, for 2011 and 2010:

CITY OF RUSTON, LOUISIANA
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For the Year Ended September 30, 2011

	Levy <u>2011 & 2010</u>
General Fund	6.04
Recreation Tax	<u>3.00</u>
	<u>9.04</u>

4. RECEIVABLES

Receivables as of September 30, 2011, 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	\$170,571	-	\$547,074	(\$258,022)	\$459,623
1968 Sales Tax	-	\$233,513	-	-	233,513
1985 Sales Tax	-	350,268	-	-	350,268
1990 Sales Tax	-	233,513	-	-	233,513
Nonmajor governmental funds	-	947,356	13,055	-	960,411
Total governmental activities	<u>\$170,571</u>	<u>\$1,764,650</u>	<u>\$560,129</u>	<u>(\$258,022)</u>	<u>\$2,237,328</u>
Business-type activities					
Electric System	\$2,437,086	-	-	(\$1,306,438)	\$1,130,648
Water System	321,616	-	-	(195,732)	125,884
Sewer System	502,923	-	-	(348,141)	154,782
Nonmajor business-type activities	80,270	-	\$2,728	(22,725)	60,273
Total business-type activities	<u>\$3,341,895</u>	<u> </u>	<u>\$2,728</u>	<u>(\$1,873,036)</u>	<u>\$1,471,587</u>

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows

	Balance September 30, 2010	Additions	Retirements	Balance September 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$10,237,956	\$468,518	-	\$10,706,474
Construction in progress	<u>32,205,575</u>	<u>1,177,988</u>	<u>(\$5,266,463)</u>	<u>28,117,100</u>
Total capital assets, not being depreciated	<u>42,443,531</u>	<u>1,646,506</u>	<u>(\$5,266,463)</u>	<u>38,823,574</u>
Capital assets, being depreciated:				
Buildings	5,106,941	5,206,960	-	10,313,901
Improvements other than buildings	7,773,106	-	-	7,773,106
Equipment	14,244,238	1,091,575	-	15,335,813
Infrastructure	<u>23,439,313</u>	<u> </u>	<u> </u>	<u>23,439,313</u>
Total capital assets being depreciated	<u>50,563,598</u>	<u>6,298,535</u>	<u> </u>	<u>56,862,133</u>
Less accumulated depreciation for:				
Buildings	(2,591,589)	(148,965)	-	(2,740,554)
Improvements other than buildings	(3,715,870)	(266,998)	-	(3,982,868)
Equipment	(9,502,297)	(668,053)	-	(10,170,350)

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Notes to Financial Statements
For the Year Ended September 30, 2011

	Balance September 30, 2010	Additions	Retirements	Balance September 30, 2011
Infrastructure	<u>(5,498,184)</u>	<u>(513,835)</u>	-	<u>(6,012,019)</u>
Total accumulated depreciation	<u>(21,307,940)</u>	<u>(1,597,851)</u>	-	<u>(22,905,791)</u>
Total capital assets, being depreciated, net	<u>29,255,658</u>	<u>4,700,684</u>	-	<u>33,956,342</u>
Governmental activities capital assets, net	<u>\$71,699,189</u>	<u>\$6,347,190</u>	<u>(\$5,266,463)</u>	<u>\$72,779,916</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 \$24,223,869 for I-20 Infrastructure projects, \$2,212,705 for the Streetscape project, \$303,594 for the Martin Luther King Extension; \$75,340 for the Frazer Road project; \$187,359 for the Lewis Street project, \$382,188 for the Tech Research Park Line & Grade and Homer Street Reconstruction project, \$89,300 for the Turn Lane at Georgia Avenue and Vienna Street project, \$1,697 for the Colorado Avenue Improvements project; \$157,293 for the Replacement of the Oakdale Street Bridge project; \$156,793 for the Replacement of the Taylor Street Bridge project, \$87,181 for the Trenton Street Drainage project, \$847,319 for the LCDBG Sewer Rehabilitation project; \$25,584 for the East Woodhaven Drainage Improvements; \$29,816 for the Road Camp Road & Hwy 33 Sewer Project, \$14,454 for the McAllister St Improvements; \$26,958 for the Duncan Park Playground project, \$3,746 for the Cook Park project; \$71,658 for the JC Love Complex project, \$37,588 for the Huckleberry Trails Park project, \$229,386 for the Bobby James Gym project, \$7,575 for the McLane Rec Center project, and \$13,593 for the Glenview Elem School project

	Balance September 30, 2010	Additions	Retirements	Balance September 30, 2011
Business-type activities:				
Electric System				
Capital assets, not being depreciated				
Land	\$622,501	-	-	\$622,501
Construction in progress	<u>6,897,067</u>	<u>\$4,125,032</u>	<u>(\$6,678,046)</u>	<u>4,344,053</u>
Total capital assets, not being depreciated	<u>7,519,568</u>	<u>4,125,032</u>	<u>(6,678,046)</u>	<u>4,966,554</u>
Capital assets, being depreciated				
Buildings	2,112,128	2,481,359	-	4,593,487
System Improvement	27,057,078	4,721,331	-	31,778,409
Equipment	<u>20,616,258</u>	<u>158,168</u>	-	<u>20,774,426</u>
Total capital assets being depreciated	<u>49,785,464</u>	<u>7,360,858</u>	-	<u>57,146,322</u>
Less accumulated depreciation for:				
Buildings	(1,717,317)	(103,802)	-	(1,821,119)
System Improvement	(17,044,801)	(1,235,206)	-	(18,280,007)
Equipment	<u>(18,866,813)</u>	<u>(311,089)</u>	-	<u>(19,177,902)</u>
Total accumulated depreciation	<u>(37,628,931)</u>	<u>(1,650,097)</u>	-	<u>(39,279,028)</u>
Total capital assets, being depreciated, net	<u>12,156,533</u>	<u>5,710,761</u>	-	<u>17,867,294</u>
Electric System capital assets, net	<u>\$19,676,101</u>	<u>\$9,835,793</u>	<u>(\$6,678,046)</u>	<u>\$22,833,848</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2011

Construction in progress for the electric system consisted of \$4,051,694 for the Smart Grid Initiative project, \$45,925 for the Customer Service office and Information Technology Improvements project; \$102,520 for the Frazier Road Substation Upgrade project, and \$119,259 for the Maple Street Substation Upgrade project.

	Balance September 30, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2011</u>
Water System				
Capital assets, not being depreciated:				
Land	\$75,070	-	-	\$75,070
Construction in progress	<u>3,142,130</u>	<u>\$485,462</u>	<u>(\$209,849)</u>	<u>3,417,743</u>
Total capital assets, not being depreciated	<u>3,217,200</u>	<u>485,462</u>	<u>(209,849)</u>	<u>3,492,813</u>
Capital assets, being depreciated				
Buildings	139,934	-	-	139,934
System Improvement	10,698,996	332,654	-	11,031,650
Equipment	<u>810,683</u>	<u>15,597</u>	-	<u>826,280</u>
Total capital assets being depreciated	<u>11,649,613</u>	<u>348,251</u>	-	<u>11,997,864</u>
Less accumulated depreciation for				
Buildings	(107,775)	(4,092)	-	(111,867)
System Improvement	(6,991,964)	(351,072)	-	(7,343,036)
Equipment	<u>(675,244)</u>	<u>(52,946)</u>	-	<u>(728,190)</u>
Total accumulated depreciation	<u>(7,774,983)</u>	<u>(408,110)</u>	-	<u>(8,183,093)</u>
Total capital assets, being depreciated, net	<u>3,874,630</u>	<u>(59,859)</u>	-	<u>3,814,771</u>
Water System capital assets, net	<u>\$7,091,830</u>	<u>\$425,603</u>	<u>(\$209,849)</u>	<u>\$7,307,584</u>

Construction in progress for the water system consisted of \$2,942,543 for the new Elevated Water Storage Tank; \$48,547 for the Master Plan for development of water distribution system, \$108,907 for the Minden, Arizona, and Monroe Water Improvement project; and \$317,745 for the Vienna Line Replacement project

	Balance September 30, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2011</u>
Sewer System				
Capital assets, not being depreciated:				
Land	\$218,801	-	-	\$218,801
Construction in progress	<u>18,034,971</u>	<u>\$457,847</u>	-	<u>18,492,818</u>
Total capital assets, not being depreciated	<u>18,253,772</u>	<u>457,847</u>	-	<u>18,711,619</u>
Capital assets, being depreciated:				
Buildings	151,353	-	-	151,353
System Improvement	19,608,972	-	-	19,608,972
Equipment	<u>6,110,579</u>	<u>126,103</u>	-	<u>6,236,682</u>
Total capital assets being depreciated	<u>25,870,904</u>	<u>126,103</u>	-	<u>25,997,007</u>
Less accumulated depreciation for				
Buildings	(58,435)	(4,198)	-	(62,633)
System Improvement	(11,279,139)	(481,456)	-	(11,760,595)
Equipment	<u>(2,967,523)</u>	<u>(480,684)</u>	-	<u>(3,448,207)</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2011

	Balance September 30, 2010	<u>Additions</u>	<u>Retirements</u>	Balance September 30, 2011
Total accumulated depreciation	<u>(14,305,097)</u>	<u>(966,338)</u>	-	<u>(15,271,435)</u>
Total capital assets, being depreciated, net	<u>11,565,807</u>	<u>(840,235)</u>	-	<u>10,725,572</u>
Sewer System capital assets, net	<u>\$29,819,579</u>	<u>(\$382,388)</u>	-	<u>\$29,437,191</u>

Construction in progress consisted of \$18,018,034 for the Wastewater Treatment Plant Upgrade, \$170,115 for the Beneficial Use Facility Lagoon Cleaning project; and \$304,670 for the Trenton Street to Georgia Avenue and Maryland Avenue Sewer Rehabilitation project

	Balance September 30, 2010	<u>Additions</u>	<u>Retirements</u>	Balance September 30, 2011
Airport Authority				
Capital assets, not being depreciated				
Land	\$349,851	-	-	\$349,851
Construction in progress	<u>1,054,083</u>	<u>\$570,005</u>	<u>(\$649,467)</u>	<u>974,621</u>
Total capital assets, not being depreciated	<u>1,403,934</u>	<u>570,005</u>	<u>(649,467)</u>	<u>1,324,472</u>
Capital assets, being depreciated:				
Buildings	407,215	649,466	-	1,056,681
Runways, aprons, and taxiways	6,060,391	-	-	6,060,391
Equipment	<u>231,239</u>	-	-	<u>231,239</u>
Total capital assets being depreciated	<u>6,698,845</u>	<u>649,466</u>	-	<u>7,348,311</u>
Less accumulated depreciation for				
Buildings	(107,082)	(22,705)	-	(129,787)
Runways, aprons, and taxiways	(3,731,439)	(310,155)	-	(4,041,594)
Equipment	<u>(127,686)</u>	<u>(33,271)</u>	-	<u>(160,957)</u>
Total accumulated depreciation	<u>(3,966,207)</u>	<u>(366,131)</u>	-	<u>(4,332,338)</u>
Total capital assets, being depreciated, net	<u>2,732,638</u>	<u>283,335</u>	-	<u>3,015,973</u>
Airport Authority capital assets, net	<u>\$4,136,572</u>	<u>\$853,340</u>	<u>(\$649,467)</u>	<u>\$4,340,445</u>

Construction in progress consisted of \$974,621 for the Obstruction Removal project

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2011

	Balance September 30, 2010	Additions	Retirements	Balance September 30, 2011
Ambulance Fund				
Capital assets, being depreciated:				
Equipment	\$612,312	\$91,581	-	\$703,893
Less accumulated depreciation for:	<u>(322,569)</u>	<u>(63,766)</u>	-	<u>(386,335)</u>
Total capital assets, being depreciated, net	<u>\$289,743</u>	<u>\$27,815</u>	-	<u>\$317,558</u>
Business-type activities capital assets				
Capital assets, not being depreciated:				
Land	\$1,266,223	-	-	\$1,266,223
Construction in progress	<u>29,128,251</u>	<u>\$5,638,346</u>	<u>(\$7,537,362)</u>	<u>27,229,235</u>
Total capital assets, not being depreciated	<u>30,394,474</u>	<u>5,638,346</u>	<u>(7,537,362)</u>	<u>28,495,458</u>
Capital assets, being depreciated:				
Buildings	2,810,630	3,130,825	-	5,941,455
System Improvement	57,365,046	5,053,985	-	62,419,031
Runways, aprons, and taxiways	6,060,391	-	-	6,060,391
Equipment	<u>28,381,071</u>	<u>391,449</u>	-	<u>28,772,520</u>
Total capital assets being depreciated	<u>94,617,138</u>	<u>8,576,259</u>	-	<u>103,193,397</u>
Less accumulated depreciation for:				
Buildings	(1,990,609)	(134,797)	-	(2,125,406)
System Improvement	(35,315,904)	(2,067,734)	-	(37,383,638)
Runways, aprons, and taxiways	(3,731,439)	(310,155)	-	(4,041,594)
Equipment	<u>(22,959,835)</u>	<u>(941,756)</u>	-	<u>(23,901,591)</u>
Total accumulated depreciation	<u>(63,997,787)</u>	<u>(3,454,442)</u>	-	<u>(67,452,229)</u>
Total capital assets, being depreciated, net	<u>30,619,351</u>	<u>5,121,817</u>	-	<u>35,741,168</u>
Business-type activities capital assets, net	<u>\$61,013,825</u>	<u>\$10,760,163</u>	<u>(\$7,537,362)</u>	<u>\$64,236,626</u>

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

Governmental activities:	
General government	\$181,810
Public safety	279,688
Public works, including depreciation of general infrastructure assets	1,060,669
Recreation	<u>75,684</u>
Total depreciation expense-governmental activities	<u>\$1,597,851</u>
Business-type activities:	
Electric System	1,650,096
Water System	408,110
Sewer System	966,338
Airport Authority	366,131
Ambulance	<u>63,766</u>
Total depreciation expense-business-type activities	<u>\$3,454,441</u>

6. LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2011, was as follows

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2011

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$8,425,000	-	\$565,000	\$7,860,000	\$585,000
Compensated absences	<u>1,769,337</u>	<u>\$892,549</u>	<u>883,173</u>	<u>1,778,713</u>	<u>225,000</u>
Governmental activities Total long-term liabilities	<u>\$10,194,337</u>	<u>\$892,549</u>	<u>\$1,448,173</u>	<u>\$9,638,713</u>	<u>\$810,000</u>
Business-type activities:					
Electric System:					
Due to other governments	\$111,444	-	\$37,148	\$74,296	\$37,148
Compensated absences	<u>264,150</u>	<u>\$111,252</u>	<u>103,317</u>	<u>272,085</u>	<u>5,000</u>
Electric System long-term Liabilities	<u>\$375,594</u>	<u>\$111,252</u>	<u>\$140,465</u>	<u>\$346,381</u>	<u>\$42,148</u>
Water System:					
DHH Revolving Loan fund	\$1,911,444	\$85,130	\$81,100	\$1,915,474	\$94,000
Due to other governments	149,471	-	49,824	99,647	49,824
Compensated absences	<u>44,072</u>	<u>17,434</u>	<u>15,786</u>	<u>45,720</u>	<u>2,000</u>
Water System long-term Liabilities	<u>\$2,104,987</u>	<u>\$102,564</u>	<u>\$146,710</u>	<u>\$2,060,841</u>	<u>\$145,824</u>
Sewer System:					
Revenue bonds	\$740,000	-	\$280,000	\$460,000	\$280,000
DEQ Revolving Loan fund	16,563,607	-	520,000	16,043,607	550,000
Compensated absences	<u>20,824</u>	<u>\$31,280</u>	<u>25,680</u>	<u>26,424</u>	<u>2,000</u>
Sewer System long-term Liabilities	<u>\$17,324,431</u>	<u>\$31,280</u>	<u>\$825,680</u>	<u>\$16,530,031</u>	<u>\$832,000</u>
Ambulance Fund:					
Compensated absences	<u>\$46,590</u>	<u>\$28,924</u>	<u>\$14,472</u>	<u>\$61,042</u>	<u>\$6,000</u>
Business-type activities long-term liabilities					
Revenue bonds	\$740,000	-	\$280,000	\$460,000	\$280,000
DHH Revolving Loan fund	1,911,444	\$85,130	81,100	1,915,474	94,000
DEQ Revolving Loan fund	16,563,607	-	520,000	16,043,607	550,000
Due to other governments	260,915	-	86,972	173,943	86,972
Compensated absences	<u>375,636</u>	<u>188,890</u>	<u>159,255</u>	<u>405,271</u>	<u>15,000</u>
Business-type activities long-term Liabilities	<u>\$19,851,602</u>	<u>\$274,020</u>	<u>\$1,127,327</u>	<u>\$18,998,295</u>	<u>\$1,025,972</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, 2011, were comprised of the following issues:

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Notes to Financial Statements
For the Year Ended September 30, 2011

Governmental Activities:	Outstanding at September 30, 2011
<u>Tax Increment Revenue Bonds</u>	
\$10,000,000 – 2008 Sales Tax Increment Revenue Bonds dated 03-14-08, of \$10,000,000, interest at 4.23% payable in annual installments of \$585,000 to \$860,000 through September 1, 2022.	<u>\$7,860,000</u>
Total Tax Increment Revenue Bonds	<u>\$7,860,000</u>
 Business-type Activities:	
<u>Revenue Bonds</u>	
\$1,620,000 authorized 1993 Sewer Revenue Bonds \$1,432,536 issued, interest at 2.45%, payable in annual installments of \$85,000 to \$90,000 through October 1, 2014	\$265,000
\$1,655,000 2003 Sewer Utility Revenue Refunding Bonds dated 5-22-03 due in an annual installment of \$195,000 on October 1, 2012, interest at 4.000%	<u>195,000</u>
Total Revenue Bonds	<u>\$460,000</u>
 <u>DHH Revolving Loan</u>	
\$2,334,000 2009 Water Revenue Bonds dated 10-29-09 due in annual installments of \$94,000 to \$145,000 through October 1, 2030, interest at 3.45%.	<u>\$1,915,474</u>
Total DHH Revolving Loan	<u>\$1,915,474</u>
 <u>DEQ Revolving Loan</u>	
\$19,500,000 2005 Sewer Revenue Bonds dated 1-17-06 due in annual installments of \$550,000 to \$1,480,000 through October 1, 2027, interest at 3.45%	<u>\$16,043,607</u>
Total DEQ Revolving Loan	<u>\$16,043,607</u>
 <u>Due to Other Governments</u>	
\$869,716 (\$334,333 for the Electric System and \$448,412 for the Water System) due to the State of Louisiana, Department of Transportation and Development, payable in annual installments of \$86,972 (\$37,148 from the Electric System and \$49,824 from the Water System) through April 1, 2013	<u>\$173,943</u>
Total Due to Other Governments	<u>\$173,943</u>

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2011

The annual requirements to amortize all debt outstanding as of September 30, 2011, including interest requirements were as follows:

Year ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$585,000	\$332,478	\$1,010,972	\$617,981	\$2,546,431
2013	610,000	307,733	1,042,969	586,851	2,547,553
2014	630,000	281,930	994,000	555,760	2,461,690
2015	660,000	255,280	1,032,000	523,389	2,470,669
2016	680,000	227,362	1,069,000	488,839	2,465,201
2017-2021	3,835,000	680,607	5,999,000	1,878,039	12,392,646
2022-2026	860,000	36,378	7,095,193	791,919	8,783,490
2027-2030	-	-	560,000	34,256	594,256
	<u>\$7,860,000</u>	<u>\$2,121,768</u>	<u>\$18,803,134</u>	<u>\$5,477,034</u>	<u>\$34,261,936</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, 2011, on the refunded bonds was \$245,000.

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

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

The amount of long-term debt that can be incurred by the City is limited by state statute. State law allows a maximum of 10% of the assessed valuation of bonded debt for any one purpose or 35% of the total assessed value for all purposes. The City assessed property value at December 31, 2011, was \$160,743,929. The maximum debt allowable for any one purpose and total debt allowable by state law as of December 31, 2011, is \$16,074,393 and \$56,260,375, 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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2011

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.

Funding Policy - Covered employees are required to contribute 9.25% of their annual compensation and the City is required to contribute for the 9 months ended June 30, 2011, and for the 3 months ended September 30, 2011, 14.25% and 16.75%, respectively, of annual compensation. The contribution requirements are established and may be amended by State statute. The City's contributions to the System for the years ended September 30, 2011, 2010, and 2009 were \$942,407, \$863,299, and \$849,514, 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,

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Notes to Financial Statements
For the Year Ended September 30, 2011

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 for the 9 months ended June 30, 2011, and for the 3 months ended September 30, 2011, 8% and 10%, respectively, of their annual compensation and the City is required to contribute for the 9 months ended June 30, 2011, and for the 3 months ended September 30, 2011, 21.50% and 23.25%, respectively, of annual compensation excluding overtime but including State supplemental pay. The contribution requirements are established and may be amended by State statute. The City's contributions to SFRS for the years ended September 30, 2011, 2010, and 2009 were \$440,248, \$317,244, and \$236,757, 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 for the 9 months ended June 30, 2011, and for the 3 months ended September 30, 2011, 7.5% and 10% of their annual compensation and the City is required to contribute for the 9 months ended June 30, 2011, and for the 3 months ended September 30, 2011, 25.00% and 26.50%, respectively, of annual compensation excluding overtime but including State supplemental pay. The contribution requirements are established and may be amended by State statute. The City's contributions to MPERS for the years ended September 30, 2011, 2010, and 2009 were \$524,175, \$292,096, and \$179,541, respectively, equal to the required contributions for each year.

9 OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

a INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at September 30, 2011, were as follows

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2011

DUE TO OTHER FUNDS

DUE FROM OTHER FUNDS	General Fund	1968 Sales Tax	1990 Sales Tax	Electric System	Water System	Sewer System	Nonmajor Govern- mental Funds	Nonmajor Enterprise Funds	Internal Service	Total
General Fund	-	-	-	\$607,139	\$55,665	\$19,070	\$65,630	\$325,089	\$1,949	\$1,074,543
1968 Sales Tax	-	-	\$23,249	-	-	-	-	-	-	23,249
1985 Sales Tax	-	\$473,159	-	-	-	-	-	-	-	473,159
Electric System	\$112,124	-	-	-	-	-	-	-	-	112,124
Water System	550	-	-	742,326	-	27,214	-	-	-	770,090
Sewer System	-	-	-	971,735	-	-	-	-	-	971,735
Nonmajor Governmental	501,377	-	-	-	-	-	-	-	-	501,377
Nonmajor Enterprise	655	-	-	-	-	-	-	-	-	655
Internal Service	34,404	-	-	-	-	-	-	-	-	34,404
Total	\$649,110	\$473,159	\$23,249	\$2,321,200	\$55,665	\$46,284	\$65,630	\$325,089	\$1,949	\$3,961,336

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, 2011, were as follows:

TRANSFERS IN

TRANSFERS OUT	General Fund	I-20	Sewer System	Airport Authority	Nonmajor Governmental Funds	Total
General Fund	-	-	-	-	\$167,736	\$167,736
1968 Sales Tax	\$2,746,232	-	-	-	-	2,746,232
1985 Sales Tax	3,886,143	-	-	-	236,279	4,122,422
1990 Sales Tax	2,751,232	-	-	-	-	2,751,232
I-20 Fund	-	-	\$1,174,262	-	-	1,174,262
Electric System	1,873,685	-	-	\$12,301	79,936	1,965,922
Water System	524,228	-	-	1,423	12,372	538,023
Sewer System	507,114	-	-	-	83,253	590,367
Nonmajor governmental	-	\$2,520,236	-	-	-	2,520,236
Total transfers	\$12,288,634	\$2,520,236	\$1,174,262	\$13,724	\$579,576	\$16,576,432

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

c. EXCESS OF EXPENDITURES OVER BUDGET

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

CITY OF RUSTON, LOUISIANA
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For the Year Ended September 30, 2011

<u>Fund</u>	<u>Budget</u>	<u>Actual on a budgetary basis</u>	<u>Negative variance</u>
General Fund.			
General Government:			
Inspections Dept - Operating Services	\$99,546	\$113,118	(\$13,572)
Public Safety			
Probation	87,782	89,959	(2,177)
Public Works:			
Administration Dept. - Materials and Supplies	23,300	24,248	(948)

The unfavorable variance in the Inspections Dept. is due to the estimate of an allowance for uncollectible accounts that was not anticipated during the budget preparation. The unfavorable variance in Probation is due to an increase in fuel costs and an increase in the retirement contribution rate. The unfavorable variance in the Public Works Administration Dept is due to purchases of supplies miscoded to another dept and reclassified after year-end making it impossible to amend its budget

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, Special Revenue, and Enterprise Funds. A grant receivable is recorded when the City has a right to reimbursement under the related grant. The grants normally specify the purpose for which the funds may be used and are audited annually under the single audit as mandated by the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

11. POST-EMPLOYMENT HEALTH CARE BENEFITS

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

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

Life insurance coverage in varying amounts are provided to retirees and the blended rate (for all retired combined) is approximately \$0.33 per \$1,000 of insurance. The employer pays 100% of the cost of the retiree life insurance. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption, zero trend was used for life insurance.

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

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

Fund Policy – Until 2008, the City of Ruston recognized the cost of providing post-employment medical and life benefits (the City of Ruston's portion of the retiree medical and life benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. Effective with the Fiscal Year beginning October 1, 2008, the City of Ruston implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions* (GASB 45). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs.

In the fiscal year ended September 30, 2011, the City of Ruston's portion of health care funding cost for retired employees totaled \$255,604, and the life insurance totaled \$11,720. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the table on the following page.

Annual Required Contribution – The City of Ruston's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning October 1, 2010, is \$1,005,254 (medical), and \$27,355 (life), as set forth below

	<u>Medical</u>	<u>Life</u>
Normal Cost	\$330,231	\$10,271
30-year UAL amortization amount	<u>675,023</u>	<u>17,084</u>
Annual required contribution (ARC)	<u>\$1,005,254</u>	<u>\$27,355</u>

Net Post-employment Benefit Obligation (Asset) – The table below shows the City of Ruston's Net Other Post-employment Benefit (OPEB) Obligation for the fiscal year ending September 30, 2011.

	<u>Medical</u>	<u>Life</u>
1 Beginning Net OPEB Obligation (Asset) at October 1, 2010	<u>\$1,569,524</u>	<u>\$28,378</u>
2 Annual required contribution	1,005,254	27,355
3 Interest on Net OPEB Obligation (Asset) (1 X .04)	62,781	1,135
4 ARC Adjustment (1. / 17.292)	<u>90,766</u>	<u>1,641</u>
5 OPEB Cost: (2 + 3. - 4.)	977,269	26,849
6 Contribution	0	0
7 Current year retiree premium	<u>255,604</u>	<u>11,720</u>
8 Change in Net OPEB Obligation: (5 - 6 - 7)	<u>721,665</u>	<u>15,129</u>
9 Ending Net OPEB Obligation (Asset) at September 30, 2011 (1 + 8)	<u>\$1,569,524</u>	<u>\$43,507</u>

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

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	September 30, 2011	\$977,269	26.15%	\$2,291,189
Life	September 30, 2011	\$26,849	43.65%	\$43,507

Funded Status and Funding Progress – In the fiscal year ending September 30, 2011, the City of Ruston made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of October 1, 2010, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$11,672,522 (medical) and \$295,517 (life), which is defined as that portion, as determined by a particular actuarial cost method (the City of Ruston uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal years 2010 and 2011, the entire actuarial accrued liability of \$11,672,522 (medical) and \$295,517 (life) was unfunded

	<u>Medical</u>	<u>Life</u>
Actuarial Accrued Liability (AAL)	\$11,672,522	\$295,517
Actuarial Value of Plan Assets	0	0
Unfunded Act. Accrued Liability (UAAL)	11,672,522	295,517
Funded Ratio (Act. Val. Assets/AAL)	0%	0%
Covered Payroll (active plan members)	\$10,915,424	\$10,915,424
UAAL as a percentage of covered payroll	106.9%	2.7%

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

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

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

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2011

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

Actuarial Value of Plan Assets – Since the OPEB obligation has not as yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45.

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

<u>Age</u>	<u>Percent Turnover</u>
18 - 25	20.0%
26 - 40	15.0%
41 - 54	9.0%
55+	7.0%

Post-Employment Benefit Plan Eligibility Requirements – Based on past experience, it has been assumed that entitlement to benefits will commence three years after retirement eligibility (D.R.O.P. entry), as described above under "Plan Description", except that police and fire personnel were assumed to wait until age 60 and 10 years of service instead of age 55 and 12 years of service. Medical benefits are provided to employees upon actual retirement. Entitlement to benefits continues through Medicare to death.

Investment Return Assumption (Discount Rate) – GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Since the ARC is not currently being funded and not expected to be funded in the near future, we have performed this valuation using a 4% annual investment return assumption.

Health Care Cost Trend Rate – The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections, 2003 to 2013, Table 3. National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds, Selected Calendar Years 1990 – 2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2010 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

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

Method of Determining Value of Benefits – The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2011

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

12 COMMITMENTS AND CONTINGENCIES

Construction projects

There are certain construction projects in progress at September 30, 2011. The City issued \$2,000,000 in sales tax increment bonds in 2001 and \$10,000,000 in 2008 for the purpose of providing engineering and construction expenditures related to the I-20 Service Road Project. The project is estimated to cost approximately \$25 million. The City has spent \$2,212,705 for the Streetscape project, \$303,594 for the Martin Luther King Extension project, \$75,340 for the Frazier Road project, \$187,359 for the Lewis Street project, \$382,188 for the Tech Research Park Line & Grade and Homer Street Reconstruction project, \$89,300 for the Turn Lane at Georgia Avenue and Vienna Street project, \$1,697 for the Colorado Avenue Improvements project, \$157,293 for the Replacement of the Oakdale Street Bridge project, \$156,793 for the Replacement of the Taylor Street Bridge project, \$87,181 for the Trenton Street Drainage project, \$847,319 for the LCDBG Sewer Rehabilitation project, \$25,584 for the East Woodhaven Drainage Improvements, \$29,816 for the Road Camp Road & Hwy 33 Sewer Project, \$14,454 for the McAllister St. Improvements, \$26,958 for the Duncan Park Playground project, \$3,746 for the Cook Park project, \$71,658 for the JC Love Complex project, \$37,588 for the Huckleberry Trails Park project, \$229,386 for the Bobby James Gym project, \$7,575 for the McLane Rec. Center project, \$13,593 for the Glenview Elem. School project, \$4,051,694 for the Smart Grid Initiative project, \$45,925 for the Customer Service office and Information Technology Improvements project, \$102,520 for the Frazier Road Substation Upgrade project, \$119,259 for the Maple Street Substation Upgrade project, \$2,942,543 for the new Elevated Water Storage Tank, \$48,547 for the Master Plan for development of water distribution system, \$108,907 for the Minden, Arizona, and Monroe Water Improvement project, \$317,745 for the Vienna Line Replacement project, \$18,018,034 for the Wastewater Treatment Plant Upgrade, \$170,115 for the Beneficial Use Facility Lagoon Cleaning project, \$304,670 for the Trenton Street to Georgia Avenue and Maryland Avenue Sewer Rehabilitation project, and \$974,621 for the Obstruction Removal 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.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2011

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 \$217,520 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 \$258,973 at September 30, 2011. There was no increase in insurance coverage from the prior year. No claims exceeded the City's insurance coverage for each of the past four fiscal years.

General Self-Insurance

The City established a limited risk management program for employee medical coverage in 1988. Amounts paid into the General Self-Insurance Fund stem from employee contributions, payments by retired employees, and payments by other funds, and are available to pay claims, claim reserves and administrative costs of the program. During the year ended September 30, 2011, a total of \$2,885,972 was paid in benefits and administrative costs. The insurance fund has net assets of \$2,261,103 at September 30, 2011. An excess coverage co-insurance policy covers individual claims in excess of \$70,000 per calendar year. Incurred but not reported claims of \$173,083 have been accrued as a liability based upon information provided by the claims administrators. Interfund payments are based on total operating expenses minus employee contributions and payments by retired employees. Payments to the General Self-Insurance Fund are accounted for as an expenditure/expense of the paying fund. There were no reductions in insurance coverage from the prior year. No claims exceeded the City's insurance coverage for each of the past four fiscal years.

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

	Accrued claims <u>October 1</u>	Claims <u>incurred</u>	Claims <u>paid</u>	Accrued claims <u>September 30</u>
Worker's Compensation				
2010	\$301,258	\$625,090	\$503,249	\$423,099
2011	423,099	371,203	576,782	217,520
General Insurance				
2010	157,133	2,007,907	1,990,957	173,083
2011	173,083	2,019,076	2,393,336	201,177

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 effect 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.

CITY OF RUSTON, LOUISIANA
Notes to Financial Statements
For the Year Ended September 30, 2011

Grant Disallowances

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

Revenues from the State of Louisiana

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

Required Supplementary Information

CITY OF RUSTON, LOUISIANA
 General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual on a Budgetary Basis
 For the Year Ended September 30, 2011
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$985,000	\$985,000	\$968,764	(\$16,236)
Licenses and Permits	899,500	919,500	894,906	[24,594]
Intergovernmental	1,100,000	1,319,393	1,413,266	93,873
Charges for services	1,275,000	1,281,000	1,237,953	(43,047)
Fines and forfeitures	297,550	297,550	304,173	6,623
Investment earnings	80,000	80,000	44,531	(35,469)
Miscellaneous	249,600	269,600	273,921	4,321
Total revenues	<u>4,886,650</u>	<u>5,152,043</u>	<u>5,137,514</u>	<u>(14,529)</u>
EXPENDITURES				
General government				
Executive				
Regular salaries	569,007	569,007	542,023	26,984
Overtime salaries	1,000	1,000	947	53
Other employee benefits	185,846	185,846	178,467	7,379
Total salaries, wages, and employee benefits	<u>755,853</u>	<u>755,853</u>	<u>721,437</u>	<u>34,416</u>
Operating services	850,554	976,208	790,328	185,880
Materials and supplies	72,896	82,173	80,627	1,546
Travel and other	11,000	14,080	12,859	1,221
Improvements and equipment	625,000	30,593	30,477	116
Total executive	<u>2,315,303</u>	<u>1,858,907</u>	<u>1,635,728</u>	<u>223,179</u>
Information technology				
Regular salaries	107,502	107,502	104,593	2,909
Overtime salaries	10,000	10,000	5,179	4,821
Other employee benefits	31,839	31,839	30,365	1,474
Total salaries, wages, and employee benefits	<u>149,341</u>	<u>149,341</u>	<u>140,137</u>	<u>9,204</u>
Operating services	151,137	190,352	190,239	113
Materials and supplies	43,825	40,981	38,181	2,800
Travel and other	8,000	8,000	7,954	46
Improvements and equipment	62,500	69,829	59,950	9,879
Total information technology	<u>414,803</u>	<u>458,503</u>	<u>436,461</u>	<u>22,042</u>
Economic development				
Regular salaries	88,832	88,832	73,303	15,529
Overtime salaries	2,000	2,000	-	2,000
Other employee benefits	23,085	23,085	15,816	7,269
Total salaries, wages, and employee benefits	<u>113,917</u>	<u>113,917</u>	<u>89,119</u>	<u>24,798</u>
Operating services	90,777	97,578	74,135	23,443
Materials and supplies	9,400	9,470	1,401	8,069
Travel and other	8,000	8,000	4,065	3,935
Total economic development	<u>222,094</u>	<u>228,965</u>	<u>168,720</u>	<u>60,245</u>
City Court				
	268,617	268,617	258,542	10,075
Marshal				
	196,763	196,763	196,552	211
Civic center/city hall				
Regular salaries	99,896	93,896	79,508	14,388
Overtime salaries	5,000	11,000	7,734	3,266
Other employee benefits	28,684	28,684	28,502	182
Total salaries, wages, and employee benefits	<u>133,580</u>	<u>133,580</u>	<u>115,744</u>	<u>17,836</u>
Operating services	207,940	221,495	145,813	75,682
Materials and supplies	47,950	49,672	22,274	27,398
Travel and other	3,000	3,000	-	3,000
Total civic center/city hall	<u>392,470</u>	<u>407,747</u>	<u>283,831</u>	<u>123,916</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, 2011
(unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Planning & zoning				
Regular salaries	123,181	123,181	118,974	4,207
Overtime salaries	2,000	2,000	514	1,486
Other employee benefits	38,351	38,351	37,897	454
Total salaries, wages, and employee benefits	<u>163,532</u>	<u>163,532</u>	<u>157,385</u>	<u>6,147</u>
Operating services	36,936	36,936	29,450	7,486
Materials and supplies	12,100	12,100	11,902	198
Travel and other	8,500	8,500	1,333	7,167
Total planning & zoning	<u>221,068</u>	<u>221,068</u>	<u>200,070</u>	<u>20,998</u>
Inspections				
Regular salaries	210,120	210,120	195,254	14,866
Overtime salaries	3,000	3,000	1,061	1,939
Other employee benefits	61,712	61,712	57,392	4,320
Total salaries, wages, and employee benefits	<u>274,832</u>	<u>274,832</u>	<u>253,707</u>	<u>21,125</u>
Operating services	53,083	99,546	113,118	(13,572)
Materials and supplies	11,200	11,450	9,990	1,460
Travel and other	8,000	8,175	7,604	571
Total inspections	<u>347,115</u>	<u>394,003</u>	<u>384,419</u>	<u>9,584</u>
Total general government	<u>4,378,233</u>	<u>4,034,573</u>	<u>3,564,323</u>	<u>470,250</u>
Public safety				
Police				
Regular salaries	2,096,632	2,193,132	2,182,131	11,001
Overtime salaries	220,000	220,000	195,371	24,629
Other employee benefits	1,042,327	933,727	908,946	24,781
Total salaries, wages, and employee benefits	<u>3,358,959</u>	<u>3,346,859</u>	<u>3,286,448</u>	<u>60,411</u>
Operating services	365,202	385,341	322,810	62,531
Materials and supplies	300,500	380,897	302,536	78,361
Travel and other	115,000	118,454	75,784	42,670
Improvements and equipment	200,000	323,946	291,241	32,705
Total police	<u>4,339,661</u>	<u>4,555,497</u>	<u>4,278,819</u>	<u>276,678</u>
Fire				
Regular salaries	1,729,693	1,742,693	1,741,120	1,573
Overtime salaries	153,000	140,000	98,495	41,505
Other employee benefits	937,261	937,261	886,053	51,208
Total salaries, wages, and employee benefits	<u>2,819,954</u>	<u>2,819,954</u>	<u>2,725,668</u>	<u>94,286</u>
Operating services	271,558	273,205	221,642	51,563
Materials and supplies	241,965	273,168	201,423	71,745
Travel and other	67,500	80,100	35,476	44,624
Improvements and equipment	210,000	276,090	261,435	14,655
Total fire	<u>3,610,977</u>	<u>3,722,517</u>	<u>3,445,644</u>	<u>276,873</u>
Street lighting				
Operating services	252,000	252,000	227,105	24,895
Total street lighting	<u>252,000</u>	<u>252,000</u>	<u>227,105</u>	<u>24,895</u>
Probation	87,782	87,782	89,959	(2,177)
Total public safety	<u>8,290,420</u>	<u>8,617,796</u>	<u>8,041,527</u>	<u>576,269</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, 2011
(unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works				
Administration				
Regular salaries	414,900	424,900	420,565	4,335
Overtime salaries	3,500	3,500	861	2,639
Other employee benefits	102,635	102,635	103,375	(740)
Total salaries, wages, and employee benefits	<u>521,035</u>	<u>531,035</u>	<u>524,801</u>	<u>6,234</u>
Operating services	135,701	138,486	114,317	24,169
Materials and supplies	23,300	23,300	24,248	(948)
Travel and other	22,000	22,000	11,176	10,824
Total administration	<u>702,036</u>	<u>714,821</u>	<u>674,542</u>	<u>40,279</u>
Streets				
Regular salaries	781,415	781,415	679,559	101,856
Overtime salaries	50,000	50,000	29,257	20,743
Other employee benefits	377,270	377,270	319,040	58,230
Total salaries, wages, and employee benefits	<u>1,208,685</u>	<u>1,208,685</u>	<u>1,027,856</u>	<u>180,829</u>
Operating services	1,181,727	1,488,125	628,209	859,916
Materials and supplies	266,500	286,037	254,516	31,521
Travel and other	3,000	3,000	377	2,623
Improvements and equipment	2,945,000	3,041,071	1,499,173	1,541,898
Total streets	<u>5,604,912</u>	<u>6,026,918</u>	<u>3,410,131</u>	<u>2,616,787</u>
Solid waste				
Regular salaries	626,127	626,127	602,564	23,563
Overtime salaries	32,500	40,000	39,100	900
Other employee benefits	252,239	252,239	239,138	13,101
Total salaries, wages, and employee benefits	<u>910,866</u>	<u>918,366</u>	<u>880,802</u>	<u>37,564</u>
Operating services	182,947	192,767	185,729	7,038
Materials and supplies	213,800	267,012	265,756	1,256
Travel and other	3,000	3,000	514	2,486
Improvements and equipment	-	150,000	150,000	-
Total solid waste	<u>1,310,613</u>	<u>1,531,145</u>	<u>1,482,801</u>	<u>48,344</u>
Repair shop				
Regular salaries	359,293	359,293	313,002	46,291
Overtime salaries	12,000	12,000	7,299	4,701
Other employee benefits	125,330	125,330	115,808	9,522
Total salaries, wages, and employee benefits	<u>496,623</u>	<u>496,623</u>	<u>436,109</u>	<u>60,514</u>
Operating services	21,425	21,425	16,778	4,647
Materials and supplies	57,100	58,100	44,177	13,923
Travel and other	4,000	4,000	1,990	2,010
Total repair shop	<u>579,148</u>	<u>580,148</u>	<u>499,054</u>	<u>81,094</u>
Animal Control				
Regular salaries	83,401	83,401	77,875	5,526
Overtime salaries	15,000	15,000	14,800	200
Other employee benefits	37,192	37,192	31,083	6,109
Total salaries, wages, and employee benefits	<u>135,593</u>	<u>135,593</u>	<u>123,758</u>	<u>11,835</u>
Operating services	31,135	36,630	30,929	5,701
Materials and supplies	16,250	16,250	16,221	29
Travel and other	4,500	4,500	3,647	853
Total animal control	<u>187,478</u>	<u>192,973</u>	<u>174,555</u>	<u>18,418</u>
Total public works	<u>8,384,187</u>	<u>9,046,005</u>	<u>6,241,083</u>	<u>2,804,922</u>
Total expenditures	<u>21,052,840</u>	<u>21,698,374</u>	<u>17,846,933</u>	<u>3,851,441</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, 2011
 (unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	(16,166,190)	(16,546,331)	(12,709,419)	3,836,912
OTHER FINANCING SOURCES (USES)				
Transfers in	11,060,274	11,060,274	12,288,634	1,228,360
Transfers out	(317,736)	(317,736)	(167,736)	150,000
Total other financing sources and uses	<u>10,742,538</u>	<u>10,742,538</u>	<u>12,120,898</u>	<u>1,378,360</u>
Net change in fund balance	(5,423,652)	(5,803,793)	(588,521)	5,215,272
Fund balances - beginning	5,884,841	5,884,841	5,196,118	688,723
Fund balances - ending	<u>\$461,189</u>	<u>\$81,048</u>	<u>\$4,607,597</u>	<u>\$5,903,995</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, 2011
(unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$2,410,000	\$2,410,000	\$2,512,855	\$102,855
Investment earnings	1,000	1,000	349	(651)
Total revenues	<u>2,411,000</u>	<u>2,411,000</u>	<u>2,513,204</u>	<u>102,204</u>
EXPENDITURES				
General government				
Collection and administrative	42,000	42,000	31,897	10,103
Total expenditures	<u>42,000</u>	<u>42,000</u>	<u>31,897</u>	<u>10,103</u>
Excess of revenues over expenditures	<u>2,369,000</u>	<u>2,369,000</u>	<u>2,481,307</u>	<u>112,307</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,369,000)	(2,369,000)	(2,746,232)	(377,232)
Total other financing sources and uses	<u>(2,369,000)</u>	<u>(2,369,000)</u>	<u>(2,746,232)</u>	<u>(377,232)</u>
Net change in fund balance	-	-	(264,925)	489,539
Fund balances - beginning	<u>627,682</u>	<u>627,682</u>	<u>627,682</u>	-
Fund balances - ending	<u>\$627,682</u>	<u>\$627,682</u>	<u>\$362,757</u>	<u>\$489,539</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, 2011
(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>		
REVENUES				
Taxes	\$3,624,000	\$3,624,000	\$3,769,275	\$145,275
Investment earnings	1,000	1,000	423	(577)
Total revenues	<u>3,625,000</u>	<u>3,625,000</u>	<u>3,769,698</u>	<u>144,698</u>
EXPENDITURES				
General government				
Collection and administrative	55,000	55,000	40,091	14,909
Total expenditures	<u>55,000</u>	<u>55,000</u>	<u>40,091</u>	<u>14,909</u>
Excess of revenues over expenditures	<u>3,570,000</u>	<u>3,570,000</u>	<u>3,729,607</u>	<u>159,607</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,570,000)	(3,570,000)	(4,122,422)	(552,422)
Total other financing sources and uses	<u>(3,570,000)</u>	<u>(3,570,000)</u>	<u>(4,122,422)</u>	<u>(552,422)</u>
Net change in fund balance	-	-	(392,815)	(392,815)
Fund balances - beginning	<u>1,214,759</u>	<u>1,214,759</u>	<u>1,214,759</u>	<u>-</u>
Fund balances - ending	<u>\$1,214,759</u>	<u>\$1,214,759</u>	<u>\$821,944</u>	<u>(\$392,815)</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, 2011
(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>		
REVENUES				
Taxes	\$2,410,000	\$2,410,000	\$2,512,855	\$102,855
Investment earnings	1,000	1,000	142	(858)
Total revenues	<u>2,411,000</u>	<u>2,411,000</u>	<u>2,512,997</u>	<u>101,997</u>
EXPENDITURES				
General government.				
Collection and administrative	57,000	57,000	26,801	30,199
Total expenditures	<u>57,000</u>	<u>57,000</u>	<u>26,801</u>	<u>30,199</u>
Excess of revenues over expenditures	<u>2,354,000</u>	<u>2,354,000</u>	<u>2,486,196</u>	<u>132,196</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,354,000)	(2,354,000)	(2,751,232)	(397,232)
Total other financing sources and uses	<u>(2,354,000)</u>	<u>(2,354,000)</u>	<u>(2,751,232)</u>	<u>(397,232)</u>
Net change in fund balance	-	-	(265,036)	(265,036)
Fund balances - beginning	<u>474,311</u>	<u>474,311</u>	<u>474,311</u>	-
Fund balances - ending	<u>\$474,311</u>	<u>\$474,311</u>	<u>\$209,275</u>	<u>(\$265,036)</u>

See accompanying independent auditors' report

CITY OF RUSTON, LOUISIANA
Notes to Budgetary Comparison Schedules
For the Year Ended September 30, 2011
(Unaudited)

Budget and Budgetary Accounting

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

- (1) The Treasurer's Office compiles for the Mayor estimates of revenues and requests for appropriations of the annual budget.
- (2) During August, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (3) A public hearing is then conducted, after proper official journal notification, to obtain taxpayer comments.
- (4) Prior to September 30, the budget is legally enacted through passage of an ordinance.
- (5) The budget ordinance is structured such that revenues are budgeted by source, and appropriations are budgeted by department and by principal object of expenditure. Budgetary control is exercised at the departmental code level, with the exception of salaries, regular and overtime, which are at the line item level, or by projects, and the City Court and Probation (total combined), and City Marshal departments, which are budgeted at the department level. The Council may revise or amend the budget at its discretion during legally convened sessions. For the year ended September 30, 2010, amendments were made to the budget, including salary and benefit accounts to appropriate for the change in the police department and fire department pay plans, and grant revenue and expenditure accounts to account for grants received throughout the year; and various other accounts to appropriate open purchase orders as of the end of the prior year.
- (6) Comparison of budgeted and actual amounts as shown in the accompanying financial statements includes the General Fund and those special revenue funds which are included in the annual operating budget (1968 Sales Tax, 1985 Sales Tax, 1990 Sales Tax, Parks and Recreation, and Section 8 Vouchers). Annual operating budgets are not prepared for the D.A.R.T. Grant Program, Central Shop Construction, and I-20 funds, but rather these funds are budgeted on a project basis. The capital budget ordinances which encompass the capital projects funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial statements for these funds. Budgetary control for the debt service funds is achieved through general bond indenture provisions.
- (7) All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Appropriations which are not expended lapse at year end.
- (8) The City is legally required to prepare annual operating budgets for the Electric System, Water System, Sewer System, Ruston Airport Authority, Ambulance Fund, Workmen's Compensation, General Insurance, and Purchasing/Warehouse Funds. The City is not, however, required to present an actual-to-budget comparison for the enterprise and internal service funds.

CITY OF RUSTON, LOUISIANA
Notes to Budgetary Comparison Schedules
For the Year Ended September 30, 2011
(Unaudited)

Excess of Expenditures over Budget

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

<u>Fund</u>	<u>Budget</u>	<u>Actual on a budgetary basis</u>	<u>Negative variance</u>
General Fund:			
General Government:			
Inspections Dept. - Operating Services	\$99,546	\$113,118	(\$13,572)
Public Safety:			
Probation	87,782	89,959	(2,177)
Public Works			
Administration Dept. - Materials and Supplies	23,300	24,248	(948)

The unfavorable variance in the Inspections Dept. is due to the estimate of an allowance for uncollectible accounts that was not anticipated during the budget preparation. The unfavorable variance in Probation is due to an increase in fuel costs and an increase in the retirement contribution rate. The unfavorable variance in the Public Works Administration Dept is due to purchases of supplies miscoded to another dept and reclassified after year-end making it impossible to amend its budget.

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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, 2011

	Special Revenue Funds					Capital Project Fund - Central Shop Construction	Total Nonmajor Governmental Funds
	Ruston Parks & Recreation Board	D.A.R.I. Grant Program	Section 8 Voucher Housing	Total	Debit Service Fund - 1-20 TID		
ASSETS							
Cash and cash equivalents	\$65,573	-	\$1,092,894	\$1,158,467	\$917,478	\$101,807	\$2,177,752
Investments	-	-	-	-	-	-	-
Accounts receivable, net	339	\$4,901	7,815	13,055	947,356	-	960,411
Due from other funds	501,377	-	-	501,377	-	-	501,377
Total assets	<u>\$567,289</u>	<u>\$4,901</u>	<u>\$1,100,709</u>	<u>\$1,672,899</u>	<u>\$1,864,834</u>	<u>\$101,807</u>	<u>\$3,639,540</u>
LIABILITIES AND FUND							
BALANCES							
Liabilities.							
Accounts payable	\$19,545	\$4,901	-	\$24,446	-	-	\$24,446
Deposits	514	-	-	514	-	-	514
Due to other funds	1,282	-	\$64,348	65,630	-	-	65,630
Accrued salaries	6,359	-	931	7,290	-	-	7,290
Total liabilities	<u>27,700</u>	<u>4,901</u>	<u>65,279</u>	<u>97,880</u>	<u>-</u>	<u>-</u>	<u>97,880</u>
Fund balances							
Unrestricted, assigned for:							
Encumbrances	140,775	-	-	140,775	-	-	140,775
Debt service	-	-	-	-	\$1,864,834	-	1,864,834
Unrestricted, assigned	398,814	-	1,035,430	1,434,244	-	\$101,807	1,536,051
Total fund balances	<u>539,589</u>	<u>-</u>	<u>1,035,430</u>	<u>1,575,019</u>	<u>1,864,834</u>	<u>101,807</u>	<u>3,541,660</u>
Total liabilities and fund balances	<u>\$567,289</u>	<u>\$4,901</u>	<u>\$1,100,709</u>	<u>\$1,672,899</u>	<u>\$1,864,834</u>	<u>\$101,807</u>	<u>\$3,639,540</u>

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 2011

	Special Revenue Funds				Capital Project Funds				Total Nonmajor Governmental Funds
	Ruston Parks & Recreation Board	D.A.R.T. Grant Program	Section 8 Voucher Housing	Total	Debt Service Fund	Central Shop Construction	Sewer ICDBG Grant	Total	
REVENUES									
Taxes	\$482,031	-	-	\$482,031	\$3,621,296	-	-	-	\$4,103,327
Intergovernmental	-	\$27,485	\$1,312,423	1,339,908	-	-	-	-	1,339,908
Charges for services	74,573	-	-	74,573	-	-	-	-	74,573
Investment earnings	1,447	-	1,318	2,765	-	\$271	-	\$271	3,036
Miscellaneous	13,585	-	-	13,585	-	-	-	-	13,585
Total revenues	571,636	27,485	1,313,741	1,912,862	3,621,296	271	-	271	5,534,429
EXPENDITURES									
Current									
General Government	-	27,485	1,256,049	1,283,534	-	-	-	-	1,283,534
Recreation	1,182,587	-	-	1,182,587	-	-	-	-	1,182,587
Capital outlay	-	-	-	-	-	-	\$83,253	83,253	83,253
Bond principal	-	-	-	-	565,000	-	-	-	565,000
Bond interest	-	-	-	-	356,377	-	-	-	356,377
Total expenditures	1,182,587	27,485	1,256,049	2,466,121	921,377	-	83,253	83,253	3,470,751
Excess (deficiency) of revenues over (under) expenditures	(610,951)	-	57,692	(553,259)	2,699,919	271	(83,253)	(82,982)	2,063,678
OTHER FINANCING SOURCES (USES)									
Transfers in	496,323	-	-	496,323	-	-	83,253	83,253	579,576
Transfers out	-	-	-	-	(2,520,236)	-	-	-	(2,520,236)
Total other financing sources and uses	496,323	-	-	496,323	(2,520,236)	-	83,253	83,253	(1,940,660)
Net change in fund balances	(114,628)	-	57,692	(56,936)	179,683	271	-	271	123,018
Fund balances - beginning	654,217	-	977,738	1,631,955	1,685,151	101,536	-	101,536	3,418,642
Fund balances - ending	\$539,589	-	\$1,035,430	\$1,575,019	\$1,864,834	\$101,807	-	\$101,807	\$3,541,660

The accompanying notes are an integral part of the financial statements

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Internal Service Funds

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

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

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

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

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

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CITY OF RUSTON, LOUISIANA
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2011

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>General & Auto Liability</u>	<u>Total Internal Service Funds</u>
ASSETS					
Current Assets.					
Cash and cash equivalents	\$193,618	\$730,413	\$103,012	\$266	\$1,027,309
Investments	243,762	1,656,334	-	-	1,900,096
Receivables, net	-	2,728	-	-	2,728
Due from other funds	-	34,384	-	20	34,404
Prepaid items	45,000	-	-	-	45,000
Total current assets	<u>482,380</u>	<u>2,423,859</u>	<u>103,012</u>	<u>286</u>	<u>3,009,537</u>
Noncurrent Assets					
Capital Assets					
Buildings	-	-	13,080	-	13,080
Equipment	-	-	48,123	-	48,123
Less accumulated depreciation	-	-	(57,995)	-	(57,995)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>3,208</u>	<u>-</u>	<u>3,208</u>
Total assets	<u>\$482,380</u>	<u>\$2,423,859</u>	<u>\$106,220</u>	<u>\$286</u>	<u>\$3,012,745</u>
LIABILITIES					
Current Liabilities					
Accounts payable	\$5,887	\$1,069	\$227	\$746	\$7,929
Accrued liabilities	-	-	2,668	-	2,668
Due to other funds	-	-	1,949	-	1,949
Claims and judgments	217,520	201,177	-	-	418,697
Total current liabilities	<u>223,407</u>	<u>202,246</u>	<u>4,844</u>	<u>746</u>	<u>431,243</u>
Noncurrent Liabilities					
Compensated absences	-	-	8,618	-	8,618
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>8,618</u>	<u>-</u>	<u>8,618</u>
Total liabilities	<u>223,407</u>	<u>202,246</u>	<u>13,462</u>	<u>746</u>	<u>439,861</u>
NET ASSETS					
Invested in capital assets, net of related debt	-	-	3,208	-	3,208
Unrestricted	258,973	2,221,613	89,550	(460)	2,569,676
Total net assets	<u>\$258,973</u>	<u>\$2,221,613</u>	<u>\$92,758</u>	<u>(\$460)</u>	<u>\$2,572,884</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, 2011

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>General & Auto Liability</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES					
Charges to other funds	\$240,000	\$2,415,692	\$225,000	\$495,559	\$3,376,251
Premiums paid by retired employees	-	285,906	-	-	285,906
Retiree drug subsidy	-	36,276	-	-	36,276
Other income	-	25	-	-	25
Total operating revenues	<u>240,000</u>	<u>2,737,899</u>	<u>225,000</u>	<u>495,559</u>	<u>3,698,458</u>
OPERATING EXPENSES					
Cost of Services					
Salaries, wages and employee benefits	-	-	176,413	-	176,413
Operating services	-	-	12,396	-	12,396
Materials and supplies	-	-	12,158	-	12,158
Travel and other	-	-	3,444	-	3,444
Depreciation	-	-	283	-	283
Total cost of services	<u>-</u>	<u>-</u>	<u>204,694</u>	<u>-</u>	<u>204,694</u>
Claims	73,859	2,395,532	-	200,799	2,670,190
Insurance premiums	133,724	490,440	-	331,919	956,083
Total operating expenses	<u>207,583</u>	<u>2,885,972</u>	<u>204,694</u>	<u>532,718</u>	<u>3,830,967</u>
Operating income (loss)	<u>32,417</u>	<u>(148,073)</u>	<u>20,306</u>	<u>(37,159)</u>	<u>(132,509)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	16,549	23,081	119	81	39,830
Income (loss) before transfers	<u>48,966</u>	<u>(124,992)</u>	<u>20,425</u>	<u>(37,078)</u>	<u>(92,679)</u>
Transfers in	-	-	-	-	-
Change in net assets	<u>48,966</u>	<u>(124,992)</u>	<u>20,425</u>	<u>(37,078)</u>	<u>(92,679)</u>
Total net assets - beginning	<u>210,007</u>	<u>2,346,605</u>	<u>72,333</u>	<u>36,618</u>	<u>2,665,563</u>
Total net assets - ending	<u>\$258,973</u>	<u>\$2,221,613</u>	<u>\$92,758</u>	<u>(\$460)</u>	<u>\$2,572,884</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, 2011

	<u>Workmen's Compensation</u>	<u>General Insurance</u>	<u>Purchasing/ Warehouse</u>	<u>General & Auto Liability</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities					
Receipts from operations	\$240,000	\$2,701,522	\$225,000	\$495,539	\$3,662,061
Payments to suppliers	(184,659)	(506,231)	(26,696)	(323,278)	(1,040,864)
Payments to employees	-	-	(175,966)	-	(175,966)
Claims	(299,438)	(2,367,438)	-	(200,799)	(2,867,675)
Other receipts	-	36,301	-	-	36,301
Net cash provided by (used in) operating activities	<u>(244,097)</u>	<u>(135,846)</u>	<u>22,338</u>	<u>(28,538)</u>	<u>(386,143)</u>
Cash flows from investing activities					
Proceeds from sales and maturities of investments	243,904	-	-	-	243,904
Purchases on investments	-	(21,992)	-	-	(21,992)
Interest on investments	16,549	23,081	119	81	39,830
Net cash provided by (used in) investing activities	<u>260,453</u>	<u>1,089</u>	<u>119</u>	<u>81</u>	<u>261,742</u>
Net increase (decrease) in cash and cash equivalents	16,356	(134,757)	22,457	(28,457)	(124,401)
Cash and cash equivalents - beginning of year	177,262	865,170	80,555	28,723	1,151,710
Cash and cash equivalents - end of year	<u>\$193,618</u>	<u>\$730,413</u>	<u>\$103,012</u>	<u>\$266</u>	<u>\$1,027,309</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	<u>\$32,417</u>	<u>(\$148,073)</u>	<u>\$20,306</u>	<u>(\$37,159)</u>	<u>(\$132,509)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	-	-	283	-	283
(Increase) Decrease in assets					
Receivables	-	(76)	-	-	(76)
Due from other funds	-	(16,669)	-	(20)	(16,689)
Prepaid items	(20,000)	-	-	7,895	(12,105)
Increase (Decrease) in liabilities					
Accounts payable	(50,935)	878	(332)	746	(49,643)
Accrued liabilities	-	-	264	-	264
Due to other funds	-	-	1,634	-	1,634
Claims and judgments	(205,579)	28,094	-	-	(177,485)
Compensated absences	-	-	183	-	183
Total adjustments	<u>(276,514)</u>	<u>12,227</u>	<u>2,032</u>	<u>8,621</u>	<u>(253,634)</u>
Net cash provided by (used in) operating activities	<u>(\$244,097)</u>	<u>(\$135,846)</u>	<u>\$22,338</u>	<u>(\$28,538)</u>	<u>(\$386,143)</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, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$485,000	\$485,000	\$482,031	(\$2,969)
Charges for services	81,000	81,000	74,573	(6,427)
Investment earnings	5,000	5,000	1,447	(3,553)
Miscellaneous	10,000	10,000	13,585	3,585
Total revenues	<u>581,000</u>	<u>581,000</u>	<u>571,636</u>	<u>(9,364)</u>
EXPENDITURES				
Current:				
<i>Recreation</i>				
Salaries, wages and employee benefits	530,223	531,890	494,699	37,191
Operating services	365,382	368,382	244,544	123,838
Materials and supplies	35,200	35,200	22,469	12,731
Travel and other	14,000	14,000	11,370	2,630
Improvements and equipment	399,000	612,540	409,505	203,035
Total expenditures	<u>1,343,805</u>	<u>1,562,012</u>	<u>1,182,587</u>	<u>379,425</u>
Deficiency of revenues over expenditures	<u>(762,805)</u>	<u>(981,012)</u>	<u>(610,951)</u>	<u>370,061</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	516,173	516,173	496,323	(19,850)
Total other financing sources (uses)	<u>516,173</u>	<u>516,173</u>	<u>496,323</u>	<u>(19,850)</u>
Net change in fund balance	(246,632)	(464,839)	(114,628)	350,211
Fund balances - beginning	654,217	654,217	654,217	-
Fund balances - ending	<u>\$407,585</u>	<u>\$189,378</u>	<u>\$539,589</u>	<u>\$350,211</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$1,353,304	\$1,353,304	\$1,312,423	(\$40,881)
Investment earnings	1,000	1,000	1,318	318
Total revenues	<u>1,354,304</u>	<u>1,354,304</u>	<u>1,313,741</u>	<u>(40,563)</u>
EXPENDITURES				
Current				
General Government.				
Salaries, wages and employee benefits	131,367	131,367	94,886	36,481
Operating services	1,200,120	1,200,952	1,157,306	43,646
Materials and supplies	15,800	15,800	3,857	11,943
Travel and other	10,000	10,000	-	10,000
Total expenditures	<u>1,357,287</u>	<u>1,358,119</u>	<u>1,256,049</u>	<u>102,070</u>
Excess of revenues over expenditures	<u>(2,983)</u>	<u>(3,815)</u>	<u>57,692</u>	<u>61,507</u>
Net change in fund balance	(2,983)	(3,815)	57,692	61,507
Fund balances - beginning	<u>977,738</u>	<u>977,738</u>	<u>977,738</u>	<u>-</u>
Fund balances - ending	<u>\$974,755</u>	<u>\$973,923</u>	<u>\$1,035,430</u>	<u>\$61,507</u>

The accompanying notes are an integral part of the financial statements

City of Ruston, Louisiana

**OMB Circular A-133 Report
For The Year Ended September 30, 2011**

(With Independent Auditor's Report Thereon)



Douglas A. Brewer, LLC
Certified Public Accountant

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

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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
the City of Ruston, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ruston, Louisiana (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued my report thereon dated March 22, 2012. 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

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 11-1.

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

This report is intended solely for the information and use of management and the Board of Aldermen of the City of Ruston, Louisiana, the Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

Douglas A. Brewer, LLC

March 22, 2012
Ruston, Louisiana

Douglas A. Brewer, LLC

Certified Public Accountant

500 North Trenton

PO Box 1250

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

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

Honorable Mayor and Board of Aldermen of
the City of Ruston, Louisiana

Compliance

I have audited the City of Ruston, Louisiana's (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. My responsibility is to express an opinion on the City's compliance based on my audit.

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

In my opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

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

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

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

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

Schedule of Expenditures of Federal Awards

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2011, and have issued my report thereon dated March 22, 2012, which contained unqualified opinions on those financial statements. My audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Board of Aldermen of the City of Ruston, Louisiana, others within the entity, the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

Douglas A. Brewer, LLC

Ruston, Louisiana
March 22, 2012

City of Ruston
Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2011

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Housing and Urban Development:		
Section 8 - Housing Choice Vouchers	14 871	\$ 1,139,891
Pass through Louisiana Office of Community Development D A R T CDBG Program	14 231	22,584
Total United States Department of Housing and Urban Development		1,162,475
Department of Homeland Security:		
Pass through Louisiana State Police Homeland Security Grant Program	97 067	70,520
Pass through Lincoln Parish Police Jury Interoperable Emergency Communications Grant (IECGP)	97 055	7,636
Total Department of Homeland Security		78,156
United States Department of Justice:		
Pass through Lincoln Parish Police Jury Edward Byrne Memorial Justice Assistance Grant	16 738	7,162
Total United States Department of Justice		7,162
United States Department of Energy:		
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81 122	1,098,228
Federal Aviation Administration:		
Airport Improvement Program	20 106	488,389
United States Environmental Protection Agency:		
Pass through Louisiana Department of Health and Hospitals Capitalization Grant For Drinking Water State Revolving Funds	66 468	168,251
Capitalization Grant - ARRA Portion	66 468	203,236
Total United States Environmental Protection Agency		371,487
Total Federal Awards		\$ 3,205,897

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, 2011

1. General

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

2. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Subrecipients</u>
D A R T CDBG Program	14 231	\$ 27,485

City of Ruston, Louisiana
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2011

Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic government financial statements of the City of Ruston, Louisiana.
2. No significant deficiencies were disclosed during the audit of the financial statements are reported in the Report on Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards* and on the Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133.
3. One instance of noncompliance was disclosed during the audit, which would be required to be reported in accordance with *Government Auditing Standards*
4. No significant deficiencies were disclosed during the audit of the major federal award programs are reported in the Independent Auditor's Report On Compliance With Requirements That Could Have a Direct And Material Effect On Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133
5. The auditor's report on compliance for the major federal award programs for the City of Ruston, Louisiana expresses an unqualified opinion on all major federal programs One instance of noncompliance was disclosed
6. Audit findings that are required to be reported in accordance with Sections 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included the Department of Housing and Urban Development Voucher Program, CFDA No 14 857; the United States Environmental Protection Agency pass-through the Louisiana Department of Health and Hospitals - Capitalization Grants for Drinking Water, CFDA No. 66 468; and the Federal Aviation Administration Airport Improvement Program, CFDA 20 106
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, 2011**

Findings And Questioned Costs – Major Federal Award Programs Audit

11-1 Local Budget Act – Additional Requirements created by 2010 Act 966

Condition.

It was noted that the City did not comply with the additional requirements of the Local Budget Act that went into effect January 1, 2011

Criteria

Act 966 of the 2010 Louisiana Legislative Regular Session created additional requirements under the provisions of R S 39 1305 C (2)(a)

Effect

City of Ruston is not in compliance with the additional requirements created under Act 966 Even though its fiscal year began before the additional requirements of Act 966 went into effect, the City did amend its budgets after January 1, 2011 The additional requirements of the Act were not implemented at that time

Recommendation

City of Ruston should comply with all Local Budget Act requirements

Response

The City of Ruston will amend its budgets to include all additional requirements contained in Act 966

**City of Ruston, Louisiana
Summary Schedule of Prior Findings
For The Year Ended September 30, 2011**

Federal Award Findings and Questioned Costs

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

Condition:

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

Recommendation:

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

Status

Cleared

Management Letter

No management letter was issued for the year ended September 30, 2010