

CITY OF WASHINGTON, MISSOURI

FINANCIAL REPORT
(Audited)

Year Ended September 30, 2004

CITY OF WASHINGTON, MISSOURI
FINANCIAL REPORT

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Balestra, Harr & Scherer, CPAs, Inc.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City Of Washington, Missouri

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington, Missouri (the City), as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2004, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 15 and the Budgetary Comparison Schedules for the General Fund, the Parks and Recreation Fund and the Airport Fund on pages 42 through 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Honorable Mayor and City Council
City of Washington, Missouri
Independent Auditor's Report
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplemental information and the schedule of federal awards expenditures as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.
March 29, 2005

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Management's Discussion and Analysis
Fiscal Year Ended September 30, 2004**

This section of the City of Washington's annual financial report presents our review of the City's financial performance during the fiscal year that ended on September 30, 2004. We encourage readers to consider the information presented here along with additional information in the notes to the financial statements and supplemental information section presented elsewhere in this report.

Financial Highlights

Although many cities in the State have seen a slow down of revenue growth, Washington continues to see increased revenues. The City is experiencing residential, commercial and industrial growth.

- The City's total net assets increased \$6,127,571 or 15.8%. Governmental activities net assets increased \$5,182,646 while business-type activities net assets increased \$944,925.
- As of the close of the current fiscal year, the City of Washington's governmental funds reported combined ending fund balances of \$9,965,656, a decrease of \$298,767. The decrease was largely due to construction of several infrastructure projects. Approximately \$2,796,141 is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,067,047 or 50.2 percent of total General Fund expenditures.
- In the General Fund, sales tax revenue failed budgetary projections by \$144,599 (4.1%). However, actual sales tax revenues increased 4.7% over fiscal year 2003 revenues.
- Construction phase of a runway expansion project at the city airport. Total project cost is estimated at \$6,411,705; funding for the project consists of grants for \$5,996,480 and Capital Improvement Tax funds of \$415,226.
- Completion of the Locust Street bridge, construction in progress of the Sunnyside Street bridge, Bieker Road widening and reconstruction.
- Design phase of a new police complex and a Senior Center.

Overview of the Financial Statements

The implementation of Government Accounting Standard Board (GASB) Statement No. 34 has changed the presentation and content of the financial statements from the statements issued prior to fiscal year 2003.

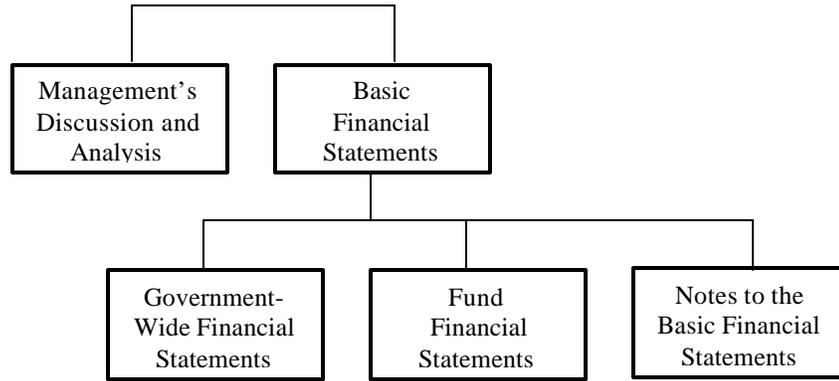
The primary focus of local government's financial statements prior to GASB 34 had been to summarize fund type information on a current financial resource basis. The new accounting model now presents two kinds of information. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. These statements are prepared on a full accrual basis of accounting to present information in a more corporate-like presentation on individual parts of the government. More relevant detail is provided by distinct presentation of major funds in the basic financial statements, rather than summaries by total fund types.

The City of Washington's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT’S DISCUSSION AND ANALYSIS**

financial statements themselves. This management discussion and analysis is intended to serve as an introduction to the City of Washington’s basic financial statements.

Required Components of Annual Financial Report



Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Washington’s finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the City’s financial status as a whole.

The *statement of net assets* presents information on all of the City of Washington’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 of Washington is improving or deteriorating.

The *statement of net activities* represents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected special assessment charges and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the City of Washington that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Washington include general government, public safety, highways and streets, airport, and culture and recreation. The business-type activities of the City of Washington include a water system distribution operation, a sewage collection and treatment system, and a solid waste collection and disposal operation and a recycling center.

The government-wide financial statements include not only the City of Washington itself (known as the *primary government*), but also a legally separate Industrial Development Authority for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found in this report.

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 Washington, 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 of Washington can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 government'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 of Washington maintains ten individual governmental funds. Due to similarity of purpose, the Self-Insurance Contingency Fund, the Washington Industrial Development Fund and the Stormwater Improvement Fund revenues and expenditures are reported in the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Parks and Recreation Fund, Airport Fund, Capital Improvements Sales Tax Fund, and Leasehold Revenue Bonds Debt Service Fund, all of which are considered to be major funds. Data from the other two 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 of Washington adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for all budgeted funds to demonstrate legal compliance with the respective adopted budget.

The basic governmental fund financial statements can be found in this report.

Proprietary Funds

The City of Washington maintains *Enterprise funds* to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Washington uses enterprise funds to account for its Water, Sewage Treatment, and Solid Waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund statements provide separate information for the Water Fund, Sewage Treatment Fund and Solid Waste Fund operations, all of which are considered to be major funds of the City of Washington.

The basic proprietary fund financial statements can be found in this report.

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Washington's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found in this report.

Notes to the Basic 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. The notes to the financial statements can be found in this report.

Other Information

In addition to the basic financial statements and accompanying notes, certain *required supplementary information* that include a budgetary comparison for the General Fund, the Park and Recreation Fund and the Airport Fund can be found in this report.

The combining and individual statements, referred to earlier in connection with nonmajor governmental funds, are presented immediately following the required supplementary information. Combining and individual statements and schedules can be found in this report.

**Government-wide Financial Analysis –
Financial Analysis of the City as a Whole**

This is the second year the City of Washington has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Because this reporting model significantly changed the recording and presentation of financial data, this year is the first time that two years of financial information in the GASB 34 format is available in the Management's Discussion and Analysis.

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Washington, assets exceeded liabilities by \$44,802,107 at the close of this fiscal year.

Statement of Net Assets

On the following page, the table reflects the condensed statement of net assets as of September 30, 2004 and 2003. A review of the government-wide financial statement of net assets reveals the following:

Assets

Total assets for the City as a whole are \$50,424,222, an increase of 16.1%. This includes \$33,232,215 for governmental activities and \$17,192,007 for business-type activities. Of these total assets, \$34,268,104 are capital assets and \$16,156,118 are other assets.

Liabilities

Total liabilities for the City as a whole are \$5,622,115. Of these total liabilities, \$3,478,366 is long-term liabilities and \$2,143,749 is other liabilities. For governmental activities, \$1,238,115 is long-term liabilities (decrease of \$515,980 over 2003) and \$1,848,276 is other liabilities (increase of \$1,299,492 over 2003).

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The major reason for the large increase in current liabilities is the airport runway expansion, two bridge projects and a roadway widening and reconstruction. Long-term liabilities for business-type activities are \$2,240,251 (increase of \$15,707 over 2003) and other liabilities are \$295,473. The majority of the long-term liabilities for governmental activities are for debt issued for major capital projects. The majority of the long-term liabilities for business-type activities are for debt issued, and closure and post-closure landfill care liability.

City of Washington's Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Assets						
Current and other assets	\$ 11,829,951	\$ 10,817,364	\$ 4,326,167	\$ 4,485,852	\$ 16,156,118	\$ 15,303,216
Capital assets, net	<u>21,402,264</u>	<u>16,448,693</u>	<u>12,865,840</u>	<u>11,664,004</u>	<u>34,268,104</u>	<u>28,112,697</u>
Total assets	<u>33,232,215</u>	<u>27,266,057</u>	<u>17,192,007</u>	<u>16,149,856</u>	<u>50,424,222</u>	<u>43,415,913</u>
Liabilities						
Long-term liabilities	1,238,115	1,754,095	2,240,251	2,224,544	3,478,366	3,978,639
Other liabilities	<u>1,848,276</u>	<u>548,784</u>	<u>295,473</u>	<u>213,954</u>	<u>2,143,749</u>	<u>762,738</u>
Total liabilities	<u>3,086,391</u>	<u>2,302,879</u>	<u>2,535,724</u>	<u>2,438,498</u>	<u>5,622,115</u>	<u>4,741,377</u>
Net Assets						
Invested in capital assets, net of related debt	21,402,264	16,448,693	12,241,765	10,847,609	33,644,029	27,296,302
Restricted	3,985,879	4,364,834	224,800	225,240	4,210,679	4,590,074
Unrestricted	<u>4,757,681</u>	<u>4,149,651</u>	<u>2,189,718</u>	<u>2,638,509</u>	<u>6,947,399</u>	<u>6,788,160</u>
Total net assets	<u>30,145,824</u>	<u>24,963,178</u>	<u>14,656,283</u>	<u>13,711,358</u>	<u>44,802,107</u>	<u>38,674,536</u>

Net Assets

Total net assets for the City as a whole increased in 2004 by 15.8% to \$44,802,107 as compared to \$38,674,536 in 2003. This includes \$30,145,824 for governmental activities and \$14,656,283 for business-type activities.

At the end of 2004, the City had positive balances in all three of its categories of net assets

- \$33,644,029 Invested in capital assets, net of related debt
- 4,210,679 Restricted
- 6,947,399 Unrestricted

The largest portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure). The City of Washington uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. An additional portion of the City of Washington's net assets represents resources that are subject to external restrictions on how they may be used.

Restricted net assets for governmental activities are \$3,985,879 and business-type activities are \$224,800. Restricted net assets equal to 9.4% of net assets. These resources are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws/regulations or other governments, or restrictions imposed by law through constitutional provisions or legislation.

The remaining portion of the City's net assets represent *unrestricted net assets*, \$6,947,399 (up 2.3% from 2003), may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Activities

The following table reflects the revenues and expenses for the City's activities for the years ended September 30, 2004 and 2003:

	City of Washington Changes in Net Assets					
	Governmental		Business-type		Total	
	Activities		Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 1,296,756	1,210,908	3,905,614	3,310,814	5,202,370	4,521,722
Operating grants and contributions	982,312	656,536	-	-	982,312	656,536
Capital grants and contributions	3,561,738	3,183,630	411,475	403,687	3,973,213	3,587,317
General revenues:					-	
Taxes	7,772,598	7,362,403	-	-	7,772,598	7,362,403
Investment earnings	133,112	182,424	71,422	97,920	204,534	280,344
Miscellaneous	-	35,835	53,545	29,824	53,545	65,659
Total revenues	<u>13,746,516</u>	<u>12,631,736</u>	<u>4,442,056</u>	<u>3,842,245</u>	<u>18,188,572</u>	<u>16,473,981</u>
Expenses:						
General government	1,906,000	1,712,695		-	1,906,000	1,712,695
Public safety	3,122,518	2,990,862		-	3,122,518	2,990,862
Airport	97,536	98,450		-	97,536	98,450
Highways and streets	1,779,304	2,411,280		-	1,779,304	2,411,280
Culture and recreation	1,472,036	1,429,316		-	1,472,036	1,429,316
Interest on long-term debt	80,766	111,531		-	80,766	111,531
Water		-	1,147,483	1,064,613	1,147,483	1,064,613
Sewage treatment		-	999,553	1,003,287	999,553	1,003,287
Solid Waste		-	1,455,805	1,328,974	1,455,805	1,328,974
Total expenses	<u>8,458,160</u>	<u>8,754,134</u>	<u>3,602,841</u>	<u>3,396,874</u>	<u>12,061,001</u>	<u>12,151,008</u>
Increase in net assets before transfers	5,288,356	3,877,602	839,215	445,371	6,127,571	4,322,973
Transfers	<u>(105,710)</u>	<u>(360,166)</u>	<u>105,710</u>	<u>360,166</u>	<u>-</u>	<u>-</u>
Increase in net assets	5,182,646	3,517,436	944,925	805,537	6,127,571	4,322,973
Net assets, October 1, 2003	<u>24,963,178</u>	<u>21,445,742</u>	<u>13,711,358</u>	<u>12,905,821</u>	<u>38,674,536</u>	<u>34,351,563</u>
Net assets, September 30, 2004	<u>\$ 30,145,824</u>	<u>24,963,178</u>	<u>14,656,283</u>	<u>13,711,358</u>	<u>44,802,107</u>	<u>38,674,536</u>

Program Revenues

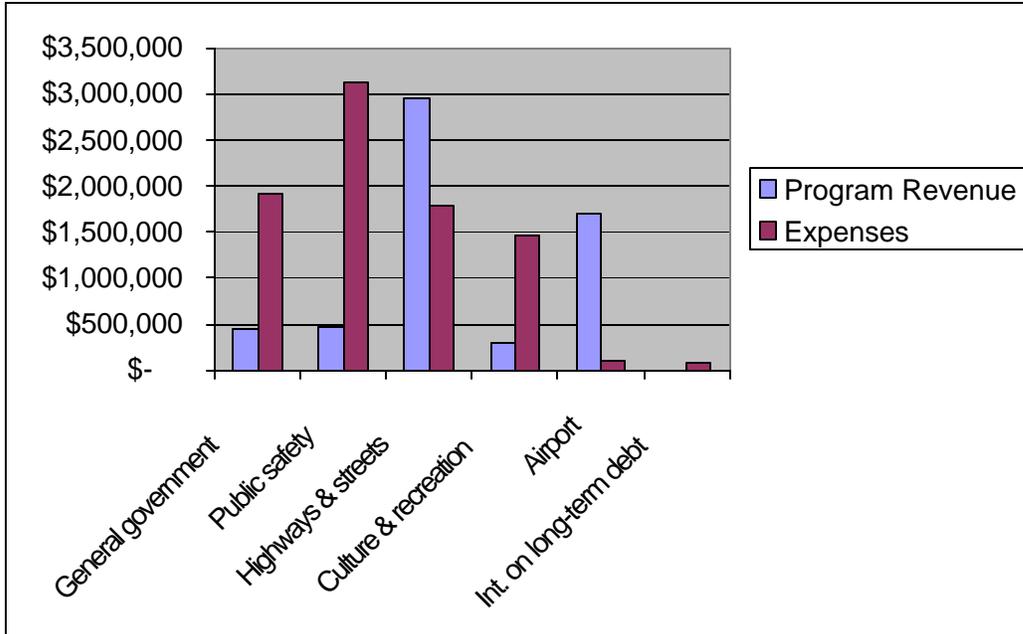
The government-wide statement of activities indicates the major sources of program revenues are charges for services (51 percent). Charges for services increased by \$680,648 (15 percent) in 2004. The business-type activities account for 75 percent of all charges for services and governmental activities account for 25 percent. The largest increase of \$429,000 was due to a fee increase at the landfill, plus increase traffic from private haulers. The remaining increase, in both governmental and business-type revenues, was due to the new construction occurring in the City. Approximately 100 more building permits were issued in 2004 than in 2003.

Operating grants and contributions account for 10 percent of program revenues. The amount of operating grants and contributions increased by \$325,776 (50 percent) over 2003. The largest portion of these revenues was for street maintenance through an intergovernmental revenue source. The City does not expect to receive this amount annually. The balances of the operating revenues were intergovernmental grants for public safety.

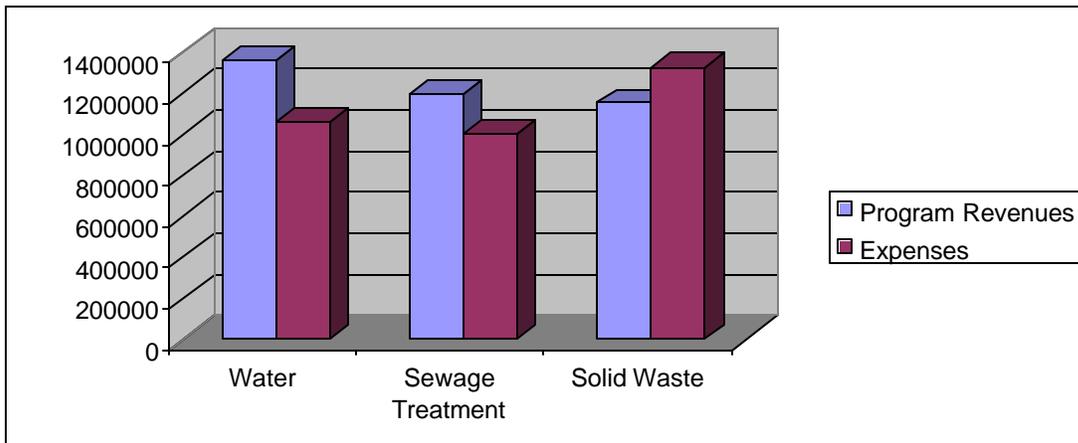
The capital grants and contributions account for 39 percent of all program revenues (\$3,973,213). The business-type activities account for 10 percent and governmental activities account for the remaining 90 percent. Capital grants and contributions are higher than in the previous year due to the airport expansion and several infrastructure projects. Business-type activities capital grants and contributions consisted of donated water and sewer system lines by developers of residential and commercial tracts.

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Expenses and Program Revenues – Governmental Activities



Expenses and Program Revenues – Business-type Activities



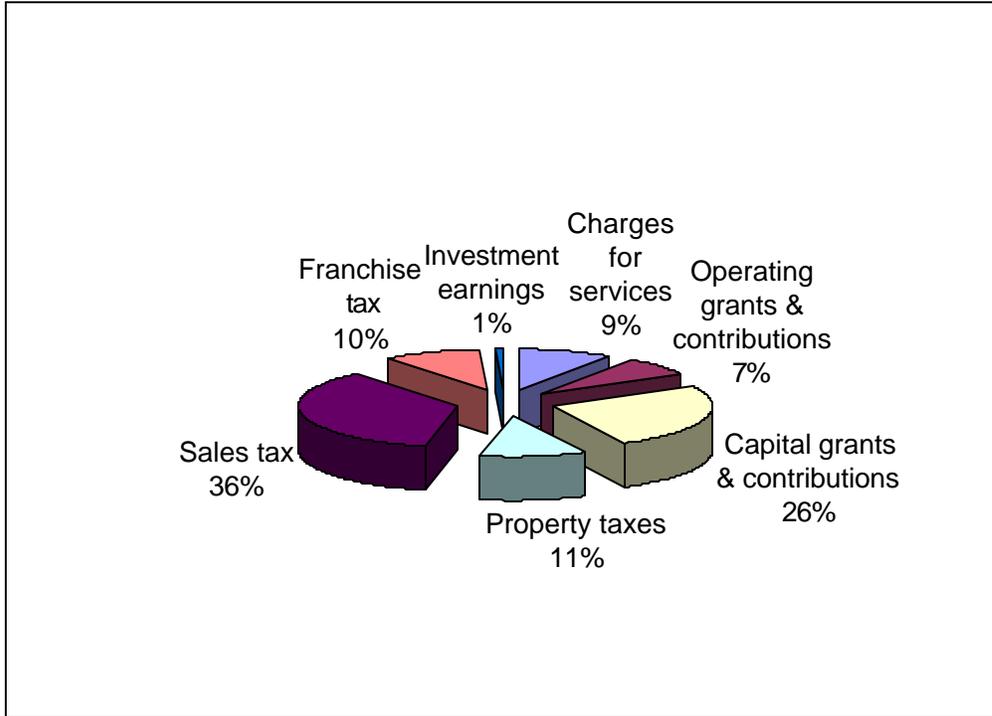
**CITY OF WASHINGTON, MISSOURI
MANAGEMENT’S DISCUSSION AND ANALYSIS**

General Revenues

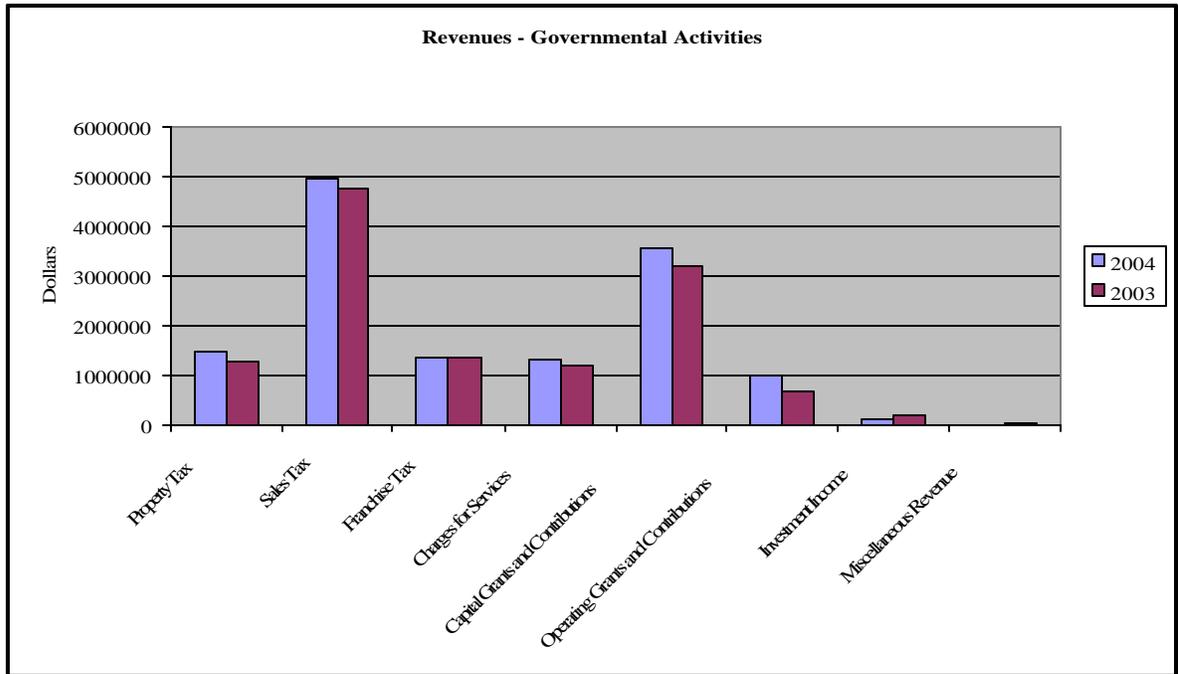
The single most significant source of all general revenues is sales taxes. It accounts for \$4,948,433 (62%) of total general revenues. Franchise tax and property taxes are the next most significant revenues representing 17 percent and 18 percent, respectively. The remaining 3 percent is all other general revenue. The City of Washington continues to see sales tax revenue grow, but at a slower rate than the previous year. Sales tax revenues increased \$206,871 (4.7%) over the 2003 fiscal year revenues. Due to the present economic conditions, the staff continues to monitor the monthly sales tax reports provided by the state and local economic activity. Business-type general revenues consisted of investment earnings, a recycling grant and sale of a capital asset.

The City property tax levy was set at \$0.6335. The general operating levy of \$0.542 and the Library Tax levy of \$0.0915. The general operating tax levy, set at \$0.542 per \$100 assessed valuation, is approximately a 10 percent reduction of the maximum allowed of \$0.6090. This was a reduction in property tax revenues of approximately \$152,900. This is the third year the City has elected to rollback the tax rate to a lower level.

Revenues by Source – Governmental Activities



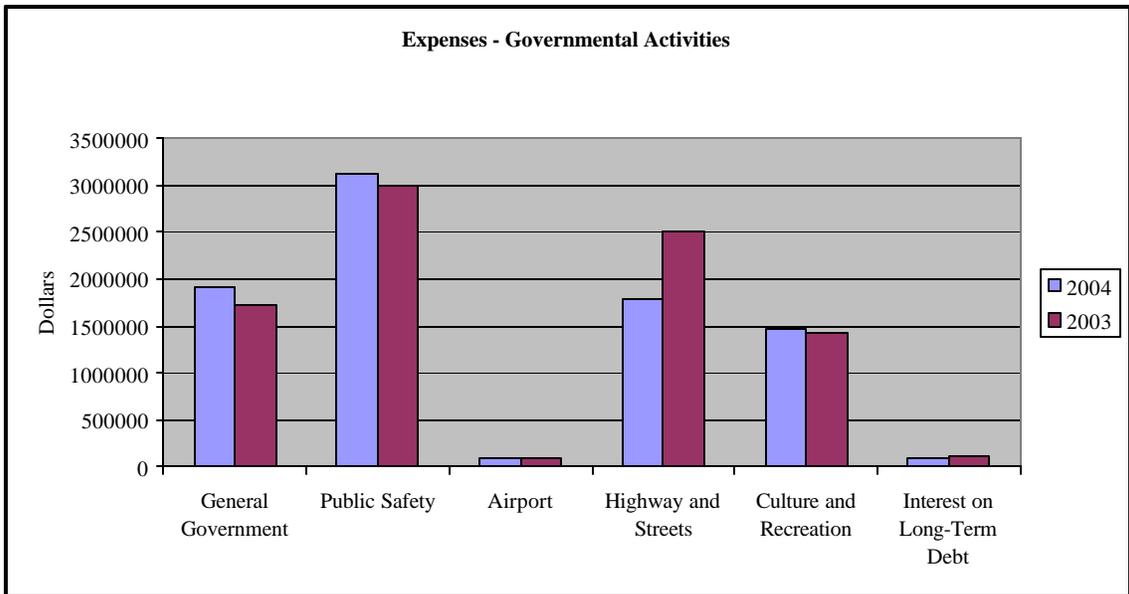
**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS**



Program Expenses

Total program (function) expenses for fiscal year 2004 are \$12,061,001 a reduction of \$90,007 over 2003. The majority of these expenses, \$8,458,160, are for governmental activities with the remaining \$3,602,841 for business-type activities.

The largest program expense in the governmental activities is public safety at \$3,122,518 or 37% of all governmental activities. Public safety program expenses increased \$131,656 (4%) from the previous year.



**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Transfers

Net transfers were \$105,710 from governmental activities to business-type activities. This transfer from General Fund was to subsidize the curbside recycling and recycling center operations. In addition, the General Fund transferred \$825,635 to parks and recreation for operations, \$76,430 for airport operations and \$495,740 to the two nonmajor special revenue funds to subsidize operations, and \$178,870 for debt service.

Funds were transferred from the Capital Improvements Sales Tax Fund to the Airport Fund for the local revenue match for the expansion project \$190,000 and \$381,860 for debt service of the Leasehold Revenue Bonds. The Parks and Recreation Fund transferred \$18,725 to Capital Improvements Sales Tax for costs associated with the Ronsick Field improvements.

Net Assets

Governmental activities increased the City's net assets by \$5.1 million, primarily from the capital grants and contributions for special projects and the continued sales tax growth. Departments continue to strive to use the available resources responsibly.

Business-type activities increased net assets by \$944,925. Contributions by developers of water and sewer lines totaled \$411,475 (43%) of the growth; the remainder of the increase was generated by charges for services, investment earnings and other contributions.

Financial Analysis of the City's Major Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City of Washington fund statements can be found in the basic financial statements. Reconciliation to the government-wide financial statement has been provided with these fund statements.

Governmental Funds

The focus of the City of Washington's governmental funds is to provide information on near-term inflows, outflows and balances of available expendable 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 government's net resources available for spending at the end of the fiscal year.

As the City completed the year, its governmental funds reported a combined fund balance of \$9,965,656, a decrease of \$298,767, which was less than originally budgeted.

Approximately \$2.8 million of the September 30, 2004 amount represents unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$4.4 million), (2) non-current advances and loans (\$1.9 million), (3) inventory and prepaid expenses (\$581,839), (4) to pay debt service (\$264,992).

General Fund

The General Fund is the chief operating fund of the City of Washington. At the end of the current fiscal year, total fund balance of the General Fund was \$5,216,703, an increase of \$335,226 above the beginning balance of \$4,881,477. The unreserved General Fund balance at year-end was \$3,067,047.

CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

Parks and Recreation Fund

The Parks and Recreation Fund is used to report the operations of park facilities and recreational activities. As of the close of the current fiscal year, total fund balance was \$150,673, which was a decrease of \$195,879. The decrease was a result of emergency repairs for equipment and mechanical failures.

Airport

The Airport Fund is used to report the operations of the airport. The total fund balance at the end of the current fiscal year was a deficit balance of \$657. The decrease of \$64,096 from the prior year is a result of the current airport expansion project.

Capital Improvement Sales Tax

At the end of the current fiscal year, the total fund balance of this capital projects fund was \$3,720,887, a decrease of \$354,401 from the beginning fund balance of \$4,075,288.

Proprietary Funds

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

A review of the net assets of the proprietary funds indicates both the solid waste operations and the sewerage treatment operations had positive changes in net assets as a result of operations. Net assets from the water distribution operations increased after including nonoperating revenues, consisting of investment earnings and rents.

General Fund Budgetary Highlights

The final budget of the City's general fund was \$6,405,500, which differs from the original budget of \$6,077,625 by \$327,875. The supplemental appropriations are summarized as follows:

- ❖ \$83,465 allocated to support general government activities
- ❖ \$91,610 allocated to support public safety
- ❖ \$152,800 allocated to support highway and streets

Revenues were originally estimated at \$7,571,865. This number was revised during the fiscal year to \$8,235,605, an increase of \$663,740. The revised estimated revenues are summarized as follows:

- ❖ \$265,000 sales tax, however, the projection fell short by \$144,599
- ❖ \$398,740 intergovernmental revenues, reflects Road & Bridge Taxes collected for street maintenance and additional grants for public safety

The General Fund ended the year with revenues exceeding expenditures of \$2,017,611. However, after transfers out of \$1,682,385, the net change in fund balance was \$335,226.

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Assets and Debt Administration

Capital Assets

The amount invested in capital assets for the City as of September 30, 2004, is \$34,268,104, net of accumulated depreciation. This amount includes infrastructure assets. The following chart breaks down the City's capital asset balance into the various categories of assets.

City of Washington's Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 4,868,611	4,405,401	638,547	112,762	5,507,158	\$ 4,518,163
Infrastructure	3,102,752	1,558,465	-	-	3,102,752	1,558,465
Buildings	5,631,904	5,858,180	1,704,848	1,795,762	7,336,752	7,653,942
Improvements other than buildings	1,190,067	1,178,887	9,838,627	8,968,128	11,028,694	10,147,015
Machinery and equipment	2,066,281	1,958,377	603,302	682,481	2,669,583	2,640,858
Construction in progress	4,542,649	1,489,383	80,516	104,871	4,623,165	1,594,254
Totals	\$ 21,402,264	\$ 16,448,693	\$ 12,865,840	\$ 11,664,004	\$ 34,268,104	\$ 28,112,697

Major Capital Asset Events FY2004

Some of the major capital asset transactions during the year include the following:

- Purchased replacement machinery and equipment (including vehicles) totaling \$485,696
- Purchased properties for flood protection and for a public safety training facility, totaling \$463,210
- Completion of the reconstruction of the Locust Street bridge
- Construction continues on the following streets, bridges, and stormwater improvements:
 - Bieker Road reconstruction and widening
 - South Point Road widening at Stonecrest area
 - Kingsland Avenue
 - Reconstruction of Sunnyside Street bridge
 - Westlink Drive stormwater project
 - Fifth Street reconstruction
- Airport Runway Expansion in progress acquisition and construction to begin in fiscal 2004
- Study and design continue toward the expansion project of the sewage treatment plant or a new plant
- Water lines, sewer lines and infrastructure assets acquired through contributions by private developers

Additional information regarding capital assets can be found in the notes to the basic financial statements.

Debt Administration

The City's debt issues are discussed in the notes to the basic financial statements. During the fiscal year 2004, the City retired \$525,000 in Leasehold Revenue Bonds, compared to \$510,000 in 2003; \$65,000 in Sewer Bonds of 2001B in both FY2004 and FY2003. Compensated absences payables was \$128,115, an increase of \$9,020.

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Economic Outlook

The City of Washington continues to experience growth. In 2004, the Planning and Engineering Services Department approved approximately 490 building permits, an increase of 100 over year 2003. Based on the continued sluggish economic conditions, we expect a slow down in construction and retail sales.

The fiscal year 2005 annual budget for the governmental funds is \$20,134,255. This is a reduction of \$395,915 from the previous fiscal year 2004. The majority of this decrease was a result of the capital projects program in fiscal year 2004.

The fiscal year 2005 general fund budget is \$6,500,815, an increase of \$95,315 (1.5%) over the 2004 final appropriation of \$6,405,500. The increase is anticipated due to increased operating costs.

The fiscal year 2005 general fund budget for estimated revenues is \$8,096,455, a decrease of \$139,150 from the fiscal year final budget of 2004. Primarily, this reduction is estimated due to fewer grants and governmental shared revenues.

Estimated sales tax revenues for fiscal year 2005 for general fund is \$3,593,245, an increase of \$41,140 from the final fiscal year 2004 budget figures.

Retail sales increased 4 percent in 2004, over fiscal year 2003. Below is a chart of retail sales for the last ten years. In the last five years, retail sales have increased 18%.

Retail Sales	
Year	(Millions of Dollars)
2004	\$ 308.2
2003	297.5
2002	272.8
2001	261.5
2000	260.9
1999	239.5
1998	243.9
1997	216.8
1996	211.3
1995	209.7

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Any questions regarding the report or request for additional information should be directed to Janet M. Braun, Finance Manager, City of Washington, 405 Jefferson Street, Washington, Missouri 63090.

CITY OF WASHINGTON, MISSOURI
Statement of Net Assets
September 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash investments	\$ 6,997,865	2,708,187	9,706,052
Cash with agent	266,514	-	266,514
Receivables, net of allowances	3,003,769	438,451	3,442,220
Loans receivable	1,616,719	-	1,616,719
Inventory	223,596	155,785	379,381
Prepaid items	358,243	67,441	425,684
Internal balances	(636,755)	636,755	-
Bond issue cost	-	13,117	13,117
Cash and cash investments - restricted	-	306,431	306,431
Capital assets, net of accumulated depreciation			
Land	4,868,611	638,547	5,507,158
Infrastructure	3,102,752	-	3,102,752
Buildings	5,631,904	1,704,848	7,336,752
Improvements other than buildings	1,190,067	9,838,627	11,028,694
Machinery and equipment	2,066,281	603,302	2,669,583
Construction in progress	4,542,649	80,516	4,623,165
Total Assets	<u>33,232,215</u>	<u>17,192,007</u>	<u>50,424,222</u>
LIABILITIES			
Accounts payable	1,637,124	127,889	1,765,013
Accrued wages	112,350	28,443	140,793
Deposits	85,199	57,510	142,709
Accrued interest payable	13,603	-	13,603
Liabilities payable from restricted assets	-	81,631	81,631
Noncurrent liabilities:			
Due within one year	585,452	10,141	595,593
Due in more than one year	652,663	2,230,110	2,882,773
Total Liabilities	<u>3,086,391</u>	<u>2,535,724</u>	<u>5,622,115</u>
NET ASSETS			
Invested in capital assets, net of related debt	21,402,264	12,241,765	33,644,029
Restricted for:			
Capital projects	3,720,887	-	3,720,887
Debt service	264,992	224,800	489,792
Unrestricted	4,757,681	2,189,718	6,947,399
Total Net Assets	<u>\$ 30,145,824</u>	<u>14,656,283</u>	<u>44,802,107</u>

CITY OF WASHINGTON, MISSOURI
Statement of Activities
For the Year Ended September 30, 2004

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 1,906,000	440,893	12,837	(15,348)	(1,467,618)	-	(1,467,618)
Public safety	3,122,518	344,743	96,686	30,526	(2,650,563)	-	(2,650,563)
Airport	97,536	65,630	-	1,632,058	1,600,152	-	1,600,152
Highways and streets	1,779,304	206,218	839,534	1,899,502	1,165,950	-	1,165,950
Culture and recreation	1,472,036	239,272	33,255	15,000	(1,184,509)	-	(1,184,509)
Interest on long-term debt	80,766	-	-	-	(80,766)	-	(80,766)
Total governmental activities	<u>8,458,160</u>	<u>1,296,756</u>	<u>982,312</u>	<u>3,561,738</u>	<u>(2,617,354)</u>	<u>-</u>	<u>(2,617,354)</u>
Business-type activities							
Water	1,147,483	1,141,201	-	212,550	-	206,268	206,268
Sewer	999,553	1,147,258	-	198,925	-	346,630	346,630
Solid Waste	1,455,805	1,617,155	-	-	-	161,350	161,350
Total business-type activities	<u>3,602,841</u>	<u>3,905,614</u>	<u>-</u>	<u>411,475</u>	<u>-</u>	<u>714,248</u>	<u>714,248</u>
Total primary government	<u>\$ 12,061,001</u>	<u>5,202,370</u>	<u>982,312</u>	<u>3,973,213</u>	<u>(2,617,354)</u>	<u>714,248</u>	<u>(1,903,106)</u>
General revenues:							
Taxes							
Property taxes					1,473,350	-	1,473,350
Sales tax					4,948,433	-	4,948,433
Franchise tax					1,350,815	-	1,350,815
Grants and contributions not restricted to specific programs					-	53,044	53,044
Investment earnings					133,112	71,422	204,534
Gain on sale of capital assets					-	501	501
Transfers					(105,710)	105,710	-
Total general revenues and separate line items					<u>7,800,000</u>	<u>230,677</u>	<u>8,030,677</u>
Changes in net assets					5,182,646	944,925	6,127,571
Net assets - beginning (as restated)					<u>24,963,178</u>	<u>13,711,358</u>	<u>38,674,536</u>
Net assets - ending					<u>\$ 30,145,824</u>	<u>14,656,283</u>	<u>44,802,107</u>

CITY OF WASHINGTON, MISSOURI
Balance Sheet
Governmental Funds
September 30, 2004

	<u>General</u>	<u>Parks And Recreation</u>	<u>Airport</u>	<u>Capital Improvements Sales Tax</u>	<u>Leasehold Revenue Bonds Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash investments	\$ 3,341,907	202,105	123,273	2,763,667	-	566,913	6,997,865
Cash with agent	1,522	-	-	-	264,992	-	266,514
Receivables, net of allowances	919,061	29,102	769,043	1,278,818	-	7,745	3,003,769
Loans receivable	1,616,719	-	-	-	-	-	1,616,719
Inventory	208,670	14,926	-	-	-	-	223,596
Prepaid items	259,027	35,136	6,794	-	-	57,286	358,243
Advance to other funds	-	-	-	280,581	-	-	280,581
Total Assets	<u>\$ 6,346,906</u>	<u>281,269</u>	<u>899,110</u>	<u>4,323,066</u>	<u>264,992</u>	<u>631,944</u>	<u>12,747,287</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 99,067	113,599	809,767	602,179	-	12,512	1,637,124
Accrued wages	92,079	13,897	-	-	-	6,374	112,350
Deposits	82,099	3,100	-	-	-	-	85,199
Advance from other funds	827,336	-	90,000	-	-	-	917,336
Deferred revenue	29,622	-	-	-	-	-	29,622
Total Liabilities	<u>1,130,203</u>	<u>130,596</u>	<u>899,767</u>	<u>602,179</u>	<u>-</u>	<u>18,886</u>	<u>2,781,631</u>
Fund Balances							
Reserved for:							
Prepaid items	259,027	35,136	6,794	-	-	57,286	358,243
Inventory	208,670	14,926	-	-	-	-	223,596
Encumbrances	65,240	28,367	3,482,017	849,760	-	-	4,425,384
Advances	-	-	-	280,581	-	-	280,581
Loans	1,616,719	-	-	-	-	-	1,616,719
Debt service	-	-	-	-	264,992	-	264,992
Unreserved, reported in:							
General fund	3,067,047	-	-	-	-	-	3,067,047
Special revenue funds	-	72,244	(3,489,468)	-	-	555,772	(2,861,452)
Capital projects fund	-	-	-	2,590,546	-	-	2,590,546
Total Fund Balances	<u>5,216,703</u>	<u>150,673</u>	<u>(657)</u>	<u>3,720,887</u>	<u>264,992</u>	<u>613,058</u>	<u>9,965,656</u>
Total Liabilities and Fund Balances	<u>\$ 6,346,906</u>	<u>281,269</u>	<u>899,110</u>	<u>4,323,066</u>	<u>264,992</u>	<u>631,944</u>	<u>12,747,287</u>

CITY OF WASHINGTON, MISSOURI
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2004

Total fund balances - governmental funds	\$	9,965,656
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements. This is amount by which capital outlays (\$31,468,959) exceed accumulated depreciation (\$10,066,395).		21,402,264
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		29,622
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Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities at year-end consist of:

Accrued interest payable		(13,603)
Bond payable		(1,110,000)
Accrued compensated absences payable		(128,115)

Net assets of governmental activities	\$	<u>30,145,824</u>
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CITY OF WASHINGTON, MISSOURI
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2004

	<u>General</u>	<u>Parks and Recreation</u>	<u>Airport</u>	<u>Capital Improvements Sales Tax</u>	<u>Leasehold Revenue Bonds Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes:							
Property taxes	\$ 1,342,293	-	-	-	-	131,057	1,473,350
Sales taxes	3,407,506	-	-	1,540,927	-	-	4,948,433
Franchise tax	1,350,815	-	-	-	-	-	1,350,815
Licenses and permits	210,587	-	-	-	-	-	210,587
Fees and fines	121,324	-	-	-	-	20,526	141,850
Intergovernmental	954,487	-	1,632,058	857,599	-	10,643	3,454,787
Charges for services	619,151	213,946	4,800	-	-	4,299	842,196
Rents	30,279	4,800	60,830	-	-	6,214	102,123
Contributions and donations	4,960	21,123	-	5,228	-	5,240	36,551
Investment income	82,888	3,810	272	36,675	957	8,510	133,112
Total Revenues	<u>8,124,290</u>	<u>243,679</u>	<u>1,697,960</u>	<u>2,440,429</u>	<u>957</u>	<u>186,489</u>	<u>12,693,804</u>
EXPENDITURES							
Current:							
General government	1,632,054	-	-	79,518	-	-	1,711,572
Public safety	2,525,648	-	-	-	-	363,254	2,888,902
Highways and streets	1,599,502	-	-	22,085	-	-	1,621,587
Airport	-	-	81,330	-	-	-	81,330
Culture and recreation	-	1,104,252	-	4,813	-	261,055	1,370,120
Debt service:							
Principal	-	-	-	-	525,000	-	525,000
Interest expense and fiscal charges	25,475	-	-	-	61,241	-	86,716
Capital outlay:							
General government	73,819	-	-	101,110	-	-	174,929
Public safety	53,494	-	-	433,746	-	52,983	540,223
Highways and streets	196,687	-	-	1,356,984	-	-	1,553,671
Airport	-	-	1,947,156	-	-	-	1,947,156
Culture and recreation	-	142,216	-	235,998	-	-	378,214
Sanitary sewer system	-	-	-	7,441	-	-	7,441
Total Expenditures	<u>6,106,679</u>	<u>1,246,468</u>	<u>2,028,486</u>	<u>2,241,695</u>	<u>586,241</u>	<u>677,292</u>	<u>12,886,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,017,611</u>	<u>(1,002,789)</u>	<u>(330,526)</u>	<u>198,734</u>	<u>(585,284)</u>	<u>(490,803)</u>	<u>(193,057)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	825,635	266,430	18,725	560,730	495,740	2,167,260
Transfers out	<u>(1,682,385)</u>	<u>(18,725)</u>	<u>-</u>	<u>(571,860)</u>	<u>-</u>	<u>-</u>	<u>(2,272,970)</u>
Total other financing sources (uses)	<u>(1,682,385)</u>	<u>806,910</u>	<u>266,430</u>	<u>(553,135)</u>	<u>560,730</u>	<u>495,740</u>	<u>(105,710)</u>
Net change in fund balances	335,226	(195,879)	(64,096)	(354,401)	(24,554)	4,937	(298,767)
Fund balances - beginning (as restated)	4,881,477	346,552	63,439	4,075,288	289,546	608,121	10,264,423
Fund balances - ending	<u>\$ 5,216,703</u>	<u>150,673</u>	<u>(657)</u>	<u>3,720,887</u>	<u>264,992</u>	<u>613,058</u>	<u>9,965,656</u>

CITY OF WASHINGTON, MISSOURI
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds To the Statement of Activities
For the Year ended September 30, 2004

Net Change In Fund Balances - Governmental Funds \$ (298,767)

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

Capital outlays are reported in governmental funds 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. This is the amount by which capital outlays over the capitalization threshold (\$4,649,407) exceeded depreciation (\$732,482) in the current period. 3,916,925

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 5,912

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net assets. 1,036,646

The issuance of long-term debt (e.g., bonds, leases) 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayments:		
Bonds payable	525,000	
Compensated absences	(9,020)	
Net Adjustment	515,980	515,980

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. Accrued interest on bonds. 5,950

Change In Net Assets Of Governmental Activities \$ 5,182,646

CITY OF WASHINGTON, MISSOURI
Statement of Net Assets
Proprietary Funds
September 30, 2004

	Business-type Activities - Enterprise Funds			
	Water	Sewage Treatment	Solid Waste	Total
ASSETS				
Current assets:				
Cash and cash investments	\$ 767,955	578,778	1,361,454	2,708,187
Receivables (net of allowances where applicable)	146,838	117,498	174,115	438,451
Inventory	136,367	19,418	-	155,785
Advance to other funds	917,336	-	-	917,336
Prepaid items	20,327	24,937	22,177	67,441
Total current assets	<u>1,988,823</u>	<u>740,631</u>	<u>1,557,746</u>	<u>4,287,200</u>
Noncurrent assets:				
Cash and cash investments-restricted	-	306,431	-	306,431
Capital assets:				
Land	67,762	525,785	45,000	638,547
Buildings	1,951,796	3,349,909	61,702	5,363,407
Improvements non-buildings	4,282,047	7,143,230	2,381,877	13,807,154
Machinery and equipment	801,337	323,721	1,046,290	2,171,348
Construction in progress	53,975	26,468	73	80,516
Less accumulated depreciation	(2,756,535)	(4,989,782)	(1,448,815)	(9,195,132)
Total noncurrent assets	<u>4,400,382</u>	<u>6,685,762</u>	<u>2,086,127</u>	<u>13,172,271</u>
Total assets	<u>6,389,205</u>	<u>7,426,393</u>	<u>3,643,873</u>	<u>17,459,471</u>
LIABILITIES				
Current liabilities:				
Accounts payable	65,200	20,233	42,456	127,889
Accrued wages	11,060	5,969	11,414	28,443
	<u>76,260</u>	<u>26,202</u>	<u>53,870</u>	<u>156,332</u>
Payable from restricted assets:				
Bonds payable-current installments	-	70,000	-	70,000
Accrued interest payable	-	11,631	-	11,631
	<u>-</u>	<u>81,631</u>	<u>-</u>	<u>81,631</u>
Total current liabilities	<u>76,260</u>	<u>107,833</u>	<u>53,870</u>	<u>237,963</u>
Noncurrent liabilities:				
Revenue bonds payable	-	645,000	-	645,000
Less-Unamortized bond issuance costs	-	(13,117)	-	(13,117)
Less-Unamortized bond discount	-	(7,808)	-	(7,808)
Customer deposits	30,890	26,620	-	57,510
Advance from other funds	-	-	280,581	280,581
Landfill care liability	-	-	1,573,746	1,573,746
Compensated absences payable	11,732	7,128	10,453	29,313
Total noncurrent liabilities	<u>42,622</u>	<u>657,823</u>	<u>1,864,780</u>	<u>2,565,225</u>
Total liabilities	<u>118,882</u>	<u>765,656</u>	<u>1,918,650</u>	<u>2,803,188</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,400,382	5,755,256	2,086,127	12,241,765
Restricted for debt service	-	224,800	-	224,800
Unrestricted	1,869,941	680,681	(360,904)	2,189,718
Total net assets	<u>\$ 6,270,323</u>	<u>6,660,737</u>	<u>1,725,223</u>	<u>14,656,283</u>

CITY OF WASHINGTON, MISSOURI
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2004

	Business-type Activities - Enterprise Funds			
	Water	Sewage Treatment	Solid Waste	Total
OPERATING REVENUES				
Charges of sales and services	\$ 1,141,201	1,147,258	1,617,155	3,905,614
OPERATING EXPENSES				
Personal services	440,051	263,929	480,623	1,184,603
Purchased services	300,500	295,046	749,123	1,344,669
Supplies	245,350	164,300	44,654	454,304
Depreciation	161,582	219,867	181,405	562,854
Total operating expenses	<u>1,147,483</u>	<u>943,142</u>	<u>1,455,805</u>	<u>3,546,430</u>
Operating income (loss)	<u>(6,282)</u>	<u>204,116</u>	<u>161,350</u>	<u>359,184</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	23,723	33,214	14,485	71,422
Miscellaneous revenue	31,051	501	21,993	53,545
Interest and fiscal charges	-	(56,411)	-	(56,411)
Total nonoperating revenues (expenses)	<u>54,774</u>	<u>(22,696)</u>	<u>36,478</u>	<u>68,556</u>
Income (loss) before contributions and transfers	48,492	181,420	197,828	427,740
Capital contributions	212,550	198,925	-	411,475
Transfers in	-	-	105,710	105,710
Total contributions and transfers	<u>212,550</u>	<u>198,925</u>	<u>105,710</u>	<u>517,185</u>
Change in net assets	261,042	380,345	303,538	944,925
Net assets - beginning	<u>6,009,281</u>	<u>6,280,392</u>	<u>1,421,685</u>	<u>13,711,358</u>
Net assets - ending	<u>\$ 6,270,323</u>	<u>6,660,737</u>	<u>1,725,223</u>	<u>14,656,283</u>

CITY OF WASHINGTON, MISSOURI
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2004

	Business-type Activities - Enterprise Funds			
	Water	Sewage Treatment	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,122,315	1,143,214	1,531,579	3,797,108
Payments to suppliers	(536,101)	(456,730)	(680,127)	(1,672,958)
Payment for employees and benefits	(440,819)	(264,923)	(474,877)	(1,180,619)
Net cash provided by operating activities	<u>145,395</u>	<u>421,561</u>	<u>376,575</u>	<u>943,531</u>
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES				
Advances and transfers	212,605	-	105,656	318,261
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(769,371)	(583,771)	(73)	(1,353,215)
Principal paid on capital debt	-	(65,000)	(223,885)	(288,885)
Interest paid on capital debt	-	(54,848)	-	(54,848)
Proceeds from sale of capital assets	-	501	-	501
Net cash (used) by capital and related financing activities	<u>(769,371)</u>	<u>(703,118)</u>	<u>(223,958)</u>	<u>(1,696,447)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	23,723	33,214	14,485	71,422
Other receipts (payments)	31,051	-	21,993	53,044
Increase in restricted assets	-	(3,422)	-	(3,422)
Net cash provided by investing activities	<u>54,774</u>	<u>29,792</u>	<u>36,478</u>	<u>121,044</u>
Net increase (decrease) in cash and cash equivalents	<u>(356,597)</u>	<u>(251,765)</u>	<u>294,751</u>	<u>(313,611)</u>
Balances - beginning of the year	1,124,552	830,543	1,066,703	3,021,798
Balances - end of the year	<u>\$ 767,955</u>	<u>578,778</u>	<u>1,361,454</u>	<u>2,708,187</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (6,282)	204,116	161,350	359,184
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	161,582	219,867	181,405	562,854
(Increase) decrease in:				
Receivables, net	(19,341)	(5,144)	(85,576)	(110,061)
Inventories	(22,146)	(2,188)	-	(24,334)
Prepays	(2,301)	(1,300)	(2,867)	(6,468)
Increase (decrease) in:				
Accounts payable	34,196	6,104	28,518	68,818
Landfill care liability	-	-	87,999	87,999
Customer deposits	455	1,100	-	1,555
Other liabilities	(768)	(994)	5,746	3,984
Net cash provided by operating activities	<u>\$ 145,395</u>	<u>421,561</u>	<u>376,575</u>	<u>943,531</u>
Noncash capital financing activities:				
Contributions of capital assets	\$ 212,550	198,925	-	411,475

CITY OF WASHINGTON
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and cash investments	\$ 208,146
Total Assets	<u>\$ 208,146</u>
LIABILITIES	
Due to lessee	\$ 208,146
Total liabilities	<u>\$ 208,146</u>

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the CITY OF WASHINGTON, MISSOURI (the City) in the preparation of the accompanying basic financial statements are summarized below:

A. The Financial Reporting Entity

The City of Washington, Missouri (the City) was founded in May 1839, chartered by the State in February 1841, and established a mayor/council/city administrator form of government. The City's operations include: general administrative services, public safety, street maintenance and improvements, airport, city library and recreation activities. Enterprise operations owned by the City include water, sewage treatment and solid waste collection.

The City's basic financial statements include all funds, agencies and boards controlled by or dependent on the City. Control by or dependence on the City was determined on the basis of status as a separate organization, financial accountability, ability to appoint the governing body, budget adoption, taxing authority, outstanding debt service secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City. Based on the criteria of the Governmental Accounting Standards Board (GASB) Statement 14, the Washington Missouri Redevelopment Corporation is excluded from the accompanying financial statements. The Industrial Development Authority of the City is organized to develop and promote commercial, industrial, agricultural and manufacturing facilities in the City. All of the directors of the IDA are appointed by the Mayor of the City and confirmed by the City Council. The IDA is a component unit of the City; however, the financial activity is insignificant in relation to the City and the component unit has been excluded from the accompanying basic financial statements.

B. Government-Wide and Fund Financial Accounting

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activities 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.

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. Program revenues include 1) 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.

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other governmental funds are reported in one column labeled "Other Governmental Funds". The total fund balances for all governmental funds is reconciled to total net assets for governmental activities as shown on the statement of net assets. The net change in fund balance for all governmental funds is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

C. 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 and fiduciary 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 imposed by the provider have been met.

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 (i.e. matured).

Property taxes, franchises taxes, licenses, fines and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City

Governmental Funds

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Parks and Recreation Fund, a special revenue fund, is used to account for the revenues and expenditures resulting from the operation and maintenance of city park grounds and various park facilities and the revenues and expenditures for various recreational services provided by the Parks and Recreation Department for which participants are charged fees.

The Airport Fund, a special revenue fund, is used to account for the revenues and expenditures resulting from the operation and maintenance of the city airport facilities.

The Capital Improvement Sales Tax Fund, a capital projects fund, is 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 agency funds).

The Leasehold Revenue Bonds Debt Service Fund, a debt service fund, is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs on the Leasehold Revenue Bond Series 2001.

The other governmental funds of the City are considered nonmajor. They are special revenue funds, which account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The nonmajor funds of the City are the Library Fund and Volunteer Fire Company Fund.

Proprietary Funds – Enterprise

The City reports the following major proprietary funds:

The Water Fund accounts for the billing and collection of charges for water service for our city residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services.

The Sewage Treatment Fund is used to account for the provision of sanitary sewer services to the residents of the city. All activities necessary to provide such services are accounted for in this fund.

The Solid Waste Fund is used to account for the provision of residential solid waste collection, curbside recycling, operation of the landfill and the recycling center.

Fiduciary Funds – Agency

Agency Funds – Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of the General Obligation Industrial Refunding Bonds, Series 1997 A & B and Eaglejet Wire and Machine, Inc. project.

The City applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) in accounting and reporting for propriety activities issued on or before November 30, 1989, unless these pronouncements conflict with applicable Governmental Accounting Standards Board (GASB) guidance as prescribed by GASB Statement No. 20. No pronouncements of the FASB issued after November 30, 1989 have been adopted.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the City's business-type activities/enterprise funds, as well as some special revenue funds, and the General Fund. The City allocates charges as reimbursement for services provided by the General Fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

Amounts reported as program revenues include 1) charges to customers or applications for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments, identifiable with a particular function. Taxes, unrestricted interest earnings, gains and other miscellaneous revenues not properly included among program revenues are reported instead as general revenues.

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 operation. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the costs 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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Investments

Cash and cash equivalents include cash on hand, demand deposits, repurchase agreements and money market mutual funds. The City considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash and investments of the City are stated at cost, which approximates fair value.

2. Receivables and Payables

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. City property taxes are recognized when levied to the extent they result in current receivables. Property tax receivables are shown net of an allowance for uncollectibles.

Assessment revenues and receivables are recognized at the time property owners are assessed for the property improvement. Assessment receivables are offset by deferred revenue for those property owners who have extended payment plans.

The City records as accounts receivable in the Enterprise Fund's financial statements the amount of accrued, but unbilled revenue for the Water Fund, Sewage Treatment Fund and Solid Waste Fund determined by prorating actual subsequent billings.

3. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

4. Inventories and Prepaid Items

Inventory is recorded at the lower of cost or market on the first-in, first-out (FIFO) method in the General, Special Revenue and Enterprise Funds.

In governmental fund types, the purchase method for inventory is used. This means that inventory is recorded as an expenditure when acquired regardless of when it is used. Reported inventory is equally offset by a fund balance reserve which indicates that it does not constitute “available spendable resources” even though it is a component of net current assets.

In the proprietary fund types, the consumption method is used. This means that acquisition of materials and supplies is recorded initially in inventory accounts and charged as expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Assets restricted for debt service are segregated on the Government-wide Statement of Net Assets and the Proprietary Fund Statement of Net Assets.

6. Capital Assets

Capital assets, which include buildings, other improvements, vehicles, machinery and equipment, and infrastructure (e.g., streets, sidewalks, bridges, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of two years or more. Infrastructure assets are reported when costs are \$25,000 or more.

In accordance with GASB Statement No. 34, infrastructure assets constructed, purchased or donated effective October 1, 2002 are reported in the government-wide financial statements. All major general infrastructure assets prior to this date will be retroactively reported beginning in the fiscal year after September 30, 2007 or earlier at historical or estimated historical cost.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. Capital assets acquired under lease/purchase agreements are capitalized. Land held for redevelopment is recorded at the lower of cost or net realizable value.

The costs of normal maintenance and repairs, except for any substantial betterment, are not capitalized. A “betterment” is defined as an addition made to, or change made in, a capital asset, which is expected to prolong its life or to increase its efficiency over and above that arising from maintenance. Betterments to general assets should have a cost of \$10,000 or greater to be included as a capital asset. Betterments to infrastructure assets should have a cost of \$25,000 or greater to be included as a capital asset. The cost of which is added to the property records as a separated item and depreciated over the remaining useful lives of the related capital assets, if applicable.

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

Capital assets are depreciated using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives of depreciable capital assets are as follows:

<u>Asset</u>	<u>Years</u>
Buildings	10-50
Other improvements	10-25
Machinery and equipment	2-15
Automobiles and trucks	5-12
Utility systems	50
Infrastructure	20-40

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits, a total of 10 to 15 days of vacation and 5 to 15 days of sick leave per year. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A maximum of 20 days of vacation and 180 days of sick leave may be accumulated by each employee.

8. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The bond discounts and costs of issuance on the Sewer Fund Bonds are being amortized on the straight-line method over the life of the bonds. There is no significant difference between the straight-line method and the present-value method required by generally accepted accounting principles for the bond discounts.

In the fund financial statements, governmental fund types 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary integration in the General Fund, Special Revenue Funds and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of reserved or restricted fund balance represent: Inventory and prepaid items, encumbrances, debt service, loans and advances.

11. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

12. Capital Contributions

Capital contributions represent government grants and other aid used to fund capital projects. Donations by developers are recognized as revenue when final subdivision plats are accepted by the City. Other capital contributions are recognized as revenue when the expenditure is made and amounts become subject to claim for reimbursement.

E. Use of 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 and disclosure of contingent 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.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

The City’s bank deposits are required by State Law to be secured by the deposit of certain securities specified at 30.270 RSMo with the City or trustee institution. The value of the securities must amount to the total of the City’s cash not insured by the Federal Deposit Insurance Corporation.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements.”

Deposits: At fiscal year end, the carrying amount of the City’s deposits was \$8,251,027 and the bank balance was \$8,431,327. \$320,317 of the bank balance was covered by federal depository insurance. The remaining balance was considered uninsured and uncollateralized under GASB Statement No. 3. Although the securities serving as collateral, for \$8,095,860 for the bank balance, were held by the pledging institution in the pledging institution’s name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

Investments: The City’s investments are categorized below to give an indication of the level of risk assumed by the City at fiscal year end. 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, which are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City’s name.

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Investments:					
Money Market Accounts	\$ -	473,138	-	473,138	473,138
Repurchase Agreements	-	1,730,088	-	1,730,088	1,730,088
Collateralized Investments	<u>-</u>	<u>32,890</u>	<u>-</u>	<u>32,890</u>	<u>32,890</u>
Total Investments	<u>\$ -</u>	<u>2,236,116</u>	<u>-</u>	<u>2,236,116</u>	<u>2,236,116</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. Reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Investments/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$10,487,143	\$ -
Investments:		
Money Market Accounts	(473,138)	473,138
Repurchase Agreements	(1,730,088)	1,730,088
Collateralized Investments	<u>(32,890)</u>	<u>32,890</u>
GASB Statement 3	<u>\$8,251,027</u>	<u>\$2,236,116</u>

B. Receivables

Receivables as of September 30, 2004, for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

	Governmental Activities					Business-type Activities			Total
	General	Parks and Recreation	Airport	Capital Improvements Sales Tax	Nonmajor Governmental Funds	Water	Sewage Treatment	Solid Waste	
Receivables:									
Accrued interest	\$ 3,272	281	54	2,904	624	783	1,039	1,566	10,523
Taxes	578,381	-	-	189,979	2,901	-	-	-	771,261
Accounts	174,088	28,884	-	-	2,757	146,123	116,459	178,793	647,104
Intergovernmental	148,052	-	768,989	1,085,935	2,463	-	-	-	2,005,439
Special assessments	24,749	-	-	-	-	-	-	-	24,749
Gross receivables	928,542	29,165	769,043	1,278,818	8,745	146,906	117,498	180,359	3,459,076
Less: Allowance for uncollectibles	(9,481)	(63)	-	-	(1,000)	(68)	-	(6,244)	(16,856)
Total receivables, net	\$ 919,061	29,102	769,043	1,278,818	7,745	146,838	117,498	174,115	3,442,220

Capital Assets

Following is a summary of changes in capital assets – governmental activities for the year ended September 30, 2004:

	Balance at October 1, 2003	Increases	Decreases	Balance at September 30, 2004
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,405,401	463,210	-	4,868,611
Construction in progress	1,489,383	3,322,407	(269,141)	4,542,649
Total capital assets, not being depreciated	5,894,784	3,785,617	(269,141)	9,411,260
<i>Capital assets being depreciated:</i>				
Infrastructure	1,558,465	1,591,748	-	3,150,213
Buildings	10,556,517	-	-	10,556,517
Improvements other than buildings	2,415,298	101,286	-	2,516,584
Machinery and equipment	5,421,829	485,696	(73,440)	5,834,085
Total capital assets being depreciated	19,952,109	2,178,730	(73,440)	22,057,399
<i>Less accumulated depreciation for:</i>				
Infrastructure	-	(47,461)	-	(47,461)
Buildings	(4,698,337)	(226,276)	-	(4,924,613)
Improvements other than buildings	(1,236,411)	(90,106)	-	(1,326,517)
Machinery and equipment	(3,463,452)	(368,639)	64,287	(3,767,804)
Total accumulated depreciation	(9,398,200)	(732,482)	64,287	(10,066,395)
Total capital assets, net	\$ 16,448,693	5,231,865	(278,294)	21,402,264

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance at October 1, 2003	Increases	Decreases	Balance at September 30, 2004
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 112,762	525,785	-	638,547
Construction in progress	104,871	63,774	(88,129)	80,516
Total capital assets, not being depreciated	<u>217,633</u>	<u>589,559</u>	<u>(88,129)</u>	<u>719,063</u>
<i>Capital assets being depreciated:</i>				
Buildings	5,363,407	-	-	5,363,407
Improvements other than buildings	12,617,552	1,189,602	-	13,807,154
Machinery and equipment	2,170,508	73,658	(72,818)	2,171,348
Total capital assets being depreciated	<u>20,151,467</u>	<u>1,263,260</u>	<u>(72,818)</u>	<u>21,341,909</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(3,567,646)	(90,913)	-	(3,658,559)
Improvements other than buildings	(3,649,423)	(319,104)	-	(3,968,527)
Machinery and equipment	(1,488,027)	(152,837)	72,818	(1,568,046)
Total accumulated depreciation	<u>(8,705,096)</u>	<u>(562,854)</u>	<u>72,818</u>	<u>(9,195,132)</u>
Total capital assets, net	<u>\$ 11,664,004</u>	<u>1,289,965</u>	<u>(88,129)</u>	<u>12,865,840</u>

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

Governmental activities:	
General government	\$ 193,462
Public safety	235,580
Airport	16,206
Highways and streets	160,080
Culture and recreation	127,154
Total depreciation expense - governmental activities	<u>\$ 732,482</u>
Business-type activities:	
Water	161,582
Sewerage Treatment	219,867
Solid Waste	181,405
Total depreciation expense - business-type activities	<u>\$ 562,854</u>

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

D. Interfund Receivables, Payables, and Transfers

The individual interfund balances as of September 30, 2004, are as follows:

Advances from/to other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Water	General	\$ 827,336
Water	Airport	90,000
Capital Projects	Solid Waste	280,581
Total		1,197,917

Individual interfund transfers for fiscal year-ended September 30, 2004, are as follows:

	Transfer In:						<u>Total</u>
	<u>Parks and Recreation</u>	<u>Airport</u>	<u>Capital Improvements Sales Tax</u>	<u>Leasehold Revenue Bonds Debt Service</u>	<u>Solid Waste</u>	<u>Nonmajor Governmental Funds</u>	
Transfer out:							
General Fund	\$ 825,635	76,430	-	178,870	105,710	495,740	1,682,385
Parks and Recreation	-	-	18,725	-	-	-	18,725
Capital Improvements Sales Tax	-	190,000	-	381,860	-	-	571,860
Total transfers out	\$ 825,635	266,430	18,725	560,730	105,710	495,740	2,272,970

E. Long-term Debt

Bonds Payable

Bonds payable were comprised of the following:

Governmental activities:

September 30, 2004

\$2,645,000 Leasehold Revenue Refunding Bonds (Series 2001), due in annual installments through June 1, 2006; interest payable at 3.1% to 3.75%.

\$1,110,000

Business-type activities:

\$1,300,000 Sewerage System Revenue Bonds, under the terms of the refinancing agreement Series 2001B, due in annual installments through July 1, 2012; interest payable at 3.75% to 6.55%

\$715,000

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

The annual debt service requirements for governmental and business-type activities are as follows:

<u>For the Years Ended</u> <u>September 30</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 545,000	40,807	70,000	46,522
2006	565,000	21,187	75,000	42,008
2007	-	-	80,000	37,170
2008	-	-	85,000	32,010
2009	-	-	90,000	26,527
2010-2012	-	-	315,000	41,920
Total	<u>\$ 1,110,000</u>	<u>61,994</u>	<u>715,000</u>	<u>226,157</u>

Changes in Long-term Liabilities

The changes in general long-term debt are as follows:

	<u>Balance at</u> <u>October 1</u> <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>September 30</u> <u>2004</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
L.R. Bonds payable	\$1,635,000	-	(525,000)	1,110,000	545,000
Compensated absences payable	<u>119,095</u>	<u>9,020</u>	<u>-</u>	<u>128,115</u>	<u>40,452</u>
Governmental activities - long-term liabilities	<u>\$1,754,095</u>	<u>9,020</u>	<u>(525,000)</u>	<u>1,238,115</u>	<u>585,452</u>
Business-type activities:					
Revenue Bonds payable	\$ 780,000	-	(65,000)	715,000	70,000
Less: issuance and discounts	<u>(8,816)</u>	<u>-</u>	<u>1,008</u>	<u>(7,808)</u>	<u>-</u>
Total bonds payable	<u>771,184</u>	<u>-</u>	<u>(63,992)</u>	<u>707,192</u>	<u>70,000</u>
Compensated absences payable	32,613	-	(3,300)	29,313	10,141
Landfill care liability	<u>1,485,747</u>	<u>87,999</u>	<u>-</u>	<u>1,573,746</u>	<u>-</u>
Business-type activities - long-term liabilities	<u>\$2,289,544</u>	<u>87,999</u>	<u>(67,292)</u>	<u>2,310,251</u>	<u>80,141</u>

The amount due within one year above includes \$70,000 which is reported as part of liabilities payable from restricted assets in the Statement of Net Assets.

F. Fund Equity – General Fund

Due to similarity of purpose, the Self-Insurance Contingency Fund, the Washington Industrial Development Fund and Stormwater Management Improvement Fund revenue and expenditures are reported in the General Fund. After this combination, the unreserved General Fund balance was as follows:

	<u>September 30, 2004</u>
General Fund	\$3,605,345
Washington Industrial Development Fund	(1,214,239)
Stormwater Management Improvement Fund	572,268
Self-Insurance Contingency Fund	<u>103,673</u>
	<u>\$3,067,047</u>

IV. OTHER INFORMATION

A. Employee Retirement Systems and Pension Plans

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Pension Plan

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, Section RSMo 700.600 – 70.755. As such, it is the system’s responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

1. Funding Policy

The City of Washington’s full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 11.9% (general) and 9.59% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

2. Annual Pension Cost

For 2004, the City's annual pension cost of \$445,109 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2002 and/or February 28, 2003 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit; (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2004 was 15 years.

Three-year trend information follows:

For The Plan Years Ended June 30	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2004	\$445,109	100%	\$ -
2003	418,562	100	-
2002	452,550	100	-

Schedule of Funding Progress follows:

For The Actuarial Valuation Years Ended February 28/29	Actuarial Value Of Assets	Entry Age Actuarial Accrued Liability	Excess Of Assets Over (Unfunded) AAL
2004	\$8,772,658	\$9,848,921	(\$1,076,263)
2003	8,284,200	9,319,883	(1,035,683)
2002	7,481,348	8,697,475	(1,216,127)

For The Actuarial Valuation Years Ended February 28/29	Funded Ratio	Annual Covered Payroll	Excess Of Assets Over (Unfunded) AAL As A Percentage Of Covered Payroll
2004	89%	\$3,846,357	(28)%
2003	89	3,803,155	(27)
2002	86	3,722,961	(33)

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2001 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuation, please contact the LAGERS office in Jefferson City, MO.

B. Risk Management

The City is a member of the Missouri Intergovernmental Risk Management Association, which is a jointly self-funded insurance program consisting solely of Missouri municipalities. The MIRMA assesses each participant in the program based upon past experience of the group. The MIRMA purchases excess insurance coverage in the event of significant losses by participants in the program. The assessment for the coverage period July 1, 2004 through June 30, 2005 was \$340,721. There are no claims estimated to exceed policy limits as of September 30, 2004. The City has not recorded any liability for future potential losses in the accompanying financial statements based upon the above information provided by MIRMA. The City has set up a Self-Insurance Contingency Fund to cover any future losses. The fund balance in the fund at September 30, 2004 was \$103,673.

C. Closure and Post-Closure Care Cost

State and Federal laws and regulations required the City to place a final cover on its Steutermann and Struckhoff landfill sites when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,573,746 reported as landfill care liability at September 30, 2004, represents the post-closure care estimate for the Steutermann landfill closed in 1994 and the cumulative amount reported to date based on the use of 22 percent of the estimated capacity of the Struckhoff landfill. The landfill capacity was revised in fiscal 2002 to 1,767,900 cubic yards, an increase in capacity of 112,900 cubic yards because of improved compaction methods. The City will recognize the remaining estimated cost of closure and post-closure care of \$6.1 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2004. Actual cost may be higher due to inflation, changes in technology and/or changes in regulations.

The City is required by state and federal laws and regulations to make annual contribution to a trust to finance closure and post-closure care.

D. Conduit Debt

The City issued General Obligation Industrial Bonds to provide funds for the purpose of carrying out Industrial development projects by the City providing loans to private corporations pursuant to loan agreements between the City and the private corporation. The loan agreements call for the private corporations to repay the loans in the principal amount of the bonds plus related interest thereon. The related transaction are accounted for in various agency funds of the City.

	<u>September 30, 2004</u>
\$2,910,000 General Obligation Industrial Refunding Bonds (Series 1997 A), due in annual installments through June 1, 2009; interest payable at 4.7% to 5.5%.	\$1,425,000
\$1,470,000 General Obligation Industrial Refunding Bonds (Series 1997 B), due in annual installments through June 1, 2009; interest payable at 4.0% to 5.0%.	<u>720,000</u>
	<u>\$2,145,000</u>

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

E. Prior Period

The previously stated fund balance/net assets has been adjusted as follows:

	<u>Governmental Activities</u>	<u>General</u>	<u>Parks And Recreation</u>	<u>Library</u>
Fund Balance/Net Assets September 30, 2003, as Previously stated	\$24,872,560	4,865,703	340,344	113,999
Restatement for:				
Capital assets	90,618	-	-	-
Compensated absences	<u>-</u>	<u>15,774</u>	<u>6,208</u>	<u>744</u>
Fund Balance/Net Assets September 30, 2003 As Restated	<u>\$24,963,178</u>	<u>4,881,477</u>	<u>346,552</u>	<u>114,743</u>

Budgetary Information

The City follows these procedures in establishing the budgetary data:

- a. Prior to October 1, the City Finance Director submits to the City Council a proposed operating budget for the fiscal period. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings and open council meetings are held to obtain taxpayer comments.
- c. Prior to October 1, the budget is adopted by the City Council.
- d. Formal budgetary integration is employed as a management control device during the period for all fund types.
- e. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- f. Current period budget includes amendments. Budget amendments are approved by the City Council. Unencumbered appropriations at the end of the period are reconsidered for subsequent budgets.

Excess Expenditures Over Appropriations

The following departments and/or funds exceeded budgeted expenditures.

	For The Year Ended September 30, 2004		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Executive department	\$ 594,120	608,112	13,992
Judicial department	29,545	32,310	2,765
Police department	1,866,490	1,938,074	71,584
Street department	1,097,170	1,114,346	17,176
Parks department	895,435	954,395	58,960

**REQUIRED SUPPLEMENTAL
INFORMATION SECTION**

City of Washington, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property taxes	\$ 1,340,445	1,340,445	1,342,293	1,848
Sales taxes	3,287,105	3,552,105	3,407,506	(144,599)
Franchise tax	1,360,365	1,360,365	1,350,815	(9,550)
Licenses and permits	199,000	199,000	210,587	11,587
Fees and fines	130,000	130,000	121,324	(8,676)
Intergovernmental	535,300	934,040	954,487	20,447
Charges for services	618,295	618,295	619,151	856
Rents	27,300	27,300	30,279	2,979
Contributions and donations	-	-	4,960	4,960
Investment income	74,055	74,055	82,888	8,833
Total Revenues	<u>7,571,865</u>	<u>8,235,605</u>	<u>8,124,290</u>	<u>(111,315)</u>
EXPENDITURES				
Current:				
General Government				
Executive	576,520	594,120	608,112	(13,992)
Financial Administration	403,605	403,605	381,581	22,024
Technology Support	296,155	296,155	269,938	26,217
Economic Development	104,305	144,305	141,776	2,529
Maintenance-Bldg. & Grnds	246,885	266,885	230,647	36,238
	<u>1,627,470</u>	<u>1,705,070</u>	<u>1,632,054</u>	<u>73,016</u>
Public Safety				
Judicial	29,545	29,545	32,310	(2,765)
Police	1,774,880	1,866,490	1,938,074	(71,584)
Communications Center	572,935	572,935	555,264	17,671
	<u>2,377,360</u>	<u>2,468,970</u>	<u>2,525,648</u>	<u>(56,678)</u>
Highways and Streets				
Engineering, Inspections, Planning	528,045	528,045	485,156	42,889
Streets	1,097,170	1,097,170	1,114,346	(17,176)
	<u>1,625,215</u>	<u>1,625,215</u>	<u>1,599,502</u>	<u>25,713</u>
Debt service:				
Principal	-	-	-	-
Interest expense	22,875	22,875	25,475	(2,600)
	<u>22,875</u>	<u>22,875</u>	<u>25,475</u>	<u>(2,600)</u>

Continued

City of Washington, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund (Continued)
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay:				
General Government	118,850	124,715	73,819	50,896
Public Safety	68,455	68,455	53,494	14,961
Highways and Streets	237,400	390,200	196,687	193,513
	<u>424,705</u>	<u>583,370</u>	<u>324,000</u>	<u>259,370</u>
Total Expenditures	<u>6,077,625</u>	<u>6,405,500</u>	<u>6,106,679</u>	<u>298,821</u>
Excess (deficiency) of revenues over (under) expenditures	1,494,240	1,830,105	2,017,611	187,506
OTHER FINANCING SOURCES				
(USES)				
Transfers out	(1,685,275)	(1,685,275)	(1,682,385)	2,890
Net change in fund balances	<u>\$ (191,035)</u>	<u>144,830</u>	335,226	<u>190,396</u>
Fund balances - beginning			4,881,477	
Fund balances - ending			<u>\$ 5,216,703</u>	

City of Washington, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Parks and Recreation Fund
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 215,145	215,145	213,946	(1,199)
Rents	3,200	3,200	4,800	1,600
Contributions and donations	16,425	16,425	21,123	4,698
Investment income	5,000	5,000	3,810	(1,190)
Total Revenues	<u>239,770</u>	<u>239,770</u>	<u>243,679</u>	<u>3,909</u>
EXPENDITURES				
Current:				
Culture and recreation				
Parks	846,435	895,435	954,395	(58,960)
Aquatic center	186,645	186,645	149,857	36,788
	<u>1,033,080</u>	<u>1,082,080</u>	<u>1,104,252</u>	<u>(22,172)</u>
Capital outlay:				
Parks	32,325	118,540	142,216	(23,676)
Aquatic center	-	2,115	-	2,115
	<u>32,325</u>	<u>120,655</u>	<u>142,216</u>	<u>(21,561)</u>
Total Expenditures	<u>1,065,405</u>	<u>1,202,735</u>	<u>1,246,468</u>	<u>(43,733)</u>
Excess (deficiency) of revenues over (under) expenditures	(825,635)	(962,965)	(1,002,789)	(39,824)
OTHER FINANCING SOURCES (USES)				
Transfers in	825,635	825,635	825,635	-
Transfers out	(18,725)	(18,725)	(18,725)	-
Total other financing sources (uses)	<u>806,910</u>	<u>806,910</u>	<u>806,910</u>	<u>-</u>
Net change in fund balances	<u>\$ (18,725)</u>	<u>(156,055)</u>	<u>(195,879)</u>	<u>(39,824)</u>
Fund balances - beginning			346,552	
Fund balances - ending			<u>\$ 150,673</u>	

City of Washington, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Airport Fund
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 280,000	5,175,990	1,632,058	(3,543,932)
Charges for services	3,785	3,785	4,800	1,015
Rents	31,500	61,800	60,830	(970)
Investment income	1,500	1,500	272	(1,228)
Total Revenues	<u>316,785</u>	<u>5,243,075</u>	<u>1,697,960</u>	<u>(3,545,115)</u>
EXPENDITURES				
Current:				
Airport	113,215	113,215	81,330	31,885
Capital outlay:				
Airport	380,000	5,494,500	1,947,156	3,547,344
Total Expenditures	<u>493,215</u>	<u>5,607,715</u>	<u>2,028,486</u>	<u>3,579,229</u>
Excess (deficiency) of revenues over (under) expenditures	(176,430)	(364,640)	(330,526)	34,114
OTHER FINANCING SOURCES (USES)				
Transfers in	176,430	266,430	266,430	-
Net change in fund balances	<u>\$ -</u>	<u>(98,210)</u>	<u>(64,096)</u>	<u>34,114</u>
Fund balances - beginning			63,439	
Fund balances - ending			<u>\$ (657)</u>	

**OTHER SUPPLEMENTAL
INFORMATION SECTION**

City of Washington, Missouri
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2004

	Special Revenue Funds		
	Library	Volunteer Fire Company	Total
ASSETS			
Cash and cash investments	\$ 93,103	473,810	566,913
Receivables, net of allowances	1,992	5,753	7,745
Prepaid items	9,718	47,568	57,286
Total Assets	\$ 104,813	527,131	631,944
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,700	10,812	12,512
Accrued wages	5,175	1,199	6,374
Total Liabilities	6,875	12,011	18,886
Fund Balances			
Reserved for:			
Prepaid items	9,718	47,568	57,286
Unreserved, reported in:			
Special revenue funds	88,220	467,552	555,772
Total Fund Balances	97,938	515,120	613,058
Total Liabilities and Fund Balances	\$ 104,813	527,131	631,944

City of Washington, Missouri
Other Supplemental Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2004

	<u>Special Revenue Funds</u>		
	<u>Library</u>	<u>Volunteer Fire Company</u>	<u>Total</u>
REVENUES			
Property taxes	\$ 131,057	\$ -	\$ 131,057
Fees and fines	20,526	-	20,526
Intergovernmental	6,892	3,751	10,643
Charges for services	-	4,299	4,299
Rents	-	6,214	6,214
Contributions and donations	5,240	-	5,240
Investment income	2,505	6,005	8,510
Total Revenues	<u>166,220</u>	<u>20,269</u>	<u>186,489</u>
EXPENDITURES			
Current:			
Public Safety			
Fire	-	363,254	363,254
Culture and Recreation			
Library	261,055	-	261,055
Capital outlay:			
Public Safety			
Fire	-	52,983	52,983
Total Expenditures	<u>261,055</u>	<u>416,237</u>	<u>677,292</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(94,835)</u>	<u>(395,968)</u>	<u>(490,803)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>78,030</u>	<u>417,710</u>	<u>495,740</u>
Net change in fund balances	(16,805)	21,742	4,937
Fund balances - beginning	<u>114,743</u>	<u>493,378</u>	<u>608,121</u>
Fund balances - ending	<u>\$ 97,938</u>	<u>515,120</u>	<u>613,058</u>

City of Washington, Missouri
Other Supplemental Information
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Library Special Revenue Fund
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 132,790	132,790	131,057	(1,733)
Fees and fines	23,645	23,645	20,526	(3,119)
Intergovernmental	8,145	8,145	6,892	(1,253)
Contributions and donations	3,500	3,500	5,240	1,740
Investment income	3,500	3,500	2,505	(995)
Total Revenues	<u>171,580</u>	<u>171,580</u>	<u>166,220</u>	<u>(5,360)</u>
EXPENDITURES				
Current:				
Library	249,610	261,710	261,055	655
Capital outlay:				
Library	-	2,115	-	2,115
	<u>249,610</u>	<u>263,825</u>	<u>261,055</u>	<u>2,770</u>
Excess (deficiency) of revenues over (under) expenditures	(78,030)	(92,245)	(94,835)	(2,590)
OTHER FINANCING SOURCES (USES)				
Transfers in	78,030	78,030	78,030	-
Net change in fund balances	<u>\$ -</u>	<u>(14,215)</u>	<u>(16,805)</u>	<u>(2,590)</u>
Fund balances - beginning			114,743	
Fund balances - ending			<u>\$ 97,938</u>	

City of Washington, Missouri
Other Supplemental Information
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Volunteer Fire Company Special Revenue Fund
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	1,300	3,751	2,451
Charges for services	3,140	3,140	4,299	1,159
Rents	5,445	5,445	6,214	769
Investment income	8,000	8,000	6,005	(1,995)
Total Revenues	<u>16,585</u>	<u>17,885</u>	<u>20,269</u>	<u>2,384</u>
EXPENDITURES				
Current:				
Volunteer Fire Company	434,255	434,255	363,254	71,001
Capital outlay:				
Volunteer Fire Company	163,000	191,400	52,983	138,417
Total Expenditures	<u>597,255</u>	<u>625,655</u>	<u>416,237</u>	<u>209,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(580,670)</u>	<u>(607,770)</u>	<u>(395,968)</u>	<u>211,802</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	417,670	417,670	417,710	40
Total other financing sources (uses)	<u>417,670</u>	<u>417,670</u>	<u>417,710</u>	<u>40</u>
Net change in fund balances	<u>\$ (163,000)</u>	<u>(190,100)</u>	<u>21,742</u>	<u>211,842</u>
Fund balances - beginning			493,378	
Fund balances - ending			<u>\$ 515,120</u>	

City of Washington, Missouri
Other Supplemental Information
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Capital Improvements Sales Tax Capital Projects Fund
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales taxes	\$ 1,521,080	1,576,080	1,540,927	(35,153)
Intergovernmental	2,642,400	2,664,850	857,599	(1,807,251)
Charges for services	17,000	17,000	-	(17,000)
Contributions and donations	-	5,230	5,228	(2)
Investment income	65,000	65,000	36,675	(28,325)
Total Revenues	<u>4,245,480</u>	<u>4,328,160</u>	<u>2,440,429</u>	<u>(1,887,731)</u>
EXPENDITURES				
Current:				
General government	-	66,000	79,518	(13,518)
Highways and streets	-	-	22,085	(22,085)
Culture and recreation	6,135	6,135	4,813	1,322
	<u>6,135</u>	<u>72,135</u>	<u>106,416</u>	<u>(34,281)</u>
Capital outlay:				
General government	-	360,000	101,110	258,890
Public safety	-	886,290	433,746	452,544
Highways and streets	3,850,000	4,109,150	1,356,984	2,752,166
Culture and recreation	185,140	185,140	235,998	(50,858)
Sanitary sewer systems	300,000	300,000	7,441	292,559
	<u>4,335,140</u>	<u>5,840,580</u>	<u>2,135,279</u>	<u>3,705,301</u>
Total Expenditures	<u>4,341,275</u>	<u>5,912,715</u>	<u>2,241,695</u>	<u>3,671,020</u>
Excess (deficiency) of revenues over (under) expenditures	(95,795)	(1,584,555)	198,734	1,783,289
OTHER FINANCING SOURCES (USES)				
Transfers in	18,725	18,725	18,725	-
Transfers out	(481,860)	(571,860)	(571,860)	-
Total other financing sources (uses)	<u>(463,135)</u>	<u>(553,135)</u>	<u>(553,135)</u>	<u>-</u>
Net change in fund balances	<u>\$ (558,930)</u>	<u>(2,137,690)</u>	<u>(354,401)</u>	<u>1,783,289</u>
Fund balances - beginning			4,075,288	
Fund balances - ending			<u>\$ 3,720,887</u>	

City of Washington, Missouri
Other Supplemental Information
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Leasehold Revenue Bonds Debt Service Fund
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment income	\$ 5,000	5,000	957	(4,043)
EXPENDITURES				
Debt service:				
Principal	525,000	525,000	525,000	-
Interest expense and fiscal charges	59,160	59,160	61,241	(2,081)
Total Expenditures	<u>584,160</u>	<u>584,160</u>	<u>586,241</u>	<u>(2,081)</u>
Excess (deficiency) of revenues over (under) expenditures	(579,160)	(579,160)	(585,284)	(6,124)
OTHER FINANCING SOURCES (USES)				
Transfers in	563,660	563,660	560,730	(2,930)
Net change in fund balances	<u>\$ (15,500)</u>	<u>(15,500)</u>	(24,554)	<u>(9,054)</u>
Fund balances - beginning			<u>289,546</u>	
Fund balances - ending			<u>\$ 264,992</u>	

CITY OF WASHINGTON
Other Supplemental Information
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2004

	Agency Funds				Total
	Industrial Development Bonds			Eaglejet Wire & Machine Co.	
	1977	1997 A	1997 B		
ASSETS					
Cash and cash investments	\$ 82,894	125,252	-	-	208,146
Accounts receivable	-	-	-	-	-
Total Assets	<u>\$ 82,894</u>	<u>125,252</u>	<u>-</u>	<u>-</u>	<u>208,146</u>
LIABILITIES					
Accounts payable	\$ -	-	-	-	-
Due to lessee	82,894	125,252	-	-	208,146
Total liabilities	<u>\$ 82,894</u>	<u>125,252</u>	<u>-</u>	<u>-</u>	<u>208,146</u>

CITY OF WASHINGTON
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended September 30, 2004

	<u>Balance October 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2004</u>
<u>Industrial Development Bonds of 1977</u>				
<u>Assets</u>				
Cash and cash investments	\$ 82,894	-	-	82,894
<u>Liabilities</u>				
Due to lessee	\$ 82,894	-	-	82,894
<u>Industrial G. O. Bonds of 1997, Series A</u>				
<u>Assets</u>				
Cash and cash investments	\$ 126,385	498,307	499,440	125,252
<u>Liabilities</u>				
Due to lessee	\$ 126,385	498,307	499,440	125,252
<u>Eaglejet Wire & Machine - Grant</u>				
<u>Assets</u>				
Cash and cash investments	\$ -	218,768	218,768	-
Accounts receivable	163,215	55,553	218,768	-
	<u>\$ 163,215</u>	<u>274,321</u>	<u>437,536</u>	<u>-</u>
<u>Liabilities</u>				
Accounts payable	\$ 163,215	55,553	218,768	-
<u>Total - All Agency Funds</u>				
<u>ASSETS</u>				
Cash and cash investments	\$ 209,279	717,075	718,208	208,146
Accounts receivable	163,215	55,553	218,768	-
Total Assets	<u>\$ 372,494</u>	<u>772,628</u>	<u>936,976</u>	<u>208,146</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 163,215	55,553	218,768	-
Due to lessee	209,279	498,307	499,440	208,146
Total Liabilities	<u>\$ 372,494</u>	<u>553,860</u>	<u>718,208</u>	<u>208,146</u>

**CITY OF WASHINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION**

GENERAL FUND

SUMMARY OF REVENUES

Period Ending	Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines	All Others	Total
9/30/04	\$ 6,100,614	210,587	954,487	619,151	121,324	118,127	8,124,290
9/30/03	5,743,629	190,504	1,711,941	606,124	107,211	137,891	8,497,300
9/30/02	5,537,977	223,941	1,252,224	563,260	145,600	259,551	7,982,553
9/30/01	5,517,341	188,912	888,066	530,983	133,318	386,890	7,645,510
9/30/00	4,998,427	193,838	900,945	462,199	129,976	378,909	7,064,294
9/30/99	4,590,992	200,342	642,542	434,172	114,992	317,393	6,300,433
9/30/98	4,414,596	235,818	703,684	311,739	79,746	2,213,493	7,959,076
9/30/97	3,962,327	203,059	976,532	316,638	76,880	92,363	5,627,799
9/30/96	3,858,278	205,184	1,265,858	244,501	85,158	287,930	5,946,909
9/30/95	4,083,503	166,453	1,125,316	188,021	82,616	108,537	5,754,446

SUMMARY OF EXPENDITURES

Period Ending	Administration Department	Building and Maintenance Department	Police Department	Street Department	Engineering Department	Total
9/30/04	\$ 1,500,701	230,647	2,579,142	1,311,033	485,156	6,106,679
9/30/03	1,339,271	220,243	2,468,297	2,724,266	451,601	7,203,678
9/30/02	2,126,034	246,451	2,313,663	1,339,306	505,421	6,530,875
9/30/01	1,475,023	228,967	2,261,274	1,074,511	336,994	5,376,769
9/30/00	1,413,200	175,549	1,900,804	1,047,252	291,919	4,828,724
9/30/99	1,166,734	186,405	1,731,256	1,209,484	308,731	4,602,610
9/30/98	3,111,965	146,808	1,685,946	956,006	369,889	6,270,614
9/30/97	1,320,733	156,837	1,504,652	1,048,292	436,830	4,467,344
9/30/96	1,079,184	121,826	1,476,040	1,928,398	523,414	5,128,862
9/30/95	1,118,213	121,167	1,332,497	1,524,989	260,610	4,357,476

**CITY OF WASHINGTON
OTHER SUPPLEMENTAL INFORMATION**

	For the Fiscal Year Ended				
	2004	2003	2002	2001	2000
TAX RATE (per \$100 assessed valuation)	\$ 0.6335	0.5672	0.6296	0.6967	0.69
ASSESSED VALUATION	228,169,605	217,809,847	212,891,878	193,807,900	180,023,477
PROPERTY TAXES LEVIED	1,354,690	1,120,421	1,225,867	1,242,798	1,145,407
PROPERTY TAXES COLLECTED	1,339,079	1,121,436	1,236,578	1,261,937	1,136,004
GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUATION	0.9%	1.2%	1.3	1.6	2.0

CITY OF WASHINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION

**Surety Bond Coverage For
Principal City Officials**

September 30, 2004

Treasurer

\$ 50,000

Insurance Coverage

At September 30, 2004, the City had insurance coverage of 100% of replacement value for buildings and contents and \$2,500,000 limit per occurrence for liability insurance.

**INTERNAL CONTROL AND COMPLIANCE
AND OTHER MATTERS SECTION**

Balestra, Harr & Scherer, CPAs, Inc.

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 City Council
City of Washington, Missouri

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington, Missouri (the City), as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated March 29, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Mayor, members of Council, and 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.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.
March 29, 2005

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SINGLE AUDIT REPORTS SECTION

CITY OF WASHINGTON, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Expenditures</u>
U.S. Department of Transportation			
Passed through Missouri Department of Transportation			
Highway Planning and Construction	20.205	STP-6400(617)	\$173,000
Highway Planning and Construction	20.205	STP-6400(613)	240,205
Highway Planning and Construction	20.205	STP-6400(616)	3,770
Highway Planning and Construction	20.205	STP-6403(605)	15,300
Highway Planning and Construction	20.205	STP-4904(603)	
258,994			
Airport Grant	20.106	AIRE 005-54A	
Airport Grant	20.106	& AIRE 035-54A	1,628,333
Passed through Missouri Department of Public Safety and Local Highway Safety			
Sobriety Checkpoint	20.600	04-154-AL-52	16,526
Hazardous Moving Violations	20.600	04-PT-02-111	9,755
U.S. Department of Housing and Urban Development			
Passed through Missouri Department of Economic Development			
Community Development Block Grant	14.228	2003-MO-03	55,554
U.S. Department of Homeland Security			
Passed through Missouri Emergency Management Agency			
Hazard Mitigation	83.548	FEMA-1412-DR-MO	32,937
Community Emergency Response	97.054	N/A	3,751
LEOP Grant	97.054	EMK-2003-GR-2540	5,700
U.S. Department of Justice			
COPS In School	16.710	2002-SHWX-0644	44,000
COPS In School	16.710	2000-SHWX-0408	27,452
Bullet Proof Vest	16.607	2004-CF	920
Bullet Proof Vest	16.607	2003-CF	1,086
Bullet Proof Vest	16.607	2002-CF	<u>29</u>
Total Awards Expended			<u>\$2,517,312</u>

CITY OF WASHINGTON, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

NOTES:

1. General

The accompanying schedule of expenditures of federal awards (schedule) presents the activity of all federal financial assistance programs of the City. The City's reporting entity is defined in Note I-A to the City's basic financial statements. Federal financial assistance received directly from federal agencies, as well as passed through other government agencies, is included on the schedule.

2. Basis of Accounting

The accompanying schedule is presented using the modified accrual basis of accounting, which is described in Note I-A of the City's basic financial statements.

Balestra, Harr & Scherer, CPAs, Inc.

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Honorable Mayor and City Council
City of Washington, Missouri

Compliance

We have audited the compliance of the City of Washington, Missouri (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The City's major federal 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. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

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

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Honorable Mayor and City Council
City of Washington, Missouri
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133
Page 2

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

This report is intended solely for the information and use of the audit committee, management, the mayor, members of Council, and 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.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

March 29, 2005

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