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**CITY OF WASHINGTON,  
MISSOURI**

**FINANCIAL REPORT**  
(Audited)

Year Ended September 30, 2008

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**CITY OF WASHINGTON, MISSOURI**  
**FINANCIAL REPORT**

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**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
Consultants and Advisors

## **INDEPENDENT AUDITORS' REPORT**

April 14, 2009

Mayor and City Council  
**CITY OF WASHINGTON, MISSOURI**

We have audited the accompanying financial statements of the governmental activities, the 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, 2008, 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 U.S. generally accepted auditing standards 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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, the business-type activities, each major fund, and the aggregate remaining fund information as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 14, 2009, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial report-

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ing and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and the required supplemental information as listed in the table of contents are not a required part of the basic financial statements but are supplemental information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Hochschild, Bloom & Company LLP*

**CERTIFIED PUBLIC ACCOUNTANTS**

# CITY OF WASHINGTON, MISSOURI MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2008

This section of the City of Washington, Missouri's (the City) annual financial report presents our review of the City's financial performance during the fiscal year that ended on September 30, 2008. We encourage readers to consider the information presented here along with additional information in the notes to financial statements and supplemental information section presented elsewhere in this report.

## Financial Highlights

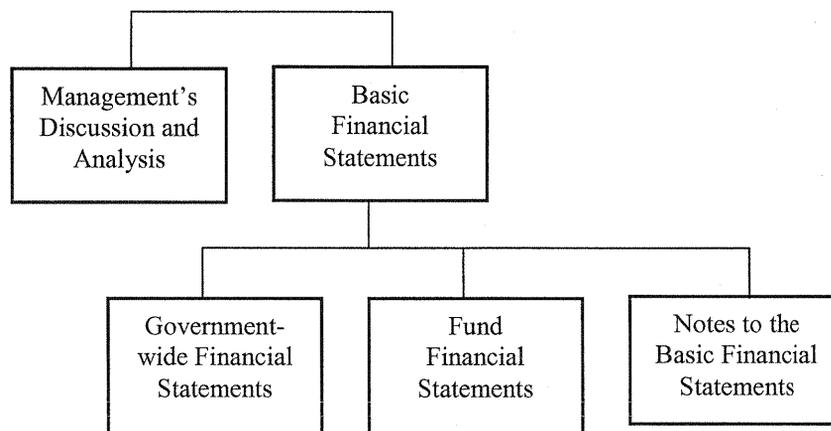
Washington continues to see some growth in its revenue sources. Although residential growth has slowed, the City continues to see some commercial and industrial growth.

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$46 million (net assets). Of this amount, \$2.7 million (unrestricted net assets) may be used to meet its ongoing obligations to citizens and creditors.
- The City's total net assets decreased \$11 million from "governmental activities", while the "business-type activities" increased by \$1 million. The large decrease in net assets for "governmental activities" is the result of the Highway 100 widening project and Municipal Complex enhancements.
- In the General Fund, sales tax revenue did not meet budgetary projections of \$4,333,510, a shortfall of \$103,000. However, the actual sales tax revenues of \$4,230,162 increased 1% over fiscal year 2007 revenues.
- Phoenix Center II, a new retail shopping center, continued to attract retail stores. In addition to Target and Kohl's, there are twelve other retail businesses in the center.

## Overview of the Financial Statements

This management's discussion and analysis is provided as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

### 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'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 government-wide financial statements exclude fiduciary fund activities.

# CITY OF WASHINGTON, MISSOURI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE YEAR ENDED SEPTEMBER 30, 2008

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

The *statement of net activities* represents information showing how the City'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).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and inter-governmental 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 include general government, public safety, highways and streets, airport, and culture and recreation. The business-type activities of the City include a water system distribution operation, a sewage collection and treatment system, a solid waste collection and disposal operation, and a recycling center.

Two separate organizations are considered component units of the City, the Industrial Development Authority (IDA) and the Phoenix Center II Community Improvement District (the District). The IDA is organized to develop and promote commercial industrial, agricultural, and manufacturing facilities in the City. The financial activity of the IDA is insignificant in relation to the City and the component unit has been excluded from the accompanying basic financial statements. The District is organized to construct public infrastructure improvement projects to serve a new commercial redevelopment project in the City. The District financial activity is discretely presented in the City's basic financial statements.

#### **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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into 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 funds 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Due to similarity of purpose, the revenues and expenditures of the Storm Water Improvement Fund and the General Fund are combined and reported in the General Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Improvements Sales Tax Fund, Transportation Sales Tax Fund, and 2008 COPS Fund, all of which are considered to be major funds. Data from the four other 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* in the Other Supplemental Information Section of this report.

# CITY OF WASHINGTON, MISSOURI MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2008

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The City 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.

## **Proprietary Funds**

The City maintains *Enterprise funds* to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its 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 funds 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.

## **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's own programs. These funds are Industrial G.O. Bonds Series 1997 A&B and Taxable Industrial Revenue Bonds (HBAS Manufacturing, Inc. Project), Series 2005.

## **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.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report contains certain *required supplementary information* regarding budgetary information. The combining and individual statements for the nonmajor governmental funds are presented immediately following the required supplementary information.

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

The City presents its financial statements as 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*. Therefore, a comparative analysis of government-wide data is also included in this report.

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. As of September 30, 2008, assets exceeded liabilities by \$46 million. The largest portion of the City's net assets, \$35 million (77%) reflects its investment in capital assets (e.g. land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure); less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

## **Statement of Net Assets**

The following table reflects the condensed statement of net assets as of September 30, 2008 and 2007.

### *Assets*

Total assets for the City are \$108 million, an increase of 46.6% in comparison to the previous fiscal year. The largest portion of total assets reflects its investment in capital assets, \$70.4 million, and \$37.6 million represents cash and cash investments, receivables, and other prepaid items.

**CITY OF WASHINGTON, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

*Liabilities*

Total liabilities for the City are \$62.3 million, an increase of \$44.5 million in comparison to the previous fiscal year. Of these total liabilities, \$54.9 million is long-term liabilities and \$7.4 million represents other liabilities. The major reasons for the increase in long-term liabilities are the issuance of Certificates of Participation, Series 2008 for the Route 100 widening project, the Sewerage System Revenue Bonds, Series 2007 for the construction of the new wastewater treatment plant and because of closure and post-closure cost liabilities for the landfill operation.

**City Of Washington's Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Assets</b>						
Current and other assets	\$ 21,342,471	15,814,964	16,320,881	2,349,698	37,663,352	18,164,662
Capital assets, net	42,637,768	39,466,863	27,775,555	16,071,630	70,413,323	55,538,493
Total assets	<u>63,980,239</u>	<u>55,281,827</u>	<u>44,096,436</u>	<u>18,421,328</u>	<u>108,076,675</u>	<u>73,703,155</u>
<b>Liabilities</b>						
Long-term liabilities	31,185,129	12,167,093	23,689,015	2,935,282	54,874,144	15,102,375
Other liabilities	3,286,725	2,207,965	4,169,177	432,633	7,455,902	2,640,598
Total liabilities	<u>34,471,854</u>	<u>14,375,058</u>	<u>27,858,192</u>	<u>3,367,915</u>	<u>62,330,046</u>	<u>17,742,973</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	15,218,196	34,824,279	20,033,834	15,680,130	35,252,030	50,504,409
Restricted	7,543,818	2,055,727	297,545	146,297	7,841,363	2,202,024
Unrestricted	<u>6,746,371</u>	<u>4,026,763</u>	<u>(4,093,135)</u>	<u>(773,014)</u>	<u>2,653,236</u>	<u>3,253,749</u>
Total net assets	<u>\$ 29,508,385</u>	<u>40,906,769</u>	<u>16,238,244</u>	<u>15,053,413</u>	<u>45,746,629</u>	<u>55,960,182</u>

*Net Assets*

In 2008, the City's government-wide total net assets is \$45.7 million in comparison to \$56 million in fiscal year 2007, a decrease of 18%. Governmental activities reflect net assets of \$29.5 million and \$16.2 million for business-type activities.

At the end of 2008, the City had positive balances in all three of its categories of net assets

- \$35.2 million Invested in capital assets, net of related debt
- \$7.8 million Restricted
- \$2.7 million Unrestricted

Restricted net assets for governmental activities are \$7.5 million and business-type activities are \$297,545. Restricted net assets equal 17.2% of total 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*, \$2.7 million, may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF WASHINGTON, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**Changes in Net Assets**

The following table reflects the revenues and expenses for the City's activities for the years ended September 30, 2008 and 2007:

**City Of Washington's Changes In Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,961,151	2,562,370	4,802,241	4,104,449	6,763,392	6,666,819
Operating grants and contributions	981,166	771,566	-	-	981,166	771,566
Capital grants and contributions	3,412,588	37,328	575,292	-	3,987,880	37,328
General revenues:						
Property taxes	2,114,522	1,981,426	-	-	2,114,522	1,981,426
Sales taxes	7,887,896	7,681,616	-	-	7,887,896	7,681,616
Franchise taxes	2,303,319	1,828,544	-	-	2,303,319	1,828,544
Investment income	471,255	592,261	173,377	201,843	644,632	794,104
Miscellaneous	-	53,100	40,139	11,982	40,139	65,082
<b>Total revenues</b>	<b>19,131,897</b>	<b>15,508,211</b>	<b>5,591,049</b>	<b>4,318,274</b>	<b>24,722,946</b>	<b>19,826,485</b>
<b>Expenses</b>						
General government	2,746,947	2,310,768	-	-	2,746,947	2,310,768
Public safety	4,127,090	3,821,556	-	-	4,127,090	3,821,556
Airport	318,800	327,757	-	-	318,800	327,757
Highways and streets	20,587,741	7,572,762	-	-	20,587,741	7,572,762
Culture and recreation	1,842,721	1,649,763	-	-	1,842,721	1,649,763
Interest on long-term debt	906,982	317,491	-	-	906,982	317,491
Water	-	-	1,342,968	1,465,602	1,342,968	1,465,602
Sewer	-	-	1,040,995	1,132,035	1,040,995	1,132,035
Solid waste	-	-	2,022,255	1,953,286	2,022,255	1,953,286
<b>Total expenses</b>	<b>30,530,281</b>	<b>16,000,097</b>	<b>4,406,218</b>	<b>4,550,923</b>	<b>34,936,499</b>	<b>20,551,020</b>
Change in net assets	(11,398,384)	(491,886)	1,184,831	(232,649)	(10,213,553)	(724,535)
Net assets, beginning	40,906,769	41,398,655	15,053,413	15,286,062	55,960,182	56,684,717
Net assets, ending	<u>\$ 29,508,385</u>	<u>40,906,769</u>	<u>16,238,244</u>	<u>15,053,413</u>	<u>45,746,629</u>	<u>55,960,182</u>

**CITY OF WASHINGTON, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**Governmental Activities**

Governmental activities decreased the City's net assets by \$11.4 million. Sales taxes, the largest governmental category generated \$7.9 million or 41% of governmental revenues. For the fiscal year ended September 30, 2008, revenues totaled \$25.2 million (governmental and business-type). Revenues from governmental activities totaled \$19.1 million or 76% of the total City revenues.

Governmental activities expenses increased \$14.5 million or 91% for the fiscal year ended September 30, 2008 compared to the fiscal year ended September 30, 2007. This increase is largely due to a shared project between the City and the Missouri Department of Transportation for the Route 100 widening to five lanes and the debt expense incurred to finance this project. Lesser costs include health benefits and fuel costs.

Certain revenues are generated specific to governmental program activities. These direct revenues totaled \$6.4 million. The following table shows expenses for program activities and the effect of these direct revenues to program costs.

**Net Cost Of Governmental Activities**

	Total Cost Of Service		Net Cost Of Service	
	2008	2007	2008	2007
General government	\$ 2,746,947	2,310,768	(2,142,380)	(907,887)
Public safety	4,127,090	3,821,556	(3,304,547)	(3,128,824)
Airport	318,800	327,757	53,346	(253,359)
Highways and streets	20,587,741	7,572,762	(16,462,571)	(6,662,207)
Culture and recreation	1,842,721	1,649,763	(1,412,242)	(1,359,065)
Interest on long-term debt	906,982	317,491	(906,982)	(317,491)
Total	\$ 30,530,281	16,000,097	(24,175,376)	(12,628,833)

Expenses from governmental activities totaled \$30.5 million. However, net costs of these services were \$24.1 million. Taxes and other revenues of \$12.7 million were used to cover net costs and additional fund reserves of \$11.4 million.

**Business-type Activities**

Business-type activities net assets increased \$1.2 million in the fiscal year ended September 30, 2008. Total operating revenues increased \$700,000 compared to the prior year. Cost of services decreased \$145,000, primarily reflecting capitalized interest on debt issued. Studies are being conducted for increases in refuse collection service fees. New water rates will be effective April 1, 2009. New sewer rates were approved, effective October 1, 2007, to cover the operations cost and new debt service. Bonds were issued in November 2007 for the financing of the new treatment plant.

**CITY OF WASHINGTON, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**Net Cost Of Business-type Activities**

	<u>Total Cost Of Service</u>		<u>Net Cost Of Service</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Water	\$ 1,342,968	1,465,602	49,324	(255,235)
Sewer	1,040,995	1,132,035	1,125,720	(69,932)
Solid waste	2,022,255	1,953,286	(203,729)	(121,307)
Total	<u>\$ 4,406,218</u>	<u>4,550,923</u>	<u>971,315</u>	<u>(446,474)</u>

**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's 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'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.

*General Fund*

The General Fund is the primary operating fund of the City. The fund balance of the General Fund at September 30, 2008 was \$4.7 million or 52.5% of actual expenditures. The net change in fund balance was an increase of \$256,000. The City recognizes the need for a fund balance that can absorb an economic downturn or natural disaster to avoid changes and reductions in service levels. The City Council adopted a resolution committed to maintaining at a minimum, an amount equal to 15% of operating expenditures in the General Fund balance.

*Capital Improvement Sales Tax*

At the end of the current fiscal year, the total fund balance of this capital projects fund was \$3.7 million, an increase of \$1.7 million. The fund reserves are dedicated to the retirement of certificates of participation issued for the construction for the Public Safety Building. These certificates of participation will expire in December 2015. The present sale tax for capital improvements expires June 30, 2010.

*Transportation Sales Tax*

In April 2006, the voters passed a ½-cent sales tax for the purposes of transportation, including, but not limited to, payment of the local share of the cost of expanding Highway 100 from Interstate 44 to High Street from two lanes to four lanes. This is a 50/50 cost-sharing project with the Missouri Highways and Transportation Commission. The construction cost for the Highway 100 improvement project is estimated to cost \$47 million. In addition, the City has a ten-year plan for upgrading and improving local roadways. This tax was effective October 1, 2005 and expires June 30, 2030. The fund balance at September 30, 2008 was \$3.8 million, a decrease of \$920,000 over prior period.

**CITY OF WASHINGTON, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**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 operations of the proprietary funds indicates water, sewage treatment, and solid waste operations reflect a net operating income totaling \$429,000. The sewage treatment operations, because of a rate increase, reported an operating income of \$840,000; however, the water and solid waste operations show net operating losses of \$207,000 and \$204,000, respectively. As noted earlier, water rates will be increasing and solid waste operations studies are being performed to evaluate rate increase requirements.

**General Fund Budgetary Highlights**

The budget of the City's General Fund for expenditures is \$9,049,690, which differs from the prior year budget of \$8,305,590. One revision was made to the initial budget adjusting franchise revenues due to case settlement with telecommunication companies and increasing salary costs, reflecting merit increases which had been frozen. Actual expenditures were less than the final budget by \$76,000. The appropriations are summarized as follows:

- \$2,999,485 allocated to support general government activities
- \$2,872,690 allocated to support public safety
- \$1,711,975 allocated to support highway and streets
- \$ 161,390 allocated for airport operations
- \$1,284,150 allocated for parks and recreation
- \$ 20,000 allocated for debt service
  
- ❖ Revenues were estimated at \$10,110,920, prior year projections were \$8,691,315. Actual revenues exceeded projections by \$779,000. Those revenue sources contributing to the additional revenue were franchise fees, charges for services, fees and fines, and intergovernmental grants.
  
- ❖ The total for other financing uses was \$1,660,367 which subsidizes the operations of the Library, Volunteer Fire Company, the Vehicle and Equipment Capital Projects Fund, and C.O.P., Series 2008 Capital Project Fund.

The General Fund ended the year with actual revenues exceeding actual expenditures by \$1.9 million. However, after financing sources (uses), the net increase in fund balance was \$256,000.

**Capital Assets and Debt Administration**

**Capital Assets**

The amount invested in capital assets for the City as of September 30, 2008, is \$70,413,323, net of accumulated depreciation. Capital assets (net), increased by \$14.9 million with the primary value being the sewage treatment plant under construction. The following chart breaks down the City's capital asset balance into the various categories of assets.

**CITY OF WASHINGTON, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**City Of Washington's Capital Assets  
(net of depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 6,763,960	\$6,763,960	879,795	879,795	7,643,755	\$7,643,755
Infrastructure	12,753,900	8,773,440	-	-	12,753,900	8,773,440
Buildings	11,480,342	12,351,400	1,884,671	1,950,880	13,365,013	14,302,280
Improvements other than buildings	5,989,410	6,294,556	10,827,149	10,612,158	16,816,559	16,906,714
Machinery and equipment	3,244,402	3,556,234	1,216,475	1,405,678	4,460,877	4,961,912
Construction in progress	2,405,754	1,727,273	12,967,465	1,223,119	15,373,219	2,950,392
	<u>\$42,637,768</u>	<u>39,466,863</u>	<u>27,775,555</u>	<u>16,071,630</u>	<u>70,413,323</u>	<u>55,538,493</u>

**Major Capital Asset Events FY2008**

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

- Three police vehicles, equipped - \$79,500
- Loft/Mezzanine - Public Works Building - \$40,000
- Building, First Aid - Fairgrounds - \$105,000
- Rubber tire wheel loader - \$125,800
- One-ton pickup truck - \$47,700
- Parks Roadway Project - \$68,500
- Street Overlay and Reconstruction Programs - \$2,768,900
- New water line extensions to serve new developments - \$104,700
- New sewer line extensions serving new developments - \$818,000
- Infrastructure contributions by developers - \$1,489,000
- Water line contributions by developers - \$256,30
- Sewer line contributions by developers - \$319,000
- Wastewater treatment plant (under construction) - \$10,613,400

Additional information on the City's capital assets can be found in Note D of this report.

**Debt Administration**

The City's debt issues are discussed in the notes to the basic financial statements.

**CITY OF WASHINGTON, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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A payment of \$85,000 for Sewer Revenue Bonds of 2001B Series, leaves a principal balance of \$405,000. In December 2007, the City issued Sewer Revenue Bonds, Series 2007 for \$20,000,000 for the construction of a wastewater treatment facility.

The City paid \$450,000 on Certificates of Participation (COPs) Series 2005 for the Public Safety Complex in fiscal year 2008, leaving a balance of \$4,125,000. In fiscal year 2008, the City issued \$26,840,000 in COPs to finance the City's share of the Route 100 widening project and Municipal Complex Enhancement Projects. The prior year loan agreement with the Missouri Transportation Finance Corporation in the amount of \$7,364,451 was retired from the COPs, Series 2008 proceeds.

The City currently has a lease/purchase agreement for the purchase of communications equipment with a balance of \$61,937. Compensated absences payables was \$208,012, an increase of \$24,643.

Additional information on the City's capital assets can be found in Note G of this report.

**Economic Outlook and Next Year's Budget**

The City's development and growth has slowed down considerably. New single family residential construction has been substantially reduced; however, upgrades and remodeling of existing homes continue to be strong. Industrial activity includes The Mercy Hospital Group information technology facility and Pauwels Transformers, Inc. facility. These two projects will create in excess of 275 new positions of employment. Taxable Industrial Revenue Bonds for \$20,000,000 were issued in December 2008 for the Pauwels project. In addition, Patients First, a medical group, is constructing a \$30 million addition to a doctors' building, doubling the present size of the facility and creating many new positions.

In the first quarter of 2008, a Downtown Improvement District was approved. The Bank of Washington project was the first Tax Increment Financing (TIF) project to be approved. Another project within the district is currently being evaluated.

Construction of the new sewage treatment plant started February 2008 and acceptance of first waste treatment is projected for April 2009.

For fiscal year 2009, the City is taking a conservative approach on sales tax revenues and have budgeted a 2% reduction over the FY2008 actual sales tax revenue. The General Fund revenues are budgeted to be \$10.3 million, a \$200,000 increase in estimated revenues over the prior year.

The City has initiated efficiency measures of reducing overtime except in emergency conditions to control costs, a hiring freeze and limiting capital projects, also as a conservative measure until revenue growth can be documented. The General Fund expenditures are projected to be \$8.6 million. This represents a reduction of \$400,000 compared to the \$9 million budgeted in fiscal year 2008.

Health benefits were restructured in February 2009 to save an estimated \$100,000.

Below is a chart of retail sales for the last ten years. In fiscal year 2008, retail sales increased 1.1%.

**CITY OF WASHINGTON, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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<b>Retail Sales</b>	
<b>Year</b>	<b>Amount (millions of dollars)</b>
2008	\$ 423.0
2007	418.4
2006	374.6
2005	355.4
2004	340.7
2003	325.4
2002	299.0
2001	286.9
2000	279.7
1999	255.2
1998	245.4

**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, 2008**

	<u>Primary Government</u>			<b>Component Unit - Community Improvement District</b>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>ASSETS</b>				
Cash and investments	\$ 9,653,251	2,451,019	12,104,270	-
Cash with agent	4,041,814	-	4,041,814	218,262
Receivables (net of allowance for uncollectibles)	4,085,208	565,344	4,650,552	208,779
Loans receivable	1,721,347	-	1,721,347	-
Inventory	315,166	162,151	477,317	-
Prepaid items	452,208	92,159	544,367	18,105
Internal balances	420,191	(420,191)	-	-
Bond issue costs	653,286	281,727	935,013	31,779
Cash and investments - restricted	-	13,188,672	13,188,672	-
Nondepreciable capital assets:				
Land	6,763,960	879,795	7,643,755	-
Construction in progress	2,405,754	12,967,465	15,373,219	-
Depreciable capital assets:				
Infrastructure	12,753,900	-	12,753,900	-
Buildings	11,480,342	1,884,671	13,365,013	-
Improvements other than buildings	5,989,410	10,827,149	16,816,559	-
Machinery and equipment	3,244,402	1,216,475	4,460,877	-
Total Assets	<u>63,980,239</u>	<u>44,096,436</u>	<u>108,076,675</u>	<u>476,925</u>
<b>LIABILITIES</b>				
Accounts payable	2,344,935	3,829,742	6,174,677	352
Accrued wages	230,081	52,661	282,742	-
Deposits	69,769	58,925	128,694	-
Accrued interest payable	597,328	-	597,328	524,314
Unearned revenue	44,612	-	44,612	-
Liabilities payable from restricted assets	-	227,849	227,849	-
Noncurrent liabilities:				
Due within one year	628,837	139,820	768,657	-
Due in more than one year	30,556,292	23,549,195	54,105,487	6,497,333
Total Liabilities	<u>34,471,854</u>	<u>27,858,192</u>	<u>62,330,046</u>	<u>7,021,999</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	15,218,196	20,033,834	35,252,030	-
Restricted for:				
Capital projects	7,543,818	-	7,543,818	-
Debt service	-	297,545	297,545	-
Unrestricted	6,746,371	(4,093,135)	2,653,236	(6,545,074)
Total Net Assets	<u>\$ 29,508,385</u>	<u>16,238,244</u>	<u>45,746,629</u>	<u>(6,545,074)</u>

**CITY OF WASHINGTON, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Primary Government			Component Unit - Community Improvement District
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
<b>Governmental Activities</b>								
General government	\$ 2,746,947	567,567	12,000	25,000	(2,142,380)	-	(2,142,380)	-
Public safety	4,127,090	757,633	58,584	6,326	(3,304,547)	-	(3,304,547)	-
Airport	318,800	72,146	-	300,000	53,346	-	53,346	-
Highways and streets	20,587,741	302,063	838,695	2,984,412	(16,462,571)	-	(16,462,571)	-
Culture and recreation	1,842,721	261,742	71,887	96,850	(1,412,242)	-	(1,412,242)	-
Interest on long-term debt	906,982	-	-	-	(906,982)	-	(906,982)	-
Total Governmental Activities	<u>30,530,281</u>	<u>1,961,151</u>	<u>981,166</u>	<u>3,412,588</u>	<u>(24,175,376)</u>	<u>-</u>	<u>(24,175,376)</u>	<u>-</u>
<b>Business-type Activities</b>								
Water	1,342,968	1,135,956	-	256,336	-	49,324	49,324	-
Sewer	1,040,995	1,847,759	-	318,956	-	1,125,720	1,125,720	-
Solid waste	2,022,255	1,818,526	-	-	-	(203,729)	(203,729)	-
Total Business-type Activities	<u>4,406,218</u>	<u>4,802,241</u>	<u>-</u>	<u>575,292</u>	<u>-</u>	<u>971,315</u>	<u>971,315</u>	<u>-</u>
Total Primary Government	<u>34,936,499</u>	<u>6,763,392</u>	<u>981,166</u>	<u>3,987,880</u>	<u>(24,175,376)</u>	<u>971,315</u>	<u>(23,204,061)</u>	<u>-</u>
<b>Component Unit</b>								
Community Improvement District	\$ <u>456,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(456,506)</u>
<b>General Revenues</b>								
Taxes:								
Property					2,114,522	-	2,114,522	-
Sales					7,887,896	-	7,887,896	653,412
Franchise					2,303,319	-	2,303,319	-
Miscellaneous					-	40,139	40,139	-
Investment income					471,255	173,377	644,632	1,569
Total General Revenues					<u>12,776,992</u>	<u>213,516</u>	<u>12,990,508</u>	<u>654,981</u>
<b>CHANGE IN NET ASSETS</b>					(11,398,384)	1,184,831	(10,213,553)	198,475
NET ASSETS, OCTOBER 1					<u>40,906,769</u>	<u>15,053,413</u>	<u>55,960,182</u>	<u>(6,743,549)</u>
NET ASSETS, SEPTEMBER 30					<u>\$ 29,508,385</u>	<u>16,238,244</u>	<u>45,746,629</u>	<u>(6,545,074)</u>

See notes to financial statements

**CITY OF WASHINGTON, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2008**

	<u>General</u>	<u>Capital Improvements Sales Tax</u>	<u>Transportation Sales Tax</u>	<u>2008 COPS</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and invest- ments	\$ 1,957,953	2,455,943	3,430,899	-	1,808,456	9,653,251
Cash with agent	3,212	431,237	-	3,607,365	-	4,041,814
Accounts receivable, net of allowance	1,241,075	829,886	2,009,625	-	4,622	4,085,208
Loans receivable	1,721,347	-	-	-	-	1,721,347
Inventory	315,166	-	-	-	-	315,166
Prepaid items	392,482	-	-	-	59,726	452,208
Due from other funds	634,154	58,185	-	375	351,412	1,044,126
Advance to other funds	400,000	-	-	-	600,000	1,000,000
Total Assets	<u>\$ 6,665,389</u>	<u>3,775,251</u>	<u>5,440,524</u>	<u>3,607,740</u>	<u>2,824,216</u>	<u>22,313,120</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 649,050	51,334	1,562,438	37,066	45,047	2,344,935
Accrued wages	217,839	-	-	-	12,242	230,081
Deposits	69,769	-	-	-	-	69,769
Due to other funds	344,775	-	58,185	583,749	50,405	1,037,114
Advance from other funds	586,821	-	-	-	-	586,821
Deferred revenue	88,726	-	-	-	-	88,726
Total Liabilities	<u>1,956,980</u>	<u>51,334</u>	<u>1,620,623</u>	<u>620,815</u>	<u>107,694</u>	<u>4,357,446</u>
<b>Fund Balances</b>						
Reserved for:						
Prepaid items	392,482	-	-	-	59,726	452,208
Inventory	315,166	-	-	-	-	315,166
Encumbrances	24,713	19,661	1,031,382	26,798	6,811	1,109,365
Advances	400,000	-	-	-	600,000	1,000,000
Loans	1,721,347	-	-	-	-	1,721,347
Unreserved:						
General Fund	1,854,701	-	-	-	-	1,854,701
Special Revenue Funds	-	-	-	-	1,011,113	1,011,113
Capital Projects Fund	-	3,704,256	2,788,519	2,960,127	1,030,266	10,483,168
Debt Service Fund	-	-	-	-	8,606	8,606
Total Fund Balances	<u>4,708,409</u>	<u>3,723,917</u>	<u>3,819,901</u>	<u>2,986,925</u>	<u>2,716,522</u>	<u>17,955,674</u>
Total Liabilities And Fund Balances	<u>\$ 6,665,389</u>	<u>3,775,251</u>	<u>5,440,524</u>	<u>3,607,740</u>	<u>2,824,216</u>	<u>22,313,120</u>

**CITY OF WASHINGTON, MISSOURI**  
**RECONCILIATION OF THE BALANCE SHEET -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2008**

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Total Fund Balances - Governmental Funds \$ 17,955,674

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 governmental funds. The cost of the assets is \$56,720,694 and the accumulated depreciation is \$14,082,926. 42,637,768

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 44,114

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:

Capital lease	(61,937)
Certificates of participation	(30,965,000)
Accrued compensated absences payable	(158,192)
Accrued interest payable	(597,328)
Unamortized bond issue cost	653,286

Total Net Assets Of Governmental Activities \$ 29,508,385

**CITY OF WASHINGTON, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	General	Capital Improvements Sales Tax	Transportation Sales Tax	2008 COPS	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Property	\$ 1,950,417	-	-	-	164,105	2,114,522
Sales	4,230,162	1,828,231	1,829,503	-	-	7,887,896
Franchise	2,303,319	-	-	-	-	2,303,319
Licenses and permits	275,501	-	-	-	-	275,501
Fees and fines	339,718	-	-	-	61,944	401,662
Intergovernmental	381,477	-	2,212,191	-	12,893	2,606,561
Charges for services	1,101,227	55,316	12,570	-	2,164	1,171,277
Rents	72,089	-	-	-	15,457	87,546
Contributions and donations	38,669	135,000	-	-	9,206	182,875
Investment income	197,743	48,738	159,372	25,850	39,552	471,255
Total Revenues	<u>10,890,322</u>	<u>2,067,285</u>	<u>4,213,636</u>	<u>25,850</u>	<u>305,321</u>	<u>17,502,414</u>
<b>EXPENDITURES</b>						
Current:						
General government	2,117,462	-	-	-	22	2,117,484
Public safety	3,108,213	-	-	-	499,768	3,607,981
Highways and streets	1,734,275	-	2,092,003	16,135,549	-	19,961,827
Airport	127,694	-	-	-	-	127,694
Culture and recreation	1,277,478	46	-	-	338,741	1,616,265
Debt service:						
Principal	-	450,000	7,364,451	-	-	7,814,451
Interest and fiscal charges	28,228	164,043	262,814	-	-	455,085
Bond issuance costs	-	-	-	662,960	-	662,960
Capital outlay:						
General government	73,573	-	-	375,965	-	449,538
Public safety	34,997	-	-	-	72,165	107,162
Highways and streets	64,647	-	2,778,891	-	125,725	2,969,263
Airport	295,748	-	-	-	-	295,748
Culture and recreation	111,691	7,074	-	-	47,740	166,505
Total Expenditures	<u>8,974,006</u>	<u>621,163</u>	<u>12,498,159</u>	<u>17,174,474</u>	<u>1,084,161</u>	<u>40,351,963</u>
<b>REVENUES OVER (UNDER) EXPENDI- TURES</b>	<u>1,916,316</u>	<u>1,446,122</u>	<u>(8,284,523)</u>	<u>(17,148,624)</u>	<u>(778,840)</u>	<u>(22,849,549)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt	-	-	-	26,840,000	-	26,840,000
Transfers in	-	-	7,364,451	660,000	1,000,367	9,024,818
Transfers out	(1,660,367)	-	-	(7,364,451)	-	(9,024,818)
Sale of capital assets	-	222,068	-	-	-	222,068
Total Other Financ- ing Sources (Uses)	<u>(1,660,367)</u>	<u>222,068</u>	<u>7,364,451</u>	<u>20,135,549</u>	<u>1,000,367</u>	<u>27,062,068</u>
<b>NET CHANGE IN FUND BALANCES</b>	255,949	1,668,190	(920,072)	2,986,925	221,527	4,212,519
FUND BALANCES, OCTOBER 1	<u>4,452,460</u>	<u>2,055,727</u>	<u>4,739,973</u>	<u>-</u>	<u>2,494,995</u>	<u>13,743,155</u>
<b>FUND BALANCES, SEPTEMBER 30</b>	<u>\$ 4,708,409</u>	<u>3,723,917</u>	<u>3,819,901</u>	<u>2,986,925</u>	<u>2,716,522</u>	<u>17,955,674</u>

**CITY OF WASHINGTON, MISSOURI**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Net Change In Fund Balances - Governmental Funds \$ 4,212,519

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays over the capitalization threshold (\$3,981,856) exceeded depreciation (\$1,772,460) in the current period. 2,209,396

The net effect of various miscellaneous transactions involving capital assets:

Cost of disposals, net of accumulated depreciation	(624,450)
Contributed assets	1,585,959

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds financial statements. 25,165

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 the governmental funds. Neither transaction, however, has any effect on net assets. Also, the 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.

Proceeds:	
Certificates of participation	(26,840,000)
Bond issuance costs	655,050
Repayments:	
Bonds payable	7,814,451
Capital lease	20,645
Amortization	(16,762)
Compensated absences	(13,132)
Net Adjustment	(18,379,748)

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 the governmental funds.

Accrued interest on bonds	(427,225)
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Change In Net Assets Of Governmental Activities \$ (11,398,384)

**CITY OF WASHINGTON, MISSOURI**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2008**

	<b>Water</b>	<b>Sewage Treatment</b>	<b>Solid Waste</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 227,512	316,152	1,907,355	2,451,019
Accounts receivable (net of allowance)	151,686	237,120	176,538	565,344
Inventory	138,361	23,790	-	162,151
Advance to other funds	586,821	-	-	586,821
Prepaid items	26,746	31,308	34,105	92,159
Total Current Assets	<u>1,131,126</u>	<u>608,370</u>	<u>2,117,998</u>	<u>3,857,494</u>
<b>Noncurrent Assets</b>				
Cash and cash investments - restricted	-	13,188,672	-	13,188,672
Capital assets:				
Land	67,762	767,033	45,000	879,795
Buildings	2,366,318	3,406,750	122,011	5,895,079
Improvements nonbuilding	5,276,968	8,652,433	2,381,876	16,311,277
Machinery and equipment	1,182,656	356,837	1,640,282	3,179,775
Construction-in-progress	35,854	12,131,240	800,371	12,967,465
Less - Accumulated depreciation	<u>(3,603,770)</u>	<u>(5,888,602)</u>	<u>(1,965,464)</u>	<u>(11,457,836)</u>
Total Noncurrent Assets	<u>5,325,788</u>	<u>32,614,363</u>	<u>3,024,076</u>	<u>40,964,227</u>
Total Assets	<u>6,456,914</u>	<u>33,222,733</u>	<u>5,142,074</u>	<u>44,821,721</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	82,253	3,206,873	540,616	3,829,742
Accrued wages	17,988	12,088	22,585	52,661
Due to other funds	7,012	-	-	7,012
	<u>107,253</u>	<u>3,218,961</u>	<u>563,201</u>	<u>3,889,415</u>
Payable from restricted assets:				
Accrued interest payable	-	227,849	-	227,849
Bonds payable - current installments	-	90,000	-	90,000
	<u>-</u>	<u>317,849</u>	<u>-</u>	<u>317,849</u>
Total Current Liabilities	<u>107,253</u>	<u>3,536,810</u>	<u>563,201</u>	<u>4,207,264</u>
<b>Noncurrent Liabilities</b>				
Revenue bonds payable	-	20,315,000	-	20,315,000
Less - Unamortized bond issuance costs	-	(281,727)	-	(281,727)
Less - Unamortized bond discount	-	428,045	-	428,045
Customer deposits	30,735	28,190	-	58,925
Advance from other funds	-	1,000,000	-	1,000,000
Landfill care liability	-	-	2,806,150	2,806,150
Compensated absences payable	16,904	13,141	19,775	49,820
Total Noncurrent Liabilities	<u>47,639</u>	<u>21,502,649</u>	<u>2,825,925</u>	<u>24,376,213</u>
Total Liabilities	<u>154,892</u>	<u>25,039,459</u>	<u>3,389,126</u>	<u>28,583,477</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	5,325,788	11,683,970	3,024,076	20,033,834
Restricted - debt service	-	297,545	-	297,545
Unrestricted	<u>976,234</u>	<u>(3,798,241)</u>	<u>(1,271,128)</u>	<u>(4,093,135)</u>
Total Net Assets	<u>\$ 6,302,022</u>	<u>8,183,274</u>	<u>1,752,948</u>	<u>16,238,244</u>

**CITY OF WASHINGTON, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Water</u>	<u>Sewage Treatment</u>	<u>Solid Waste</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,135,956	1,847,759	1,818,526	4,802,241
<b>OPERATING EXPENSES</b>				
Personal services	484,758	273,706	632,951	1,391,415
Contractual services	352,420	347,212	1,068,552	1,768,184
Depreciation	245,494	240,995	216,298	702,787
Supplies	260,296	145,576	104,454	510,326
Total Operating Expenses	1,342,968	1,007,489	2,022,255	4,372,712
<b>OPERATING INCOME (LOSS)</b>	<u>(207,012)</u>	<u>840,270</u>	<u>(203,729)</u>	<u>429,529</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	36,821	61,774	74,782	173,377
Miscellaneous	40,139	-	-	40,139
Interest and fiscal charges	-	(33,506)	-	(33,506)
Total Nonoperating Revenues (Expenses)	76,960	28,268	74,782	180,010
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	(130,052)	868,538	(128,947)	609,539
CONTRIBUTED CAPITAL	256,336	318,956	-	575,292
<b>CHANGES IN NET ASSETS</b>	126,284	1,187,494	(128,947)	1,184,831
NET ASSETS, OCTOBER 1	6,175,738	6,995,780	1,881,895	15,053,413
<b>NET ASSETS, SEPTEMBER</b>	<u>\$ 6,302,022</u>	<u>8,183,274</u>	<u>1,752,948</u>	<u>16,238,244</u>

**CITY OF WASHINGTON, MISSOURI**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Water	Sewage Treatment	Solid Waste	Total
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 1,154,547	1,743,246	1,832,191	4,729,984
Payments to suppliers	(595,151)	(548,973)	(395,788)	(1,539,912)
Payments for employees and benefits	(481,887)	(263,711)	(622,215)	(1,367,813)
Net Cash Provided By Operating Activities	<u>77,509</u>	<u>930,562</u>	<u>814,188</u>	<u>1,822,259</u>
<b>Cash flows used in noncapital financing activities:</b>				
Advances	(21,216)	(500,000)	-	(521,216)
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	(97,996)	(7,505,834)	(800,371)	(8,404,201)
Proceeds from debt	-	20,000,000	-	20,000,000
Principal paid on capital debt	-	(85,000)	-	(85,000)
Interest and fiscal charges	-	346,157	-	346,157
Net Cash Provided By (Used In) Capital And Related Financing Activities	<u>(97,996)</u>	<u>12,755,323</u>	<u>(800,371)</u>	<u>11,856,956</u>
<b>Cash flows from investing activities:</b>				
Interest	36,821	61,774	74,782	173,377
Other receipts	40,139	-	-	40,139
Increase in restricted assets	-	(12,949,372)	-	(12,949,372)
Net Cash Provided By (Used In) Investing Activities	<u>76,960</u>	<u>(12,887,598)</u>	<u>74,782</u>	<u>(12,735,856)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	35,257	298,287	88,599	422,143
<b>CASH AND CASH EQUIVALENTS, OCTOBER 1</b>	<u>192,255</u>	<u>267,701</u>	<u>1,818,756</u>	<u>2,278,712</u>
<b>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</b>	<u>\$ 227,512</u>	<u>565,988</u>	<u>1,907,355</u>	<u>2,700,855</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (207,012)	840,270	(203,729)	429,529
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	245,494	240,995	216,298	702,787
(Increase) decrease in:				
Receivables (net)	17,291	(106,053)	13,665	(75,097)
Inventory	16,388	(2,748)	-	13,640
Prepays	4,445	1,045	944	6,434
Increase (decrease) in:				
Accounts payable	(3,268)	(54,482)	467,135	409,385
Landfill care liability	-	-	309,139	309,139
Customer deposits	1,300	1,540	-	2,840
Other liabilities	2,871	9,995	10,736	23,602
Total Adjustments	<u>284,521</u>	<u>90,292</u>	<u>1,017,917</u>	<u>1,392,730</u>
Net Cash Provided By Operating Activities	<u>\$ 77,509</u>	<u>930,562</u>	<u>814,188</u>	<u>1,822,259</u>

**Noncash investing, capital, and financing activities:**

The Water and Sewage Treatment Funds received \$256,336 and \$318,956, respectively, in contributed water lines and sewer lines from developers.

**CITY OF WASHINGTON, MISSOURI**  
**STATEMENT OF FIDUCIARY NET ASSETS -**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2008**

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**ASSETS**

Cash and investments

\$ 140,522

**LIABILITIES**

Due to lessee

\$ 140,522

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - 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:

**1. Reporting Entity**

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 (IDA) 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. The Phoenix Center II Community Improvement District (the District) was incorporated in 2006. All directors of the District are appointed by the Mayor of the City and confirmed by the City Council. The District is organized to construct public infrastructure improvement projects to serve a new commercial redevelopment project in the City. The District is a component unit of the City and is discretely presented as such in the basic financial statements.

**2. Government-wide and Fund Financial Statements**

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

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Government-wide and Fund Financial Statements (Continued)**

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, proprietary 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 balances 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.

**3. 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.

Governmental funds 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, franchise 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.

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The City reports the following major governmental funds:

**General Fund** -- 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.

**Capital Improvements Sales Tax Fund** -- The Capital Improvements 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).

**Transportation Sales Tax Fund** -- The Transportation Sales Tax Fund, a Capital Projects Fund, is used to account for financial resources to be used for purposes of transportation projects. This includes, but not limited to, payment of the local share of the cost of expanding Highway 100 from Interstate Highway 44 to High Street from two lanes to four lanes.

**2008 COPS Fund** -- The 2008 COPS, a Capital Projects Fund, is used to account for financial resources to be used for the municipal complex enhancement and Route 100 project.

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; a Capital Projects Fund, which accounts for financial resources to be used for the acquisition of vehicles and equipment; and a Debt Service Fund, which accounts for financial resources to be used for the payment of principal and interest for the Downtown TIF. The nonmajor funds of the City are the Library Fund, Volunteer Fire Company Fund, Vehicle and Equipment Fund, and Downtown TIF Fund.

The City reports the following major proprietary funds:

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

**Sewage Treatment Fund** -- 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.

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Solid Waste 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.

Additionally, the City reports the following fiduciary fund type:

**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 Industrial General Obligation Bonds of 1997, Series A & B; and Taxable Industrial Revenue Bonds, Series 2005.

The City applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) in accounting and reporting for proprietary activities issued on or before November 30, 1989, unless these pronouncements conflict with applicable 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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**4. 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.

**5. 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 an 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.

**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.

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**6. Capital Assets (Continued)**

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. "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 separate item and depreciated over the remaining useful lives of the related capital assets, if applicable.

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:

Asset	Years
Infrastructure	20 - 40
Buildings	10 - 50
Improvements other than buildings	10 - 50
Machinery and equipment	2 - 15

**7. 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.

**8. 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.

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**8. Receivables and Payables (Continued)**

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.

**9. 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 noncurrent 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.

**10. 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.

**11. 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

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**11. Long-term Obligations (Continued)**

the life of the bonds. There is no significant difference between the straight-line method and the present-value method required by U.S. 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.

**12. 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.

**13. 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.

**14. 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".

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**15. 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.

**16. Interest Capitalization**

In accordance with FASB Statement No. 34, the District capitalized interest expense on major construction while in progress. Capitalized interest totaled \$249,836 for the year ended September 30, 2008.

**17. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

**NOTE B - CASH AND INVESTMENTS**

**1. Deposits**

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 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.

As of September 30, 2008, the City's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

**2. Investments**

As of September 30, 2008, the City had the following investments:

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - CASH AND INVESTMENTS (Continued)**

**2. Investments (Continued)**

<u>Investments</u>	<u>Fair Market Value</u>	<u>No Maturity</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>	<u>5 - 10 Years</u>	<u>More Than 10 Years</u>	<u>Credit Risk</u>
<b>Primary Government</b>							
Money market fund	\$ 4,050,657	4,050,657	-	-	-	-	Not rated
Guaranteed invest- ment contracts	12,973,117	-	-	12,573,279	22,748	377,090	AAA
Certificates of deposit	<u>32,390</u>	<u>-</u>	<u>16,694</u>	<u>15,696</u>	<u>-</u>	<u>-</u>	N/A
Total Primary Government	<u>\$17,056,164</u>	<u>4,050,657</u>	<u>16,694</u>	<u>12,588,975</u>	<u>22,748</u>	<u>377,090</u>	
<b>Component Unit</b>							
Money market fund	<u>\$218,262</u>	<u>218,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Not rated
<b>Fiduciary Fund</b>							
Money market fund	<u>\$124,696</u>	<u>124,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Not rated

**Investments Policies**

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a written investment policy covering credit risk.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a written investment policy covering interest rate risk.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have a written investment policy covering concentration of credit risk.

**Custodial Credit Risk** is the risk that in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party.

**NOTE C - RECEIVABLES**

Receivables as of September 30, 2008, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - RECEIVABLES (Continued)**

	<u>Governmental Activities</u>				<u>Business-type Activities</u>				<u>Component Unit</u>
	<u>General</u>	<u>Capital Improvements Sales Tax</u>	<u>Transportation Sales Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Water</u>	<u>Sewage Treatment</u>	<u>Solid Waste</u>	<u>Total</u>	
Receivables:									
Taxes	\$1,044,991	233,329	308,916	4,587	-	-	-	1,591,823	-
Accounts	69,805	555,850	323,727	680	151,840	236,771	179,167	1,517,840	208,779
Intergovernmental	121,995	40,707	1,376,982	-	-	-	-	1,539,684	-
Special assessments	13,936	-	-	-	-	349	-	14,285	-
Gross receivables	1,250,727	829,886	2,009,625	5,267	151,840	237,120	179,167	4,663,632	208,779
Less - Allowance for uncollectibles	9,652	-	-	645	154	-	2,629	13,080	-
Total Receivables, Net	<u>\$1,241,075</u>	<u>829,886</u>	<u>2,009,625</u>	<u>4,622</u>	<u>151,686</u>	<u>237,120</u>	<u>176,538</u>	<u>4,650,552</u>	<u>208,779</u>

**NOTE D - CAPITAL ASSETS**

Following is a summary of changes in capital assets - governmental activities for the year ended September 30, 2008:

	<u>For The Year Ended September 30, 2008</u>			
	<u>Balance September 30 2007</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance September 30 2008</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 6,763,960	-	-	6,763,960
Construction in progress	1,727,273	1,634,333	955,852	2,405,754
Total Capital Assets Not Being Depreciated	8,491,233	1,634,333	955,852	9,169,714
Capital assets being depreciated:				
Infrastructure	9,455,340	4,448,249	-	13,903,589
Buildings	17,992,817	145,098	632,638	17,505,277
Improvements other than buildings	8,209,296	-	-	8,209,296
Machinery and equipment	7,704,598	295,987	67,767	7,932,818
Total Capital Assets Being Depreciated	43,362,051	4,889,334	700,405	47,550,980
Less - Accumulated depreciation for:				
Infrastructure	681,900	467,789	-	1,149,689
Buildings	5,641,417	399,334	15,816	6,024,935
Improvements other than buildings	1,914,740	305,146	-	2,219,886
Machinery and equipment	4,148,364	600,191	60,139	4,688,416
Total Accumulated Depreciation	12,386,421	1,772,460	75,955	14,082,926
Total Capital Assets Being Depreciated, Net	30,975,630	3,116,874	624,450	33,468,054
Governmental Activities Capital Assets, Net	<u>\$39,466,863</u>	<u>4,751,207</u>	<u>1,580,302</u>	<u>42,637,768</u>

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - CAPITAL ASSETS (Continued)**

	<b>For The Year Ended September 30, 2008</b>			
	<b>Balance</b>	<b>Additions</b>	<b>Decreases</b>	<b>Balance</b>
	<b>September 30</b>			<b>September 30</b>
	<b>2007</b>			<b>2008</b>
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 879,795	-	-	879,795
Construction in progress	<u>1,223,119</u>	<u>11,760,167</u>	<u>15,821</u>	<u>12,967,465</u>
Total Capital Assets Not Being				
Depreciated	<u>2,102,914</u>	<u>11,760,167</u>	<u>15,821</u>	<u>13,847,260</u>
Capital assets being depreciated:				
Buildings	5,850,935	44,144	-	5,895,079
Improvements other than buildings	15,698,635	612,642	-	16,311,277
Machinery and equipment	<u>3,174,195</u>	<u>5,580</u>	<u>-</u>	<u>3,179,775</u>
Total Capital Assets Being				
Depreciated	<u>24,723,765</u>	<u>662,366</u>	<u>-</u>	<u>25,386,131</u>
Less - Accumulated depreciation for:				
Buildings	3,900,055	110,353	-	4,010,408
Improvements other than buildings	5,086,477	397,651	-	5,484,128
Machinery and equipment	<u>1,768,517</u>	<u>194,783</u>	<u>-</u>	<u>1,963,300</u>
Total Accumulated Depreciation	<u>10,755,049</u>	<u>702,787</u>	<u>-</u>	<u>11,457,836</u>
Total Capital Assets Being				
Depreciated, Net	<u>13,968,716</u>	<u>(40,421)</u>	<u>-</u>	<u>13,928,295</u>
 Business-type Activities				
Capital Assets, Net	<u>\$16,071,630</u>	<u>11,719,746</u>	<u>15,821</u>	<u>27,775,555</u>

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

	<b>For The</b>
	<b>Year Ended</b>
	<b>September 30</b>
	<b>2008</b>
<b>Governmental Activities</b>	
General government	\$ 213,002
Public safety	513,481
Airport	191,106
Highway and streets	629,712
Culture and recreation	<u>225,159</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$1,772,460</u>
 <b>Business-type Activities</b>	
Water	\$245,494
Sewage treatment	240,995
Solid waste	<u>216,298</u>
 Total Depreciation Expense - Business-type Activities	 <u>\$702,787</u>

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The individual interfund balances are as follows:

**Advances From/To Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>September 30 2008</u>
General Fund	Sewage Treatment Fund	\$ 400,000
Nonmajor fund - Vehicle and Equipment Fund	Sewage Treatment Fund	600,000
Water Fund	General Fund	<u>586,821</u>
		<u>\$1,586,821</u>

The outstanding balances between funds result from 1) payments to fund deeds of trust issued by the Washington Missouri Redevelopment Corporation and 2) payments to fund initial sewer treatment project costs. The balances are not expected to be repaid within the fiscal year ending September 30, 2008.

Individual interfund transfers are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>For The Year Ended September 30 2008</u>
General Fund	Nonmajor Fund - Library Fund	\$ 124,960
General Fund	Nonmajor Fund - Volun- teer Fire Company Fund	531,007
General Fund	2008 COPS Fund	660,000
General Fund	Nonmajor Fund - Vehicle and Equipment Fund	344,400
2008 COPS Fund	Transportation Sales Tax Fund	<u>7,364,451</u>
		<u>\$9,024,818</u>

Interfund transfers were used to 1) move unrestricted revenues collected in the General Fund to finance other funds in accordance with budgetary authorization.

Interfund assets and liabilities are as follows:

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>September 30 2008</u>
Nonmajor Fund - Volunteer Fire Company Fund	Water Fund	\$ 7,012
General Fund	2008 COPS Fund	583,749
Capital Improvements Sales Tax Fund	Transportation Tax Fund	58,185
General Fund	Nonmajor fund - Vehicle and Equipment Fund	50,405
Nonmajor Fund - Vehicle and Equipment Fund	General Fund	344,400
2008 COPS Fund	General Fund	<u>375</u>
		<u>\$1,044,126</u>

Interfund balances are due to timing differences and negative cash balances and are expected to be repaid during the fiscal year ending September 30, 2009.

**NOTE F - LEASE**

**Capital Lease**

The City has entered into a capital lease agreement for the purpose of acquiring and financing public safety equipment. The assets acquired through the capital lease are as follows:

<b>Governmental Activities</b>	<u>September 30 2008</u>
Asset:	
Machinery and equipment	\$113,424
Less - Accumulated depreciation	<u>45,370</u>
Total	<u>\$ 68,054</u>

The future minimum capital lease obligations and the net present value of these minimum lease payments were as follows:

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - LEASE (Continued)**

<b>For The Years Ended September 30</b>	
2009	\$20,646
2010	20,646
2011	<u>20,645</u>
Total minimum lease payments	61,937
Less - Amounts representing interest	<u>-</u>
 Present Value Of Minimum Lease Payments	 <u>\$61,937</u>

**NOTE G - LONG-TERM DEBT**

**Bonds Payable**

Bonds payable were comprised of the following:

	<b>September 30 <u>2008</u></b>
<b>Governmental Activities</b>	
\$5,000,000 certificates of participation (Series 2005), due in annual installments through December 1, 2015; interest payable at 3.35% to 4.05%.	\$ 4,125,000
\$26,840,000 certificates of participation (Series 2008), due in annual installments through April 1, 2030; interest payable at 2.8% to 4.95%	<u>26,840,000</u>
Total Governmental Activities	<u>\$30,965,000</u>
<b>Business-type Activities</b>	
\$1,300,000 Sewage 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%.	\$ 405,000
\$20,000,000 Sewerage System Revenue Bonds, under the terms of the refinancing agreement Series 2007, due in annual installments through January 1, 2029; interest payable at 4% to 5%.	<u>20,000,000</u>
Total Business-type Activities	<u>\$20,405,000</u>

The annual debt service requirements for bonds payables are as follows:

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE G - LONG-TERM DEBT (Continued)**

For The Years Ended September 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 450,000	1,342,387	90,000	911,396
2010	480,000	1,404,073	935,000	884,627
2011	480,000	1,386,999	960,000	840,101
2012	575,000	1,368,997	975,000	798,824
2013	540,000	1,347,273	880,000	756,719
2014 - 2018	3,520,000	6,389,848	4,630,000	3,230,519
2019 - 2023	6,555,000	5,448,883	5,060,000	2,232,234
2024 - 2028	10,375,000	3,579,632	5,655,000	1,002,213
2029 - 2030	<u>7,990,000</u>	<u>659,340</u>	<u>1,220,000</u>	<u>30,500</u>
	<u>\$30,965,000</u>	<u>22,927,432</u>	<u>20,405,000</u>	<u>10,687,133</u>

**Missouri Transportation Finance Corporation (MTFC) Loan Payable**

During the year ended September 30, 2007, the City entered into a direct loan agreement with MTFC in the amount of \$7,364,451 plus interest of 3.69% to finance site improvements for the development at the District. The loan was paid in full in April 2008.

**Changes in Long-term Liabilities**

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

	<u>For The Year Ended September 30, 2008</u>			<u>Amounts Due Within One Year</u>	
	<u>Balance September 30 2007</u>	<u>Additions</u>	<u>Deletions</u>		<u>Balance September 30 2008</u>
<b>Governmental Activities</b>					
Certificates of participation	\$ 4,575,000	26,840,000	(450,000)	30,965,000	450,000
Capital lease	82,582	-	(20,645)	61,937	20,645
MTFC loan	7,364,451	-	(7,364,451)	-	-
Compensated absences payable	<u>145,060</u>	<u>158,192</u>	<u>(145,060)</u>	<u>158,192</u>	<u>158,192</u>
Total Governmental Activities Long- term Liabilities	<u>\$12,167,093</u>	<u>26,998,192</u>	<u>(7,980,156)</u>	<u>31,185,129</u>	<u>628,837</u>
<b>Business-type Activities</b>					
Revenue bonds payable	\$ 490,000	20,000,000	(85,000)	20,405,000	90,000
Plus - net premiums (discounts)	<u>(5,038)</u>	<u>450,860</u>	<u>(17,777)</u>	<u>428,045</u>	<u>-</u>
Total Revenue Bonds Payable	484,962	20,450,860	(102,777)	20,833,045	90,000
Compensated absences payable	38,309	49,820	(38,309)	49,820	49,820
Landfill care liability	<u>2,497,011</u>	<u>309,139</u>	<u>-</u>	<u>2,806,150</u>	<u>-</u>
Total Business-type Activities Long- term Liabilities	<u>\$3,020,282</u>	<u>20,809,819</u>	<u>(141,086)</u>	<u>23,689,015</u>	<u>139,820</u>

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE G - LONG-TERM DEBT (Continued)**

The amount due within one year above includes \$90,000, which is reported as part of liabilities payable from restricted assets in the statement of net assets.

	<b>September 30 2008</b>
<b>Component Unit</b>	
2006 sales tax revenue notes, interest at 6.75%, due November 1, 2026.	<u>\$6,497,333</u>

In May 2006, the City; Franklin County, Missouri (the County); and Phoenix Center II Development Co., LLC (the Developer) entered into a Development Agreement, whereby the City and the County agreed to use a portion of their sales tax revenues from a shopping center being constructed by the Developer to pay for roads and other public improvements associated with the shopping center.

In November 2006, the District issued its sales tax revenue note for \$6,497,333, Series 2006, in a principal amount not to exceed \$17,997,000. The notes are payable from a 0.75% sales tax imposed by the District, from one-half of the sales tax revenue the City receives from within the District, and from one-half of the sales tax revenue the County receives from its general sales tax from within the District. The notes are limited obligations of the District, and are generally payable solely from the City, County, and District sales tax revenues identified above. The notes do not constitute a general obligation of the City, County, District, or State of Missouri.

The following is a summary of the changes in the District's long-term debt:

	<b>For The Year Ended September 30, 2008</b>			<b>Amount Due Within One Year</b>
	<b>Balance September 30 2007</b>	<b>Additions</b>	<b>Deletions</b>	
	<b>September 30 2008</b>			
2006 sales tax revenue notes	<u>\$6,497,333</u>	<u>-</u>	<u>-</u>	<u>6,497,333</u>

The District makes payments on the sales tax revenue notes based on the amount of sales tax collected and, therefore, there is not a formal debt maturity schedule.

**NOTE H - GENERAL FUND BALANCE**

Due to similarity of purpose, Stormwater Management Improvement Fund revenue and expenditures are reported in the General Fund. After this combination, the General Fund fund balance was as follows:

	<b>September 30 2008</b>
General Fund	\$2,772,306
Stormwater Management Improvement Fund	<u>1,936,103</u>
	<u>\$4,708,409</u>

**NOTE I - EMPLOYEE RETIREMENT SYSTEMS**

**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.

**Missouri Local Government Employees Retirement System**

**1. Plan Description**

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 state statute, Section RSMo 700.600 - 70.755. As such, it is LAGERS' 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.

LAGERS 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.

**2. Funding Policy**

The City'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 12.1% (general) and 11.1% (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.

**3. Annual Pension Cost**

For 2008, the City's annual pension cost of \$567,478 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and/or February 28, 2007 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% per year, compounded annually, attributable to inflation; c) additional projected salary increases ranging from 0% to 6% per year, depending on age and division, attributable to seniority/merit; d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women; and e) post-retirement

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE I - EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**3. Annual Pension Cost (Continued)**

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, 2008 was 15 years.

Three -year trend information follows:

<u>For The Plan Years Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$567,478	100%	\$ -
2007	556,431	100	-
2006	489,504	100	-

Schedule of funding progress follows:

<u>For The Actuarial Valuation Years Ended February 28/29</u>	<u>Actuarial Value Of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Accrued Liability (UAL)</u>
2008	\$11,335,897	\$11,932,939	\$ 597,042
2007	9,952,464	11,231,847	1,279,383
2006	8,826,258	10,100,180	1,273,922

<u>For The Actuarial Valuation Years Ended February 28/29</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded AAL As A Percentage Of Covered Payroll</u>
2008	95%	\$4,679,567	13%
2007	89	4,636,619	28
2006	87	4,214,820	30

**NOTE I - EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**3. Annual Pension Cost (Continued)**

Note: 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, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS' office in Jefferson City, MO.

**NOTE J - RISK MANAGEMENT**

The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), which is a jointly self-funded insurance program consisting solely of Missouri municipalities. MIRMA assesses each participant in the program based upon past experience of the group. MIRMA purchases excess insurance coverage in the event of significant losses by participants in the program. The assessment for the coverage period July 1, 2008 through June 30, 2009 was \$400,392. There are no claims estimated to exceed policy limits as of September 30, 2008. The City has not recorded any liability for future potential losses in the accompanying financial statements based upon the above information provided by MIRMA.

**NOTE K - CLOSURE AND POST-CLOSURE CARE COST**

State and federal laws and regulations require 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 30 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 post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,806,150 reported as landfill care liability at September 30, 2008, 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 41% 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 2006. 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 contributions to a trust to finance closure and post-closure care.

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE L - CONDUIT DEBT**

The City issued industrial revenue 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 transactions are accounted for in various Agency Funds of the City.

	<b>September 30</b> <b>2008</b>
\$30,000,000 Taxable Industrial Revenue Bonds (Series 2005), due in annual installments through December 1, 2015; interest payable at 5%.	\$ 9,822,937
\$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%.	315,000
\$1,470,000 General Obligation Industrial Refunding Bonds (Series 1997 B), due in annual installments through June 1, 2009; interest payable at 4% to 5%.	<u>160,000</u>
	<u>\$10,297,937</u>

**NOTE M - COMMITMENTS**

The City had commitments for engineering services and water and sewer contracts totaling \$10,134,010 at September 30, 2008.

**NOTE N - RESTRICTED NET ASSETS**

The government-wide statement of net assets reports \$7,841,363 of restricted net assets, of which \$7,543,818 is restricted by enabling legislation.

**NOTE O - FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51), establishes standards for the measurement and recording the estimated historical cost for land associated with right-of-way easements. GASB 51 will be effective for the City for the fiscal year ending September 30, 2010. The City, however, has not yet completed its assessment of the statement or the potential impact of the statement on its financial position.

**REQUIRED SUPPLEMENTAL INFORMATION SECTION**

**CITY OF WASHINGTON, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND**  
**BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,934,655	1,934,655	1,950,417	15,762
Sales	4,333,510	4,333,510	4,230,162	(103,348)
Franchise	1,742,700	2,165,715	2,303,319	137,604
Licenses and permits	239,000	239,000	275,501	36,501
Fees and fines	180,000	180,000	339,718	159,718
Intergovernmental	26,750	26,750	381,477	354,727
Charges for services	960,490	960,490	1,101,227	140,737
Rents	85,700	85,700	72,089	(13,611)
Contributions and donations	9,600	9,600	38,669	29,069
Investment income	175,500	175,500	197,743	22,243
Total Revenues	<u>9,687,905</u>	<u>10,110,920</u>	<u>10,890,322</u>	<u>779,402</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Executive	1,215,040	1,223,345	912,643	(310,702)
Financial administration	529,350	525,390	473,282	(52,108)
Technology support	289,635	291,095	280,550	(10,545)
Economic development	112,455	114,230	116,756	2,526
Maintenance - building and grounds	320,160	320,810	334,231	13,421
Total General Government	<u>2,466,640</u>	<u>2,474,870</u>	<u>2,117,462</u>	<u>(357,408)</u>
Public safety:				
Judicial	34,470	34,470	115,409	80,939
Police	2,103,890	2,174,190	2,305,077	130,887
Communications center	631,595	643,385	687,727	44,342
Total Public Safety	<u>2,769,955</u>	<u>2,852,045</u>	<u>3,108,213</u>	<u>256,168</u>
Highways and streets:				
Engineering, inspections, and planning	659,530	670,605	636,999	(33,606)
Streets	978,475	991,370	1,097,276	105,906
Total Highways And Streets	<u>1,638,005</u>	<u>1,661,975</u>	<u>1,734,275</u>	<u>72,300</u>

(Continued)

**CITY OF WASHINGTON, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND**  
**BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Airport	161,390	161,390	127,694	(33,696)
Culture and recreation:				
Parks	980,210	988,425	1,103,803	115,378
Aquatic center	182,760	182,760	173,675	(9,085)
Total Culture And Recreation	1,162,970	1,171,185	1,277,478	106,293
Debt service:				
Interest expense	20,000	20,000	28,228	8,228
Capital outlay:				
General government	524,615	524,615	73,573	(451,042)
Public safety	20,645	20,645	34,997	14,352
Highways and streets	50,000	50,000	64,647	14,647
Airport	-	-	295,748	295,748
Culture and recreation	112,965	112,965	111,691	(1,274)
Total Capital Outlay	708,225	708,225	580,656	(127,569)
Total Expenditures	8,927,185	9,049,690	8,974,006	(75,684)
<b>REVENUES OVER EXPENDITURES</b>	760,720	1,061,230	1,916,316	855,086
<b>OTHER FINANCING USES</b>				
Transfers out	(1,015,110)	(1,015,110)	(1,660,367)	645,257
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (254,390)</b>	<b>46,120</b>	<b>255,949</b>	<b>209,829</b>
FUND BALANCE, OCTOBER 1			4,452,460	
<b>FUND BALANCE, SEPTEMBER 30</b>			<b>\$ 4,708,409</b>	

**CITY OF WASHINGTON, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**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 funds except the 2008 COPS Fund. The legal level of budgetary control defined as the budgeted appropriation amount at the fund level of expenditures.
- e. Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.
- f. Current year budget includes amendments. Budget amendments must be approved by the City Council.
- g. Unencumbered appropriations at the end of the period are reconsidered for subsequent budgets.

**Excess of Expenditures Over Appropriations**

Expenditures exceeded appropriations in the Library Fund, Vehicle and Equipment Fund, Transportation Sales Tax Fund, and Downtown TIF Fund. These over expenditures were funded by additional revenues.

**OTHER SUPPLEMENTAL INFORMATION SECTION**

**CITY OF WASHINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - COMBINING**  
**BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	
	<u>Library</u>	<u>Volunteer Fire Company</u>	<u>Vehicle And Equipment</u>	<u>Downtown TIF</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and investments	\$ 135,554	928,058	736,238	8,606	1,808,456
Cash with agent					
Accounts receivable, net of allowance	3,912	677	33	-	4,622
Prepaid items	13,410	46,316	-	-	59,726
Due from other funds	-	7,012	344,400	-	351,412
Advance to other funds	-	-	600,000	-	600,000
Total Assets	<u>\$ 152,876</u>	<u>982,063</u>	<u>1,680,671</u>	<u>8,606</u>	<u>2,824,216</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 14,867	30,180	-	-	45,047
Due to other funds	-	-	50,405	-	50,405
Accrued wages	9,608	2,634	-	-	12,242
Total Liabilities	<u>24,475</u>	<u>32,814</u>	<u>50,405</u>	<u>-</u>	<u>107,694</u>
<b>Fund Balances</b>					
Reserved for:					
Prepaid items	13,410	46,316	-	-	59,726
Encumbrances	869	5,942	-	-	6,811
Advances	-	-	600,000	-	600,000
Unreserved:					
Special Revenue Funds	114,122	896,991	-	-	1,011,113
Capital Projects Fund	-	-	1,030,266	-	1,030,266
Debt Service Fund	-	-	-	8,606	8,606
Total Fund Balances	<u>128,401</u>	<u>949,249</u>	<u>1,630,266</u>	<u>8,606</u>	<u>2,716,522</u>
Total Liabilities And Fund Balances	<u>\$ 152,876</u>	<u>982,063</u>	<u>1,680,671</u>	<u>8,606</u>	<u>2,824,216</u>

**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, 2008**

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
	<u>Library</u>	<u>Volunteer Fire Company</u>	<u>Vehicle And Equipment</u>	<u>Downtown TIF</u>	
<b>REVENUES</b>					
Property taxes	\$ 155,647	-	-	8,458	164,105
Fees and fines	61,944	-	-	-	61,944
Intergovernmental	12,893	-	-	-	12,893
Charges for services	-	2,164	-	-	2,164
Rents	-	15,457	-	-	15,457
Contributions and donations	9,206	-	-	-	9,206
Investment income	6,254	19,654	13,474	170	39,552
Total Revenues	<u>245,944</u>	<u>37,275</u>	<u>13,474</u>	<u>8,628</u>	<u>305,321</u>
<b>EXPENDITURES</b>					
Current:					
General government:	-	-	-	22	22
Public safety:					
Fire	-	499,768	-	-	499,768
Culture and recreation:					
Library	338,741	-	-	-	338,741
Capital outlay:					
Public safety:					
Fire	-	-	72,165	-	72,165
Highways and streets	-	-	125,725	-	125,725
Culture and recreation:					
Parks	-	-	47,740	-	47,740
Total Expenditures	<u>338,741</u>	<u>499,768</u>	<u>245,630</u>	<u>22</u>	<u>1,084,161</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(92,797)	(462,493)	(232,156)	8,606	(778,840)
<b>OTHER FINANCING SOURCES</b>					
Transfers in	<u>124,960</u>	<u>531,007</u>	<u>344,400</u>	<u>-</u>	<u>1,000,367</u>
<b>NET CHANGE IN FUND BALANCES</b>	32,163	68,514	112,244	8,606	221,527
FUND BALANCE, OCTOBER 1	<u>96,238</u>	<u>880,735</u>	<u>1,518,022</u>	<u>-</u>	<u>2,494,995</u>
<b>FUND BALANCES, SEPTEMBER 30</b>	<u>\$ 128,401</u>	<u>949,249</u>	<u>1,630,266</u>	<u>8,606</u>	<u>2,716,522</u>

**CITY OF WASHINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,**  
**EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND**  
**ACTUAL - LIBRARY SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Property taxes	\$ 154,540	154,540	155,647	1,107
Fees and fines	49,100	49,100	61,944	12,844
Intergovernmental	6,910	6,910	12,893	5,983
Contributions and donations	8,000	8,000	9,206	1,206
Investment income	5,250	5,250	6,254	1,004
Total Revenues	223,800	223,800	245,944	22,144
<b>EXPENDITURES</b>				
Current:				
Library	307,260	310,100	338,741	28,641
Capital outlay	5,000	5,000	-	(5,000)
Total Expenditures	312,260	315,100	338,741	23,641
<b>REVENUES UNDER EXPENDI- TURES</b>	(88,460)	(91,300)	(92,797)	(1,497)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	124,960	124,960	124,960	-
<b>NET CHANGE IN FUND BALANCE</b>	\$ 36,500	33,660	32,163	(1,497)
FUND BALANCE, OCTOBER 1			96,238	
<b>FUND BALANCE, SEPTEMBER 30</b>			\$ 128,401	

**CITY OF WASHINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,**  
**EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND**  
**ACTUAL - VOLUNTEER FIRE COMPANY SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Charges for services	\$ 5,050	5,050	2,164	(2,886)
Rents	6,500	6,500	15,457	8,957
Contributions and donations	500	500	-	(500)
Investment income	40,000	40,000	19,654	(20,346)
Total Revenues	52,050	52,050	37,275	(14,775)
<b>EXPENDITURES</b>				
Current:				
Volunteer Fire Company	542,640	543,535	499,768	(43,767)
<b>REVENUES OVER (UNDER)</b>	(490,590)	(491,485)	(462,493)	28,992
<b>EXPENDITURES</b>				
<b>OTHER FINANCING SOURCES</b>				
Transfers in	545,750	545,750	531,007	(14,743)
<b>NET CHANGE IN FUND BALANCE</b>	\$ 55,160	54,265	68,514	14,249
FUND BALANCE, OCTOBER 1			880,735	
<b>FUND BALANCE, SEPTEMBER 30</b>			\$ 949,249	

**CITY OF WASHINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,**  
**EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND**  
**ACTUAL - CAPITAL IMPROVEMENTS SALES TAX CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
Taxes:			
Sales	\$ 1,935,550	1,828,231	(107,319)
Charges for services	-	55,316	55,316
Contributions and donations	-	135,000	135,000
Investment income	15,000	48,738	33,738
Total Revenues	1,950,550	2,067,285	116,735
<b>EXPENDITURES</b>			
Current:			
General government	200,000	-	(200,000)
Culture and recreation	-	46	46
Total Current	200,000	46	(199,954)
Debt service:			
Principal	450,000	450,000	-
Interest and fiscal charges	164,000	164,043	43
Total Debt Service	614,000	614,043	43
Capital outlay:			
Culture and recreation	-	7,074	7,074
Total Expenditures	814,000	621,163	(192,837)
<b>REVENUES OVER EXPENDITURES</b>	1,136,550	1,446,122	309,572
<b>OTHER FINANCING SOURCES</b>			
Sale of capital assets	-	222,068	222,068
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 1,136,550</b>	1,668,190	<b>531,640</b>
FUND BALANCE, OCTOBER 1		2,055,727	
<b>FUND BALANCE, SEPTEMBER 30</b>		<b>\$ 3,723,917</b>	

**CITY OF WASHINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,**  
**EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND**  
**ACTUAL - TRANSPORTATION SALES TAX CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Taxes:			
Sales	\$ 1,935,550	1,829,503	(106,047)
Intergovernmental	2,690,000	2,212,191	(477,809)
Charges for services	-	12,570	12,570
Investment income	30,000	159,372	129,372
Total Revenues	<u>4,655,550</u>	<u>4,213,636</u>	<u>(441,914)</u>
<b>EXPENDITURES</b>			
Current:			
Highways and streets	200,000	2,092,003	1,892,003
Debt service:			
Principal	-	7,364,451	7,364,451
Interest and fiscal charges	271,750	262,814	(8,936)
Capital outlay:			
Highways and streets	<u>7,677,000</u>	<u>2,778,891</u>	<u>(4,898,109)</u>
Total Expenditures	<u>8,148,750</u>	<u>12,498,159</u>	<u>4,349,409</u>
<b>REVENUES UNDER EXPENDITURES</b>	(3,493,200)	(8,284,523)	(4,791,323)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>-</u>	<u>7,364,451</u>	<u>7,364,451</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (3,493,200)</u>	(920,072)	<u>2,573,128</u>
FUND BALANCE, OCTOBER 1		<u>4,739,973</u>	
<b>FUND BALANCE, SEPTEMBER 30</b>		<u>\$ 3,819,901</u>	

**CITY OF WASHINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,**  
**EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND**  
**ACTUAL - VEHICLE AND EQUIPMENT CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Investment income	\$ 20,000	13,474	(6,526)
<b>EXPENDITURES</b>			
Capital outlay:			
Public safety	-	72,165	72,165
Highways and streets	-	125,725	125,725
Culture and recreation	-	47,740	47,740
Total Expenditures	<u>-</u>	<u>245,630</u>	<u>197,890</u>
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	20,000	(232,156)	(204,416)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>344,400</u>	<u>344,400</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 364,400</u>	112,244	<u>(204,416)</u>
<b>FUND BALANCE, OCTOBER 1</b>		<u>1,518,022</u>	
<b>FUND BALANCE, SEPTEMBER 30</b>		<u>\$ 1,630,266</u>	

**CITY OF WASHINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,**  
**EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND**  
**ACTUAL - DOWNTOWN TIF - DEBT SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
Investment income	\$ 100	170	70
Property tax	3,700	8,458	4,758
Total Revenues	3,800	8,628	4,828
<b>EXPENDITURES</b>			
General government	-	22	22
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 3,800</b>	<b>8,606</b>	<b>4,806</b>
FUND BALANCE, OCTOBER 1		-	
<b>FUND BALANCE, SEPTEMBER 30</b>		<b>\$ 8,606</b>	

**CITY OF WASHINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - COMBINING STATEMENT OF**  
**CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Balance September 30 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30 2008</u>
<b>INDUSTRIAL G.O. BONDS OF 1997, SERIES A</b>				
Assets - cash and cash investments	<u>\$ 162,116</u>	<u>426,576</u>	<u>463,996</u>	<u>124,696</u>
Liabilities - due to lessee	<u>\$ 162,116</u>	<u>426,576</u>	<u>463,996</u>	<u>124,696</u>
<b>TAXABLE INDUSTRIAL REVENUE BONDS (HBAS MANUFACTUR- ING, INC. PROJECT), SERIES 2005</b>				
Assets - cash and cash investments	<u>\$ 6,243</u>	<u>162,461</u>	<u>152,878</u>	<u>15,826</u>
Liabilities - due to lessee	<u>\$ 6,243</u>	<u>162,461</u>	<u>152,878</u>	<u>15,826</u>
<b>ALL AGENCY FUNDS</b>				
Assets - cash and cash Investments	<u>\$ 168,359</u>	<u>589,037</u>	<u>616,874</u>	<u>140,522</u>
Liabilities - due to lessee	<u>\$ 168,359</u>	<u>589,037</u>	<u>616,874</u>	<u>140,522</u>

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**CITY OF WASHINGTON,  
MISSOURI**

**REPORT ON FEDERAL AWARDS  
(Audited)**

Year Ended September 30, 2008

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**CITY OF WASHINGTON, MISSOURI**  
**REPORT ON FEDERAL AWARDS**

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**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
Consultants and Advisors

**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***

April 14, 2009

Mayor and City Council  
**CITY OF WASHINGTON, MISSOURI**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF WASHINGTON, MISSOURI** (the City) as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 14, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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*.

We noted certain matters that we have reported to management of the City in a separate letter dated April 14, 2009.

This report is intended solely for the information and use of management, 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.

*Hochschild, Bloom + Company LLP*  
**CERTIFIED PUBLIC ACCOUNTANTS**

**CITY OF WASHINGTON, MISSOURI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Expenditures</u>
<b>U.S. Department of Transportation:</b>			
Passed through Missouri Department of Transportation:			
Airport Improvement Program	20.106	06-054A-1	\$ <u>281,367</u>
Highway Planning and Construction	20.205	STP 6401(601)	480,959
Highway Planning and Construction	20.205	STP 5406(601)	697,600
Highway Planning and Construction	20.205	STP 6400(618)	<u>194,936</u>
			<u>1,373,495</u>
Passed through Missouri Department of Highway Safety:			
State and Community Highway Safety	20.600	LKK032	976
State and Community Highway Safety	20.600	LKK033	2,739
State and Community Highway Safety	20.600	08-PT-02-120	8,091
State and Community Highway Safety	20.600	08-PT-02-04	<u>3,000</u>
			<u>14,806</u>
Alcohol Open Container Requirements	20.607	08-154-AL-46	8,083
Alcohol Open Container Requirements	20.607	08-154-AL-47	<u>5,437</u>
			<u>13,520</u>
Total Highway Safety			<u>28,326</u>
Total U.S. Department Of Transportation			<u>1,683,188</u>
<b>U.S. Department of Justice:</b>			
Passed through Missouri Department of Public Safety:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-LBGJ-118	6,326
Bulletproof Vest Partnership Program	16.607	-	<u>1,413</u>
Total U.S. Department Of Justice			<u>7,739</u>
<b>U.S. Department of Homeland Security</b>			
Passed through Missouri Emergency Management Agency:			
Emergency Management Performance Grants	97.042	2008EMPG	<u>26,784</u>
<b>Environmental Protection Agency</b>			
Passed through Missouri Department of Natural Resources:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	-	<u>5,514,307</u>
			<u>\$7,232,018</u>

(Continued)

**CITY OF WASHINGTON, MISSOURI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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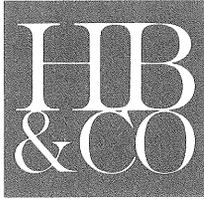
**NOTES:**

**1. General**

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



**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
Consultants and Advisors

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

April 14, 2009

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, 2008. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. 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 U.S. generally accepted auditing standards; 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 its major federal programs for the year ended September 30, 2008.

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- 1000 Washington Square, P.O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

## **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2008, and have issued our report thereon dated April 14, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, 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.

*Hochschild, Bloom & Company LLP*

**CERTIFIED PUBLIC ACCOUNTANTS**

**CITY OF WASHINGTON, MISSOURI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**SEPTEMBER 30, 2008**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

- I. Summary of the auditors' results:
  - A. The type of report issued on the financial statements of the auditee: Unqualified opinion.
  - B. No significant deficiencies in internal control were disclosed by the audit of the financial statements.
  - C. The audit did not disclose any noncompliance which is material to the financial statements of the auditee.
  - D. No significant deficiencies in internal control over major programs were disclosed by the audit.
  - E. The type of report the auditors issued on compliance for major programs: Unqualified opinion.
  - F. The audit disclosed no audit findings which the auditors are required to report under §.510(a).
  - G. Identification of major programs: Airport Improvement Program and Clean Water Capital Grant.
  - H. The dollar threshold used to distinguish between Type A and Type B programs, as described in §.520(b): \$300,000.
  - I. The auditee does not qualify as a low-risk auditee under §.530.
- II. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*: None
- III. Findings and questioned costs for federal awards which shall include audit findings as defined in §.510(a): None

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
	NONE	