

CITY OF WASHINGTON, MISSOURI

FINANCIAL REPORT
(Audited)

Year Ended September 30, 2002

HARR & SCHERER, CPAs, INC.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
CITY OF WASHINGTON, MISSOURI

We have audited the accompanying general-purpose financial statements of the **CITY OF WASHINGTON, MISSOURI** (the City) as of and for the year ended September 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of September 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2003 on our consideration of City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements of the City taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the City.

Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Harr & Scherer, CPAs

Circleville, Ohio
March 24, 2003

**CITY OF WASHINGTON, MISSOURI
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2002**

| | Governmental Fund Types | | | | Proprietary | Fiduciary | Account Groups | | Total (Memorandum Only) |
|----------------------------------------------------------------|-------------------------|--------------------|---------------------|-----------------|-------------------|----------------|-------------------|-------------------|-------------------------------|
| | General | Special Revenue | Capital Projects | Debt Service | Fund Type | Fund Type | General | General | |
| | | | | | Enterprise | Agency | Fixed Assets | Long-Term Debt | |
| ASSETS AND OTHER DEBITS | | | | | | | | | |
| Cash and cash investments | \$ 2,836,599 | 1,005,786 | 4,161,779 | 18,671 | 2,856,813 | 210,172 | - | - | 11,089,820 |
| Cash with agent | 14,528 | - | - | 265,699 | - | - | - | - | 280,227 |
| Accounts receivable, net of allowance where applicable | 1,483,470 | 137,529 | 225,501 | - | 555,225 | - | - | - | 2,401,725 |
| Loans receivable | 1,814,002 | - | - | - | - | - | - | - | 1,814,002 |
| Inventory | 169,690 | 18,250 | - | - | 137,548 | - | - | - | 325,488 |
| Prepaid items | 227,803 | 101,275 | - | 1,000 | 62,106 | - | - | - | 392,184 |
| Advance to other funds | - | - | 504,466 | - | 1,280,903 | - | - | - | 1,785,369 |
| Cash and cash investments - restricted | - | - | - | - | 297,756 | - | - | - | 297,756 |
| Fixed assets, net of accumulated depreciation | - | - | - | - | 10,738,909 | - | 22,487,906 | - | 33,226,815 |
| Amount to be provided for retirement of general long-term debt | - | - | - | - | - | - | - | 4,826,209 | 4,826,209 |
| Amount available for debt service | - | - | - | - | - | - | - | 284,370 | 284,370 |
| TOTAL ASSETS AND OTHER DEBITS | \$ 6,546,092 | 1,262,840 | 4,891,746 | 285,370 | 15,929,260 | 210,172 | 22,487,906 | 5,110,579 | 56,723,965 |
| LIABILITIES, EQUITY AND OTHER CREDITS | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | |
| Vouchers payable | \$ 189,637 | 38,528 | 19,873 | - | 191,160 | - | - | - | 439,198 |
| Compensated absences payable | 16,904 | 6,668 | - | - | - | - | - | - | 23,572 |
| Accrued wages | 59,336 | 12,482 | - | - | 17,659 | - | - | - | 89,477 |
| Deposits | 22,111 | 3,450 | - | - | - | - | - | - | 25,561 |
| Due to lessee | - | - | - | - | - | 210,172 | - | - | 210,172 |
| Advance from other funds | 1,190,903 | 90,000 | - | - | - | - | - | - | 1,280,903 |
| Deferred revenue | 31,356 | - | - | - | - | - | - | - | 31,356 |
| Payable from restricted assets: | | | | | | | | | |
| Bonds payable - current installments | - | - | - | - | 65,000 | - | - | - | 65,000 |
| Accrued interest | - | - | - | - | 13,727 | - | - | - | 13,727 |
| TOTAL CURRENT LIABILITIES | 1,510,247 | 151,128 | 19,873 | - | 287,546 | 210,172 | - | - | 2,178,966 |

See notes to financial statements

**CITY OF WASHINGTON, MISSOURI
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2002**

| | Governmental Fund Types | | | | Proprietary | Fiduciary | Account Groups | | Total (Memorandum Only) |
|--------------------------------------------------------|-------------------------|--------------------|---------------------|-----------------|-------------------|----------------|-------------------|-------------------|-------------------------------|
| | General | Special Revenue | Capital Projects | Debt Service | Fund Type | Fund Type | General | General | |
| | | | | | Enterprise | Agency | Fixed Assets | Long-Term Debt | |
| LONG-TERM LIABILITIES | | | | | | | | | |
| General obligation industrial revenue bonds payable | - | - | - | - | - | - | - | 2,870,000 | 2,870,000 |
| Leasehold revenue bonds payable | - | - | - | - | - | - | - | 2,145,000 | 2,145,000 |
| Revenue bonds payable | - | - | - | - | 780,000 | - | - | - | 780,000 |
| Less - Unamortized bond issuance costs | - | - | - | - | (16,502) | - | - | - | (16,502) |
| Less - Unamortized bond discount | - | - | - | - | (9,823) | - | - | - | (9,823) |
| Customer deposits | - | - | - | - | 53,990 | - | - | - | 53,990 |
| Advance from other funds | - | - | - | - | 504,466 | - | - | - | 504,466 |
| Landfill care liability | - | - | - | - | 1,340,961 | - | - | - | 1,340,961 |
| Compensated absences payable | - | - | - | - | 31,986 | - | - | 95,579 | 127,565 |
| TOTAL LONG-TERM LIABILITIES | - | - | - | - | 2,685,078 | - | - | 5,110,579 | 7,795,657 |
| TOTAL LIABILITIES | 1,510,247 | 151,128 | 19,873 | - | 2,972,624 | 210,172 | - | 5,110,579 | 9,974,623 |
| EQUITY AND OTHER CREDITS | | | | | | | | | |
| Investment in general fixed assets | - | - | - | - | - | - | 22,487,906 | - | 22,487,906 |
| Contributions in aid of construction | - | - | - | - | 1,463,832 | - | - | - | 1,463,832 |
| Retained earnings: | | | | | | | | | |
| Reserved for bond retirement | - | - | - | - | 219,029 | - | - | - | 219,029 |
| Unreserved | - | - | - | - | 11,273,775 | - | - | - | 11,273,775 |
| Fund balance: | | | | | | | | | |
| Reserved for prepaid items | 227,803 | 101,275 | - | 1,000 | - | - | - | - | 330,078 |
| Reserved for inventory | 169,690 | 18,250 | - | - | - | - | - | - | 187,940 |
| Reserved for encumbrances | 210,364 | 213,334 | 57,925 | - | - | - | - | - | 481,623 |
| Reserved for advances | - | - | 504,466 | - | - | - | - | - | 504,466 |
| Reserved for debt service | - | - | - | 284,370 | - | - | - | - | 284,370 |
| Unreserved | 4,427,988 | 778,853 | 4,309,482 | - | - | - | - | - | 9,516,323 |
| TOTAL EQUITY AND OTHER CREDITS | 5,035,845 | 1,111,712 | 4,871,873 | 285,370 | 12,956,636 | - | 22,487,906 | - | 46,749,342 |
| TOTAL LIABILITIES, EQUITY AND OTHER CREDITS | <u>\$ 6,546,092</u> | <u>1,262,840</u> | <u>4,891,746</u> | <u>285,370</u> | <u>15,929,260</u> | <u>210,172</u> | <u>22,487,906</u> | <u>5,110,579</u> | <u>56,723,965</u> |

See notes to financial statements

CITY OF WASHINGTON, MISSOURI
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2002

| | Governmental Fund Types | | | | Total (Memorandum Only) |
|------------------------------------------------------------------------------|-------------------------|--------------------|---------------------|------------------|-------------------------------|
| | General | Special Revenue | Capital Projects | Debt Service | |
| REVENUES | | | | | |
| Taxes | \$ 5,537,977 | 127,609 | 1,363,796 | - | 7,029,382 |
| Licenses and permits | 223,941 | - | - | - | 223,941 |
| Intergovernmental | 1,252,224 | 109,993 | 235,823 | - | 1,598,040 |
| Charges for services | 563,260 | 266,334 | 7,000 | - | 836,594 |
| Fines | 145,600 | 4,380 | - | - | 149,980 |
| Special assessments | 26,084 | - | - | - | 26,084 |
| Investment income | 179,019 | 25,073 | 77,797 | 5,326 | 287,215 |
| Rents | 35,548 | 50,024 | - | - | 85,572 |
| Donations | 7,950 | 151,539 | - | - | 159,489 |
| Miscellaneous | 10,950 | - | - | - | 10,950 |
| TOTAL REVENUES | <u>7,982,553</u> | <u>734,952</u> | <u>1,684,416</u> | <u>5,326</u> | <u>10,407,247</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,420,666 | - | - | - | 1,420,666 |
| Public safety | 2,190,955 | 305,565 | - | - | 2,496,520 |
| Street | 1,424,478 | - | - | - | 1,424,478 |
| Culture and recreation | - | 1,181,033 | - | - | 1,181,033 |
| Airport operation | - | 76,100 | - | - | 76,100 |
| Capital outlay | 1,423,767 | 357,099 | 750,775 | - | 2,531,641 |
| Debt service: | | | | | |
| Principal | - | - | - | 500,000 | 500,000 |
| Interest and fiscal charges | 71,009 | - | - | 93,786 | 164,795 |
| TOTAL EXPENDITURES | <u>6,530,875</u> | <u>1,919,797</u> | <u>750,775</u> | <u>593,786</u> | <u>9,795,233</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>1,451,678</u> | <u>(1,184,845)</u> | <u>933,641</u> | <u>(588,460)</u> | <u>612,014</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfers in | 25,515 | 1,503,012 | - | 594,335 | 2,122,862 |
| Operating transfers out | (1,621,797) | (20,515) | (560,440) | - | (2,202,752) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(1,596,282)</u> | <u>1,482,497</u> | <u>(560,440)</u> | <u>594,335</u> | <u>(79,890)</u> |
| REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES | <u>(144,604)</u> | <u>297,652</u> | <u>373,201</u> | <u>5,875</u> | <u>532,124</u> |
| FUND BALANCES, OCTOBER 1 | <u>5,180,449</u> | <u>814,060</u> | <u>4,498,672</u> | <u>279,495</u> | <u>10,772,676</u> |
| FUND BALANCES, SEPTEMBER 30 | <u>\$ 5,035,845</u> | <u>1,111,712</u> | <u>4,871,873</u> | <u>285,370</u> | <u>11,304,800</u> |

See notes to financial statements

**CITY OF WASHINGTON, MISSOURI
 COMBINED STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL-ALL GOVERNMENTAL FUND
 TYPES FOR WHICH OFFICIAL BUDGETS HAVE BEEN ADOPTED
 FOR THE YEAR ENDED SEPTEMBER 30, 2002**

| | General Fund | | | Special Revenue Funds | | | Capital Projects Fund | | |
|------------------------------------------------------------------------------|-----------------------|---------------------|---------------------------|-----------------------|--------------------|---------------------------|-----------------------|------------------|---------------------------|
| | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget |
| REVENUES | | | | | | | | | |
| Taxes | \$ 5,575,570 | 5,537,977 | (37,593) | 121,970 | 127,609 | 5,639 | 1,320,900 | 1,363,796 | 42,896 |
| Licenses and permits | 194,100 | 223,941 | 29,841 | - | - | - | - | - | - |
| Intergovernmental | 1,254,500 | 1,252,224 | (2,276) | 804,000 | 109,993 | (694,007) | 1,057,000 | 235,823 | (821,177) |
| Charges for services | 552,560 | 563,260 | 10,700 | 222,020 | 266,334 | 44,314 | - | 7,000 | 7,000 |
| Fines | 90,000 | 145,600 | 55,600 | 4,635 | 4,380 | (255) | - | - | - |
| Special assessments | 20,000 | 26,084 | 6,084 | - | - | - | 40,000 | - | (40,000) |
| Investment income | 228,135 | 179,019 | (49,116) | 30,600 | 25,073 | (5,527) | 125,000 | 77,797 | (47,203) |
| Rents | 26,550 | 35,548 | 8,998 | 31,500 | 50,024 | 18,524 | - | - | - |
| Donations | 11,905 | 7,950 | (3,955) | 51,500 | 151,539 | 100,039 | 92,000 | - | (92,000) |
| Miscellaneous | 11,000 | 10,950 | (50) | - | - | - | - | - | - |
| TOTAL REVENUES | 7,964,320 | 7,982,553 | 18,233 | 1,266,225 | 734,952 | (531,273) | 2,634,900 | 1,684,416 | (950,484) |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | 1,477,940 | 1,420,666 | (57,274) | - | - | - | - | - | - |
| Public safety | 2,163,235 | 2,190,955 | 27,720 | 368,380 | 305,565 | (62,815) | - | - | - |
| Street | 1,497,060 | 1,424,478 | (72,582) | - | - | - | - | - | - |
| Culture and recreation | - | - | - | 1,237,955 | 1,181,033 | (56,922) | - | - | - |
| Airport operation | - | - | - | 94,880 | 76,100 | (18,780) | - | - | - |
| Capital outlay | 2,259,300 | 1,423,767 | (835,533) | 1,364,615 | 357,099 | (1,007,516) | 2,979,360 | 750,775 | (2,228,585) |
| Debt Service: | | | | | | | | | |
| Principal | 75,225 | - | (75,225) | - | - | - | - | - | - |
| Interest and fiscal charges | 83,250 | 71,009 | (12,241) | - | - | - | - | - | - |
| TOTAL EXPENDITURES | 7,556,010 | 6,530,875 | (1,025,135) | 3,065,830 | 1,919,797 | (1,146,033) | 2,979,360 | 750,775 | (2,228,585) |
| REVENUES OVER (UNDER) EXPENDITURES | 408,310 | 1,451,678 | 1,043,368 | (1,799,605) | (1,184,845) | 614,760 | (344,460) | 933,641 | 1,278,101 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Operating transfers in | 25,515 | 25,515 | - | 1,561,105 | 1,503,012 | (58,093) | - | - | - |
| Operating transfers out | (1,659,890) | (1,621,797) | 38,093 | (20,515) | (20,515) | - | (610,440) | (560,440) | 50,000 |
| Proceeds from revenue anticipation note | 30,000 | - | (30,000) | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,604,375) | (1,596,282) | 8,093 | 1,540,590 | 1,482,497 | (58,093) | (610,440) | (560,440) | 50,000 |
| REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES | \$ (1,196,065) | (144,604) | 1,051,461 | (259,015) | 297,652 | 556,667 | (954,900) | 373,201 | 1,328,101 |
| FUND BALANCES, OCTOBER 1 | | 5,180,449 | | | 814,060 | | | 4,498,672 | |
| FUND BALANCES, SEPTEMBER 30 | | \$ 5,035,845 | | | 1,111,712 | | | 4,871,873 | |

See notes to financial statements

**CITY OF WASHINGTON, MISSOURI
ENTERPRISE FUNDS
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

| | | |
|--------------------------------------------------------------------|----|------------|
| OPERATING REVENUES | \$ | 3,593,321 |
| OPERATING EXPENSES | | 3,480,526 |
| OPERATING INCOME | | 112,795 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | | 148,653 |
| Miscellaneous | | 33,634 |
| Interest and fiscal charges | | (66,522) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | | 115,765 |
| INCOME BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS | | 228,560 |
| OPERATING TRANSFERS | | |
| Operating transfers in | | 84,890 |
| Operating transfers out | | (5,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | | 79,890 |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | | 308,450 |
| CAPITAL CONTRIBUTIONS - FIXED ASSETS | | 93,284 |
| NET INCOME | | 401,734 |
| RETAINED EARNINGS, OCTOBER 1 | | 11,091,070 |
| RETAINED EARNINGS, SEPTEMBER 30 | | 11,492,804 |
| CONTRIBUTED CAPITAL, OCTOBER 1 | | 1,141,748 |
| Additions: | | |
| Government | | 322,084 |
| CONTRIBUTED CAPITAL, SEPTEMBER 30 | | 1,463,832 |
| FUND EQUITY, SEPTEMBER 30 | \$ | 12,956,636 |

See notes to financial statements

CITY OF WASHINGTON, MISSOURI
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

| | Water | Sewage Treatment | Solid Waste | Total |
|-------------------------------------------------------------------|------------|---------------------|----------------|-----------|
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| Cash flows from operating activities: | | | | |
| Operating income (loss) | \$ 70,049 | 74,321 | (31,575) | 112,795 |
| Adjustments to derive cash effect: | | | | |
| Depreciation | 146,049 | 209,116 | 192,130 | 547,295 |
| Amortization of bond discount | - | 3,165 | - | 3,165 |
| (Increase) decrease in: | | | | |
| Accounts receivable | (52,241) | 2,039 | 22,922 | (27,280) |
| Inventory | 6,252 | 126 | - | 6,378 |
| Prepaid items | (4,954) | (3,203) | (4,950) | (13,107) |
| Restricted assets | - | 5,948 | - | 5,948 |
| Increase (decrease) in: | | | | |
| Vouchers payable | 94,142 | (2,638) | 4,924 | 96,428 |
| Accrued wages | 2,060 | 706 | 2,765 | 5,531 |
| Landfill care liability | - | - | 222,795 | 222,795 |
| Interest payable-restricted | - | (2,115) | - | (2,115) |
| Total adjustments | 191,308 | 213,144 | 440,586 | 845,038 |
| Net Cash Provided By Operating Activities | 261,357 | 287,465 | 409,011 | 957,833 |
| Cash flows from noncapital financing activities: | | | | |
| Advance to other funds | (31,615) | - | (231,539) | (263,154) |
| Transfers from other funds | (5,000) | - | 84,890 | 79,890 |
| Compensated absences | 819 | 2,743 | 5,589 | 9,151 |
| Deposits | 885 | 2,000 | - | 2,885 |
| Net Cash Provided By (Used In) Noncapital Financing Activities | (34,911) | 4,743 | (141,060) | (171,228) |
| Cash flows from capital and related financing activities: | | | | |
| Principal payments on long-term debt | - | (135,000) | - | (135,000) |
| Payments for capital acquisitions | (606,827) | (64,189) | (30,136) | (701,152) |
| Net Cash Used In Capital and Related Financing Activities | (606,827) | (199,189) | (30,136) | (836,152) |
| Cash flows from investing activities: | | | | |
| Other receipts | 93,016 | 72,927 | 16,344 | 182,287 |
| Purchase of investments | (125,495) | (380,839) | - | (506,334) |
| Interest and fiscal charges paid | - | (66,522) | - | (66,522) |
| Net Cash Provided By (Used In) Investing Activities | (32,479) | (374,434) | 16,344 | (390,569) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (412,860) | (281,415) | 254,159 | (440,116) |
| CASH AND CASH EQUIVALENTS, OCTOBER 1 | 1,202,298 | 1,133,284 | 455,013 | 2,790,595 |
| CASH AND CASH EQUIVALENTS, SEPTEMBER 30 | \$ 789,438 | 851,869 | 709,172 | 2,350,479 |
| Cash and cash equivalents | \$ 789,438 | 851,869 | 709,172 | 2,350,479 |
| Investments | 125,495 | 380,839 | - | 506,334 |
| Total cash and cash investments | \$ 914,933 | 1,232,708 | 709,172 | 2,856,813 |
| Noncash financing activity: | | | | |
| Contributed fixed assets | \$ 40,359 | 284,383 | 90,626 | 415,368 |

See notes to financial statements

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 combined general-purpose financial statements are summarized below:

1. Reporting Entity

The City's general-purpose financial statements include all funds, account groups, 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 and the Industrial Development Authority of the City are excluded from the accompanying general-purpose financial statements.

2. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into three broad fund categories with five generic fund types and two account groups as follows:

GOVERNMENTAL FUNDS

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

Special Revenue Funds – Special Revenue Funds are used to 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.

Capital Projects Fund – The 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 trust funds).

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, bond principal, interest and related costs.

PROPRIETARY FUNDS

Enterprise Funds- Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

ACCOUNT GROUPS

General Long-Term Debt Account Group – Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

General Fixed Assets Account Group -- Fixed assets, which are not accounted for in the Enterprise Funds and used in the governmental fund type operations, are accounted for in the General Fixed Assets Account Group.

The account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Their expenditures are generally recognized when the related fund liability is incurred.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

4. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- f. Current period budget includes amendments. Budget amendments are approved by the City Council. Unencumbered appropriations at the end of the period are reconsidered for subsequent budgets.

5. Cash and Cash Investments

Cash and investments of the City are stated at cost, which approximates fair value.

6. Inventory

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

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

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

7. Prepaid Items

Insurance and other costs are recorded as expenditures or expenses as they expire.

8. Fixed Assets

Fixed assets used in governmental fund types are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Assets in the general fixed assets account group are not depreciated. Public domain (“infrastructure”) general fixed assets, which include roads, bridges, curbs and gutters, streets and sidewalks, lighting systems, etc. are not capitalized. No depreciation is provided for general fixed assets.

Fixed assets owned by the Enterprise Funds are stated at cost or at an estimated cost if actual cost is not available. Fixed assets are depreciated in the enterprise funds using the straight-line method over the estimated useful life. Costs of contributions in aid of construction prior to October 1, 1996 are not measurable and have not been recorded.

Donated fixed assets are valued at their fair market value on the date donated. Fixed assets acquired under lease/purchase agreements are capitalized. Land held for redevelopment is recorded at the lower of cost or net realizable value.

The costs of normal maintenance and repairs, except for any substantial betterment, are not capitalized. A “betterment” is defined as an addition made to, or change made in, a fixed asset, which is expected to prolong its life or to increase its efficiency over and above that arising from maintenance. Betterments should have a cost of \$5,000 or greater to be included as a capital asset. The cost of which is added to the property records as a separated item and depreciated over the remaining useful lives of the related fixed assets, if applicable.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Encumbrances

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

10. Employees Pension Plan

The Local Government Employees Retirement System (LAGERS) pension plan covers substantially all of the City employees. See Note B.

11. Total Column on Combined Statements – overview

Total columns on the combined financial statements are captioned “Memorandum only” to indicate that the amounts are presented only to facilitate financial analysis. Data in this column do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

12. Property Tax

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.

13. Statement of Cash Flows

For the purpose of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

14. Allowance for Doubtful Accounts

Allowance for uncollectable receivables is as follows:

| | <u>September 30, 2002</u> |
|----------------------|---------------------------|
| General Fund | \$ 8,272 |
| Special Revenue Fund | <u>788</u> |
| | <u>\$ 9,060</u> |

15. Amortization of Intangibles

The bond discounts and costs of issuance on the Sewer Fund Bonds are being amortized on the straight-line method over the life of the bonds. There is no significant difference between the straight-line method and the present-value method required by generally accepted accounting principles for the bond discounts.

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------|---------------------|--------------------|
| Water | General | \$1,190,903 |
| Water | Airport | 90,000 |
| Capital Projects | Solid Waste | 504,466 |
| | Total | <u>\$1,785,369</u> |

17. Effects of New Pronouncements

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This statement establishes financial reporting standards for state and local governments. Under the revised requirement, governmental financial statements will include management's discussion and analysis (MD&A), basic financial statements that present both government-wide and fund financial statements, and required supplementary information.

MD&A introduces the financial statements by giving readers a brief, objective and easily readable analysis of the City's financial performance for the year and its financial position at year-end, including an analysis of budgetary changes and results.

The government-wide financial statements will provide information about the primary government and its component units without displaying funds or fund types. The financial statements will distinguish between the governmental and business-type activities of the primary government. All information will be reported using the economic resources measurement focus and the accrual basis of accounting.

The fund financial statements will provide information about the primary government's fund types, including fiduciary funds and blended component units. Governments will present separate financial statements for each fund category-governmental, proprietary and fiduciary-and will no longer present a combined balance sheet. General capital assets and general long-term liabilities will be reported only in the government-wide financial statements as assets and liabilities of governmental activities. Governmental fund financial statements will focus on fiscal accountability and will report the flows and balances of current financial resources using the modified accrual basis of accounting. Proprietary and fiduciary fund financial statements will report operating results and financial position using the economic resources measurement focus and the accrual basis of accounting. A single set of notes will apply to both the government-wide and fund financial statements.

The model also includes required reporting for infrastructure assets. Reporting alternatives include historical cost-based depreciation and a modified approach if the government maintains such assets at or above an established condition level. Retroactive infrastructure reporting will also become effective on a phase-in approach.

GASB 34 will be required in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. The City will be required to implement GASB No. 34 for the fiscal year ending September 30, 2003.

The City has elected not to early implement GASB No. 34 and has not determined its effects on the City's financial statements.

NOTE B – PENSION PLAN

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 statute, Section RSMo 700.600 – 70.755. As such, it is system’s responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

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

2. Funding Policy

The City of Washington’s full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 12.5% (general) and 11.4% (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 2002, the City’s annual pension cost of \$452,550 was equal to the required and actual contributions. The required contribution was determined as part of the February 29, 2000 and/or February 28, 2001 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit; and (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2002 was 15 years.

Three-year trend information follows:

| For The Plan Years Ended June 30 | Annual Pension Cost (APC) | Percentage Of APC Contributed | Net Pension Obligation |
|-----------------------------------------------------|------------------------------------------|----------------------------------------------|-----------------------------------|
| 2002 | \$452,550 | 100% | \$ - |
| 2001 | 354,271 | 100% | - |
| 2000 | 260,709 | 100% | - |

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B – PENSION PLAN (Continued)

Schedule of Funding Progress follows:

| For The Actuarial Valuation Years Ended <u>February 28/29</u> | Actuarial Value Of Assets | Entry Age Actuarial Accrued Liability | Excess Of Assets Over (Unfunded) <u>AAL</u> |
|--------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------|
| 2002 | \$7,481,348 | \$8,697,475 | (\$1,216,127) |
| 2001 | 6,563,744 | 7,398,999 | (835,255) |
| 2000 | 5,555,353 | 5,092,117 | 463,236 |

| For The Actuarial Valuation Years Ended <u>February 28/29</u> | Funded Ratio | Annual Covered Payroll | Excess Of Assets Over (Unfunded) AAL As A Percentage Of <u>Covered Payroll</u> |
|--------------------------------------------------------------------------------------|-------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------|
| 2002 | 86% | \$3,722,961 | (33)% |
| 2001 | 89 | 3,172,482 | (26) |
| 2000 | 109 | 3,150,614 | 15 |

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

NOTE C – GENERAL FUND – FUND EQUITY

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

| | |
|----------------------------------------|----------------------------------|
| | <u>September 30, 2002</u> |
| General Fund | \$3,304,494 |
| Washington Industrial Development Fund | 407,552 |
| Stormwater Management Improvement Fund | 614,812 |
| Self-Insurance Contingency Fund | <u>101,130</u> |
| | <u>\$4,427,988</u> |

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D – LONG-TERM DEBT

Bonds payable were comprised of the following:

| Enterprise Funds | <u>September 30, 2002</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| \$1,300,000 Sewerage System Revenue Bonds, under the terms of the refinancing agreement Series 2001B, due in annual installments through July 1, 2012; interest payable at 3.75% to 6.55% | \$845,000 |
| Less – Current installments | <u>65,000</u> |
| | <u>\$780,000</u> |
| | |
| General Long-Term Debt Account Group | |
| \$2,910,000 General Obligation Industrial Refunding Bonds (Series 1997 A), due in annual installments through June 1, 2009; interest payable at 4.7% to 5.5%. | \$1,905,000 |
| \$1,470,000 General Obligation Industrial Refunding Bonds (Series 1997 B), due in annual installments through June 1, 2009; interest payable at 4.0% to 5.0%. | <u>965,000</u> |
| | <u>\$2,870,000</u> |
| \$2,645,000 Leasehold Revenue Refunding Bonds (Series 2001), due in annual installments through June 1, 2006; interest payable at 3.1% to 3.75%. | <u>\$2,145,000</u> |

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

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

| | <u>Balance at</u> <u>October 1</u> <u>2001</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at</u> <u>September 30</u> <u>2002</u> |
|---------------------------------|---------------------------------------------------------------------------|-------------------------|-------------------------|------------------------------------------------------------------------------|
| G.O. Bonds payable | \$3,200,000 | - | 330,000 | 2,870,000 |
| L.R. Bonds payable | 2,645,000 | - | 500,000 | 2,145,000 |
| Compensated absences payable | <u>94,847</u> | <u>732</u> | <u>-</u> | <u>95,579</u> |
| | <u>\$5,939,847</u> | <u>732</u> | <u>830,000</u> | <u>5,110,579</u> |

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D – LONG-TERM DEBT (Continued)

The annual debt service requirements of all funds are as follows:

| For the Years Ended September 30 | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------------|-------------------------|------------------------|---------------------|
| 2003 | 930,000 | 275,860 | 1,205,860 |
| 2004 | 960,000 | 238,812 | 1,198,812 |
| 2005 | 1,000,000 | 199,005 | 1,199,005 |
| 2006 | 1,045,000 | 155,365 | 1,200,365 |
| 2007 | 510,000 | 108,550 | 618,550 |
| 2008-2012 | <u>1,415,000</u> | <u>174,808</u> | <u>1,589,808</u> |
| | <u>\$5,860,000</u> | <u>1,152,400</u> | <u>7,012,400</u> |

NOTE E – COMMITMENTS AND CONTINGENCIES

At the balance sheet date, lease payments on the two Edison Brothers Stores, Inc. Issues in the amount of \$6,657,000 were in default. Subsequent to year end, the United States Bankruptcy Court granted the Edison Brothers Stores, Inc.'s motion for full relief under Chapter 7 of the United States Bankruptcy Code. The City has no obligation to repay these bonds.

The City is a member of the Missouri Intergovernmental Risk Management Association, which is a jointly self-funded insurance program consisting solely of Missouri municipalities. The MIRMA assesses each participant in the program based upon past experience of the group. The MIRMA purchases excess insurance coverage in the event of significant losses by participants in the program. The assessment for the coverage period July 1, 2002 through June 30, 2003 was \$337,851. There are potential additional assessments of \$71,325 as of September 30, 2002. There are no claims estimated to exceed policy limits as of September 30, 2002. The City has not recorded any liability for future potential losses in the accompanying financial statements based upon the above information provided by MIRMA. The City has set up a Self-Insurance Contingency Fund to cover any future losses. The fund balance in the fund at September 30, 2002 was \$101,130.

NOTE F – INVESTMENT AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The City's bank deposits are required by State Law to be secured by the deposit of certain securities specified at 30.270 RSMo with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation. As of September 30, 2002, the City's bank deposits were fully secured.

NOTE G – ENTERPRISE FUND RESTRICTED ASSETS

The various restricted Enterprise Fund account balances for cash and cash investments are shown below:

| | | |
|--------------------------------------------------|------------------|-----------------|
| | <u>Actual</u> | <u>Required</u> |
| Series 1992 Principal Interest Account | \$ 31,610 | \$29,977 |
| Series 1992 Depreciation and Replacement Account | 71,500 | 71,500 |
| Series 1992 Surplus Account | <u>194,646</u> | N/A |
| | <u>\$297,756</u> | |

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE H – ENTERPRISE FUNDS – SEGMENT INFORMATION

Select enterprise funds segments information as follows:

| | For The Year Ended September 30, 2002 | | |
|------------------------------------------|--------------------------------------------------|------------------------------------------|-------------------------------|
| | <u>Water</u> | <u>Sewage Treatment</u> | <u>Solid Waste</u> |
| Operating revenues | \$ 1,120,908 | 1,034,169 | 1,438,244 |
| Operating expenses | <u>1,050,859</u> | <u>959,848</u> | <u>1,469,819</u> |
| Operating Income (loss) | <u>70,049</u> | <u>74,321</u> | <u>(31,575)</u> |
| Operating transfers in (out) | (5,000) | - | 84,890 |
| Amortization | - | (3,165) | - |
| Other nonoperating items | <u>93,016</u> | <u>9,570</u> | <u>16,344</u> |
| Nonoperating and Other Sources (Uses) | <u>88,016</u> | <u>6,405</u> | <u>101,234</u> |
| Capital Contributions – Fixed Assets | <u>33,660</u> | <u>34,624</u> | <u>25,000</u> |
| Net Income | <u>\$ 191,725</u> | <u>143,143</u> | <u>94,659</u> |
| | | Balance at September 30, 2002 | |
| Working Capital | <u>\$2,421,737</u> | <u>1,604,737</u> | <u>876,331</u> |
| Total Assets | <u>\$5,846,953</u> | <u>6,693,220</u> | <u>3,389,087</u> |
| Total Equity | <u>\$5,675,596</u> | <u>5,795,818</u> | <u>1,485,222</u> |

NOTE I – COMPENSATED ABSENCES

A total of 10 to 15 days of vacation and 5 to 15 days of sick leave per year may be accumulated by each employee, however, employees are not paid for the accumulated sick leave upon retirement or other termination. A maximum of 20 days of vacation and 180 days of sick leave may be accumulated by each employee.

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE J – 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.

NOTE K – CLOSURE AND POST-CLOSURE CARE COST

State and Federal laws and regulations required the City to place a final cover on its Steutermann and Struckhoff landfill sites when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,340,961 reported as landfill care liability at September 30, 2002, 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 20 percent of the estimated capacity of the Struckhoff landfill. The landfill capacity was revised in fiscal 2002 to 1,767,900 cubic yards, an increase in capacity of 112,900 cubic yards because of improved compaction methods. The City will recognize the remaining estimated cost of closure and post-closure care of \$6.1 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2002. Actual cost may be higher due to inflation, changes in technology and/or changes in regulations.

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

NOTE L – FIXED ASSETS

A summary of changes in General fixed assets follows:

| | <u>Balance</u> <u>October 1</u> <u>2001</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>September 30</u> <u>2002</u> |
|--------------------------|------------------------------------------------------------------------|-------------------------|-------------------------|---------------------------------------------------------------------------|
| Land | \$2,039,387 | 604,415 | - | 2,643,802 |
| Buildings & Improvements | 12,376,291 | 723,876 | (700) | 13,099,467 |
| Equipment | 6,337,074 | 531,451 | (362,898) | 6,505,627 |
| Construction in progress | <u>404,086</u> | <u>117,005</u> | <u>(282,081)</u> | <u>239,010</u> |
| | <u>\$21,156,838</u> | <u>1,976,747</u> | <u>(645,679)</u> | <u>22,487,906</u> |

The October 1, 2001 balances have been increased by \$88,313 due to a prior period adjustment for construction in progress expense liability.

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE L – FIXED ASSETS (Continued)

A summary of Enterprise Fund fixed assets follows:

| | |
|---------------------------------|--------------|
| Land | \$ 112,762 |
| Buildings & Improvements | 16,621,617 |
| Equipment | 2,240,021 |
| Construction in progress | 74890 |
| | 19,049,290 |
| Less – Accumulated depreciation | (8,310,381) |
| | 10,738,909 |

Depreciation expense in the enterprise funds for the year ended September 30, 2002 amounted to \$547,295.

NOTE M – EXCESS EXPENDITURES

The following departments and/or funds exceeded budgeted expenditures.

| | For The Year Ended September 30, 2002 | | |
|---------------------------------|--------------------------------------------------|----------------------|----------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Excess</u> |
| Police department | \$1,755,360 | 1,785,570 | 30,210 |
| Building and grounds department | 235,790 | 246,451 | 10,661 |
| Community economic development | 92,800 | 93,144 | 344 |

NOTE N – INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS

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

Deposits: At fiscal year end, the carrying amount of the City's deposits was \$10,517,643 and the bank balance was \$10,929,092. \$166,278 of the bank balance was covered by federal depository insurance. The remaining balance was considered uninsured and uncollateralized under GASB Statement No. 3. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE N – INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

Investments: The City’s investments are categorized below to give an indication of the level of risk assumed by the City at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City’s name.

| | <u>1</u> | <u>2</u> | <u>3</u> | <u>Carrying Amount</u> | <u>Market Value</u> |
|----------------------------|-------------|------------------|----------|----------------------------|-------------------------|
| Investments: | | | | | |
| Money Market Accounts | \$ - | 475,871 | - | 475,871 | 475,871 |
| Repurchase Agreements | - | 650,000 | - | 650,000 | 650,000 |
| Collateralized Investments | <u>-</u> | <u>24,289</u> | <u>-</u> | <u>24,289</u> | <u>24,289</u> |
| Total Investments | <u>\$ -</u> | <u>1,150,160</u> | <u>-</u> | <u>1,150,160</u> | <u>1,150,160</u> |

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

| | <u>Cash and Cash Investments/ Deposits</u> | <u>Investments</u> |
|----------------------------|----------------------------------------------------|--------------------|
| GASB Statement 9 | \$11,667,803 | \$ - |
| Investments: | | |
| Money Market Accounts | (475,871) | 475,871 |
| Repurchase Agreements | (650,000) | 650,000 |
| Collateralized Investments | <u>(24,289)</u> | <u>24,289</u> |
| GASB Statement 3 | <u>\$10,517,643</u> | <u>\$1,150,160</u> |

NOTE O – PRIOR PERIOD ADJUSTMENT

The previously stated fund balance of the General Fund has been adjusted as follows:

| | |
|-------------------------------------------------|--------------------|
| Fund Balance, October 1, 2001 | \$5,032,853 |
| Restatement for grant receivables | 48,893 |
| Restatement for Self-Insurance Contingency Fund | <u>98,703</u> |
| Fund Balance, October 1, 2001 | <u>\$5,180,449</u> |

**CITY OF WASHINGTON, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

| | <u>Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|--------------------------------------------------------------------------|-----------------------|---------------------|------------------------------------|
| REVENUES | | | |
| Taxes | \$ 5,575,570 | 5,537,977 | (37,593) |
| Licenses and permits | 194,100 | 223,941 | 29,841 |
| Intergovernmental | 1,254,500 | 1,252,224 | (2,276) |
| Charges for services | 552,560 | 563,260 | 10,700 |
| Fines | 90,000 | 145,600 | 55,600 |
| Special assessments | 20,000 | 26,084 | 6,084 |
| Investment income | 228,135 | 179,019 | (49,116) |
| Rents | 26,550 | 35,548 | 8,998 |
| Donations | 11,905 | 7,950 | (3,955) |
| Miscellaneous | 11,000 | 10,950 | (50) |
| TOTAL REVENUES | <u>7,964,320</u> | <u>7,982,553</u> | <u>18,233</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government: | | | |
| Administration | 1,584,855 | 1,346,836 | (238,019) |
| Legal | 44,145 | 40,058 | (4,087) |
| Finance | 683,100 | 645,996 | (37,104) |
| Community economic development | 92,800 | 93,144 | 344 |
| Building and grounds maintenance | 235,790 | 246,451 | 10,661 |
| Total general government | <u>2,640,690</u> | <u>2,372,485</u> | <u>(268,205)</u> |
| Public safety: | | | |
| Police | 1,755,360 | 1,785,570 | 30,210 |
| Communications center | 564,700 | 528,093 | (36,607) |
| Total public safety | <u>2,320,060</u> | <u>2,313,663</u> | <u>(6,397)</u> |
| Street: | | | |
| Engineering | 510,855 | 505,421 | (5,434) |
| Street | 2,084,405 | 1,339,306 | (745,099) |
| Total street | <u>2,595,260</u> | <u>1,844,727</u> | <u>(750,533)</u> |
| TOTAL EXPENDITURES | <u>7,556,010</u> | <u>6,530,875</u> | <u>(1,025,135)</u> |
| REVENUES OVER EXPENDITURES | <u>408,310</u> | <u>1,451,678</u> | <u>1,043,368</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 25,515 | 25,515 | - |
| Operating transfers out | (1,659,890) | (1,621,797) | 38,093 |
| Proceeds from revenue anticipation note | 30,000 | - | (30,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(1,604,375)</u> | <u>(1,596,282)</u> | <u>8,093</u> |
| REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES AND | <u>\$ (1,196,065)</u> | <u>(144,604)</u> | <u>1,051,461</u> |
| FUND BALANCES, OCTOBER 1 | | <u>5,180,449</u> | |
| FUND BALANCES, SEPTEMBER 30 | | <u>\$ 5,035,845</u> | |

**CITY OF WASHINGTON, MISSOURI
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2002**

| | Airport | Parks and Recreation | Volunteer Fire Company | Library | Total |
|------------------------------------------------------------|-------------------|-------------------------|------------------------------|----------------|------------------|
| ASSETS | | | | | |
| Cash and cash investments | \$ 128,027 | 326,277 | 383,628 | 167,854 | 1,005,786 |
| Accounts receivable (net of allowance where applicable) | 111,302 | 19,515 | 5,343 | 1,369 | 137,529 |
| Inventory | - | 18,250 | - | - | 18,250 |
| Prepaid items | 5,605 | 32,124 | 51,979 | 11,567 | 101,275 |
| TOTAL ASSETS | \$ 244,934 | 396,166 | 440,950 | 180,790 | 1,262,840 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Vouchers payable | \$ 5,561 | 23,367 | 8,642 | 958 | 38,528 |
| Compensated absences payable | - | 5,530 | 623 | 515 | 6,668 |
| Accrued wages | - | 8,690 | 818 | 2,974 | 12,482 |
| Deposits | - | 3,450 | - | - | 3,450 |
| Advance from other funds | 90,000 | - | - | - | 90,000 |
| TOTAL LIABILITIES | 95,561 | 41,037 | 10,083 | 4,447 | 151,128 |
| FUND BALANCES | | | | | |
| Reserved for prepaid items | 5,605 | 32,124 | 51,979 | 11,567 | 101,275 |
| Reserved for inventory | - | 18,250 | - | - | 18,250 |
| Reserved for encumbrances | 212,688 | 365 | - | 281 | 213,334 |
| Unreserved | (68,920) | 304,390 | 378,888 | 164,495 | 778,853 |
| TOTAL FUND BALANCES | 149,373 | 355,129 | 430,867 | 176,343 | 1,111,712 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 244,934 | 396,166 | 440,950 | 180,790 | 1,262,840 |

**CITY OF WASHINGTON, MISSOURI
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT)
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

| | Airport | Parks and Recreation | Volunteer Fire Company | Library | Total |
|----------------------------------------------------------------------------------|-------------------|-------------------------|------------------------------|----------------|------------------|
| REVENUES | | | | | |
| Taxes | \$ - | - | - | 127,609 | 127,609 |
| Intergovernmental | 99,154 | - | 2,712 | 8,127 | 109,993 |
| Charges for services | 4,092 | 258,051 | 3,001 | 1,190 | 266,334 |
| Fines | - | - | - | 4,380 | 4,380 |
| Investment income | 2,512 | 7,433 | 9,768 | 5,360 | 25,073 |
| Rents | 39,728 | 4,800 | 5,496 | - | 50,024 |
| Donations | - | 75,721 | - | 75,818 | 151,539 |
| TOTAL REVENUES | <u>145,486</u> | <u>346,005</u> | <u>20,977</u> | <u>222,484</u> | <u>734,952</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public safety | - | - | 374,370 | - | 374,370 |
| Culture and recreation | - | 1,127,419 | - | 229,028 | 1,356,447 |
| Airport operation | 188,980 | - | - | - | 188,980 |
| TOTAL EXPENDITURES | <u>188,980</u> | <u>1,127,419</u> | <u>374,370</u> | <u>229,028</u> | <u>1,919,797</u> |
| REVENUES OVER (UNDER) EXPENDITURES | (43,494) | (781,414) | (353,393) | (6,544) | (1,184,845) |
| OTHER FINANCING SOURCES | | | | | |
| Operation transfers in | 198,955 | 839,835 | 371,027 | 93,195 | 1,503,012 |
| Operating transfers out | - | - | (8,000) | (12,515) | (20,515) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>198,955</u> | <u>839,835</u> | <u>363,027</u> | <u>80,680</u> | <u>1,482,497</u> |
| REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES | 155,461 | 58,421 | 9,634 | 74,136 | 297,652 |
| FUND BALANCES (DEFICIT), OCTOBER 1 | <u>(6,088)</u> | <u>296,708</u> | <u>421,233</u> | <u>102,207</u> | <u>814,060</u> |
| FUND BALANCES, SEPTEMBER 30 | <u>\$ 149,373</u> | <u>355,129</u> | <u>430,867</u> | <u>176,343</u> | <u>1,111,712</u> |

**CITY OF WASHINGTON, MISSOURI
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2002**

| ASSETS | Water | Sewage Treatment | Solid Waste | Total |
|---------------------------------------------------------|---------------------|---------------------|------------------|-------------------|
| Cash and cash investments | \$ 914,933 | 1,232,708 | 709,172 | 2,856,813 |
| Accounts receivable (net of allowance where applicable) | 212,470 | 148,358 | 194,397 | 555,225 |
| Inventory | 122,586 | 14,962 | - | 137,548 |
| Advance to other funds | 1,280,903 | - | - | 1,280,903 |
| Prepaid items | 19,114 | 23,231 | 19,761 | 62,106 |
| Cash and cash investments-restricted | - | 297,756 | - | 297,756 |
| Fixed assets, net of accumulated depreciation | 3,296,947 | 4,976,205 | 2,465,757 | 10,738,909 |
| TOTAL ASSETS | \$ 5,846,953 | 6,693,220 | 3,389,087 | 15,929,260 |
| LIABILITIES AND FUND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Payable from current assets: | | | | |
| Vouchers payable | \$ 121,208 | 29,570 | 40,382 | 191,160 |
| Accrued wages | 7,061 | 3,981 | 6,617 | 17,659 |
| | <u>128,269</u> | <u>33,551</u> | <u>46,999</u> | <u>208,819</u> |
| Payable from restricted assets: | | | | |
| Bonds payable-current instalments | - | 65,000 | - | 65,000 |
| Accrued interest | - | 13,727 | - | 13,727 |
| | <u>-</u> | <u>78,727</u> | <u>-</u> | <u>78,727</u> |
| TOTAL CURRENT LIABILITIES | <u>128,269</u> | <u>112,278</u> | <u>46,999</u> | <u>287,546</u> |
| LONG-TERM LIABILITIES | | | | |
| Revenue bonds payable | - | 780,000 | - | 780,000 |
| Less-Unamortized bond issuance costs | - | (16,502) | - | (16,502) |
| Less-Unamortized bond discount | - | (9,823) | - | (9,823) |
| Customer deposits | 29,790 | 24,200 | - | 53,990 |
| Advance from other funds | - | - | 504,466 | 504,466 |
| Landfill care liability | - | - | 1,340,961 | 1,340,961 |
| Compensated absences payable | 13,298 | 7,249 | 11,439 | 31,986 |
| TOTAL LONG-TERM LIABILITIES | <u>43,088</u> | <u>785,124</u> | <u>1,856,866</u> | <u>2,685,078</u> |
| TOTAL LIABILITIES | <u>171,357</u> | <u>897,402</u> | <u>1,903,865</u> | <u>2,972,624</u> |
| FUND EQUITY | | | | |
| Contributed capital: | | | | |
| Developer | 333,354 | 275,676 | - | 609,030 |
| Government | 137,202 | 443,377 | 274,223 | 854,802 |
| TOTAL CONTRIBUTED CAPITAL | <u>470,556</u> | <u>719,053</u> | <u>274,223</u> | <u>1,463,832</u> |
| Retained earnings: | | | | |
| Reserved for bond retirement | - | 219,029 | - | 219,029 |
| Unreserved | 5,205,040 | 4,857,736 | 1,210,999 | 11,273,775 |
| TOTAL RETAINED EARNINGS | <u>5,205,040</u> | <u>5,076,765</u> | <u>1,210,999</u> | <u>11,492,804</u> |
| TOTAL FUND EQUITY | <u>5,675,596</u> | <u>5,795,818</u> | <u>1,485,222</u> | <u>12,956,636</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 5,846,953</u> | <u>6,693,220</u> | <u>3,389,087</u> | <u>15,929,260</u> |

**CITY OF WASHINGTON, MISSOURI
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

| | Water | Sewage Treatment | Solid Waste | Total |
|-------------------------------------------------------------------------------|--------------|---------------------|----------------|------------|
| OPERATING REVENUES | \$ 1,120,908 | 1,034,169 | 1,438,244 | 3,593,321 |
| OPERATING EXPENSES | 1,050,859 | 959,848 | 1,469,819 | 3,480,526 |
| OPERATING INCOME (LOSS) | 70,049 | 74,321 | (31,575) | 112,795 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment income | 63,175 | 69,356 | 16,122 | 148,653 |
| Miscellaneous | 29,841 | 3,571 | 222 | 33,634 |
| Interest and fiscal charges | - | (66,522) | - | (66,522) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 93,016 | 6,405 | 16,344 | 115,765 |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS | 163,065 | 80,726 | (15,231) | 228,560 |
| OPERATING TRANSFERS | | | | |
| Operating transfers in | - | - | 84,890 | 84,890 |
| Operating transfers out | (5,000) | - | - | (5,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | (5,000) | - | 84,890 | 79,890 |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | 158,065 | 80,726 | 69,659 | 308,450 |
| CAPITAL CONTRIBUTIONS - FIXED ASSETS | 33,660 | 34,624 | 25,000 | 93,284 |
| NET INCOME | 191,725 | 115,350 | 94,659 | 401,734 |
| RETAINED EARNINGS, OCTOBER 1 | 5,013,315 | 4,961,415 | 1,116,340 | 11,091,070 |
| RETAINED EARNINGS, SEPTEMBER 30 | 5,205,040 | 5,076,765 | 1,210,999 | 11,492,804 |
| CONTRIBUTED CAPITAL, OCTOBER 1 | 463,857 | 469,294 | 208,597 | 1,141,748 |
| Additions: | | | | |
| Government | 6,699 | 249,759 | 65,626 | 322,084 |
| CONTRIBUTED CAPITAL, SEPTEMBER 30 | 470,556 | 719,053 | 274,223 | 1,463,832 |
| FUND EQUITY, SEPTEMBER 30 | \$ 5,675,596 | 5,795,818 | 1,485,222 | 12,956,636 |

**CITY OF WASHINGTON, MISSOURI
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

| | Water | Sewage Treatment | Solid Waste | Total |
|-------------------------------------------------------------------|------------|---------------------|----------------|-----------|
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| Cash flows from operating activities: | | | | |
| Operating income (loss) | \$ 70,049 | 74,321 | (31,575) | 112,795 |
| Adjustments to derive cash effect: | | | | |
| Depreciation | 146,049 | 209,116 | 192,130 | 547,295 |
| Amortization of bond discount | - | 3,165 | - | 3,165 |
| (Increase) decrease in: | | | | |
| Accounts receivable | (52,241) | 2,039 | 22,922 | (27,280) |
| Inventory | 6,252 | 126 | - | 6,378 |
| Prepaid items | (4,954) | (3,203) | (4,950) | (13,107) |
| Restricted assets | - | 5,948 | - | 5,948 |
| Increase (decrease) in: | | | | |
| Vouchers payable | 94,142 | (2,638) | 4,924 | 96,428 |
| Accrued wages | 2,060 | 706 | 2,765 | 5,531 |
| Landfill care liability | - | - | 222,795 | 222,795 |
| Interest payable-restricted | - | (2,115) | - | (2,115) |
| Total adjustments | 191,308 | 213,144 | 440,586 | 845,038 |
| Net Cash Provided By Operating Activities | 261,357 | 287,465 | 409,011 | 957,833 |
| Cash flows from noncapital financing activities: | | | | |
| Advance to other funds | (31,615) | - | (231,539) | (263,154) |
| Transfers from other funds | (5,000) | - | 84,890 | 79,890 |
| Compensated absences | 819 | 2,743 | 5,589 | 9,151 |
| Deposits | 885 | 2,000 | - | 2,885 |
| Net Cash Provided By (Used In) Noncapital Financing Activities | (34,911) | 4,743 | (141,060) | (171,228) |
| Cash flows from capital and related financing activities: | | | | |
| Principal payments on long-term debt | - | (135,000) | - | (135,000) |
| Payments for capital acquisitions | (606,827) | (64,189) | (30,136) | (701,152) |
| Net Cash Used In Capital and Related Financing Activities | (606,827) | (199,189) | (30,136) | (836,152) |
| Cash flows from investing activities: | | | | |
| Other receipts | 93,016 | 72,927 | 16,344 | 182,287 |
| Purchase of investments | (125,495) | (380,839) | - | (506,334) |
| Interest and fiscal charges paid | - | (66,522) | - | (66,522) |
| Net Cash Provided By (Used In) Investing Activities | (32,479) | (374,434) | 16,344 | (390,569) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (412,860) | (281,415) | 254,159 | (440,116) |
| CASH AND CASH EQUIVALENTS, OCTOBER 1 | 1,202,298 | 1,133,284 | 455,013 | 2,790,595 |
| CASH AND CASH EQUIVALENTS, SEPTEMBER 30 | \$ 789,438 | 851,869 | 709,172 | 2,350,479 |
| Cash and cash equivalents | \$ 789,438 | 851,869 | 709,172 | 2,350,479 |
| Investments | 125,495 | 380,839 | - | 506,334 |
| Total cash and cash investments | \$ 914,933 | 1,232,708 | 709,172 | 2,856,813 |
| Noncash financing activity: | | | | |
| Contributed fixed assets | \$ 40,359 | 284,383 | 90,626 | 415,368 |

**CITY OF WASHINGTON
 FIDUCIARY FUNDS
 COMBINING BALANCE SHEET
 SEPTEMBER 30, 2002**

| | Agency Funds | | | |
|---------------------------|------------------------------|---------|--------|---------|
| | Industrial Development Bonds | | | |
| | 1977 | 1997 A | 1997 B | Total |
| <u>ASSETS</u> | | | | |
| Cash and cash investments | \$ 82,838 | 127,334 | - | 210,172 |
| <u>LIABILITIES</u> | | | | |
| Due to lessee | \$ 82,838 | 127,334 | - | 210,172 |

**CITY OF WASHINGTON
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES-ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

| | Balance October 1, 2001 | Additions | Deductions | Balance September 30, 2002 |
|-------------------------------------------------|-------------------------------|-----------|------------|----------------------------------|
| INDUSTRIAL DEVELOPMENT BONDS OF 1977 | | | | |
| | <u>ASSETS</u> | | | |
| Cash and cash investments | \$ 81,967 | 871 | - | 82,838 |
| | <u>LIABILITIES</u> | | | |
| Due to lessee | \$ 81,967 | 871 | - | 82,838 |
| INDUSTRIAL G. O. BONDS OF 1997, SERIES A | | | | |
| | <u>ASSETS</u> | | | |
| Cash and cash investments | \$ 134,306 | 495,199 | 502,171 | 127,334 |
| | <u>LIABILITIES</u> | | | |
| Due to lessee | \$ 134,306 | 495,199 | 502,171 | 127,334 |
| TOTAL - ALL AGENCY FUNDS | | | | |
| | <u>ASSETS</u> | | | |
| Cash and cash investments | \$ 216,273 | 496,070 | 502,171 | 210,172 |
| | <u>LIABILITIES</u> | | | |
| Due to lessee | \$ 216,273 | 496,070 | 502,171 | 210,172 |

**CITY OF WASHINGTON, MISSOURI
SUPPLEMENTAL INFORMATION**

GENERAL FUND

SUMMARY OF REVENUES

| <u>Period Ending</u> | <u>Taxes</u> | <u>Licenses and Permits</u> | <u>Inter-governmental</u> | <u>Charges for Services</u> | <u>Fines</u> | <u>All Others</u> | <u>Total</u> |
|----------------------|--------------|-----------------------------|---------------------------|-----------------------------|--------------|-------------------|--------------|
| 9/30/02 | \$ 5,537,977 | 223,941 | 1,252,224 | 563,260 | 145,600 | 259,551 | 7,982,553 |
| 9/30/01 | 5,517,341 | 188,912 | 888,066 | 530,983 | 133,318 | 386,890 | 7,645,510 |
| 9/30/00 | 4,998,427 | 193,838 | 900,945 | 462,199 | 129,976 | 378,909 | 7,064,294 |
| 9/30/99 | 4,590,992 | 200,342 | 642,542 | 434,172 | 114,992 | 317,393 | 6,300,433 |
| 9/30/98 | 4,414,596 | 235,818 | 703,684 | 311,739 | 79,746 | 2,213,493 | 7,959,076 |
| 9/30/97 | 3,962,327 | 203,059 | 976,532 | 316,638 | 76,880 | 92,363 | 5,627,799 |
| 9/30/96 | 3,858,278 | 205,184 | 1,265,858 | 244,501 | 85,158 | 287,930 | 5,946,909 |
| 9/30/95 | 4,083,503 | 166,453 | 1,125,316 | 188,021 | 82,616 | 108,537 | 5,754,446 |
| 9/30/94 | 3,567,588 | 154,702 | 685,256 | 135,406 | 98,360 | 64,260 | 4,705,572 |
| 9/30/93 | 3,273,310 | 153,404 | 735,565 | 124,467 | 98,285 | 83,552 | 4,468,583 |

SUMMARY OF EXPENDITURES

| <u>Period Ending</u> | <u>Administration Department</u> | <u>Building and Maintenance Department</u> | <u>Police Department</u> | <u>Street Department</u> | <u>Engineering Department</u> | <u>Total</u> |
|----------------------|----------------------------------|--------------------------------------------|--------------------------|--------------------------|-------------------------------|--------------|
| 9/30/02 | \$ 2,126,034 | 246,451 | 2,313,663 | 1,339,306 | 505,421 | 6,530,875 |
| 9/30/01 | 1,475,023 | 228,967 | 2,261,274 | 1,074,511 | 336,994 | 5,376,769 |
| 9/30/00 | 1,413,200 | 175,549 | 1,900,804 | 1,047,252 | 291,919 | 4,828,724 |
| 9/30/99 | 1,166,734 | 186,405 | 1,731,256 | 1,209,484 | 308,731 | 4,602,610 |
| 9/30/98 | 3,111,965 | 146,808 | 1,685,946 | 956,006 | 369,889 | 6,270,614 |
| 9/30/97 | 1,320,733 | 156,837 | 1,504,652 | 1,048,292 | 436,830 | 4,467,344 |
| 9/30/96 | 1,079,184 | 121,826 | 1,476,040 | 1,928,398 | 523,414 | 5,128,862 |
| 9/30/95 | 1,118,213 | 121,167 | 1,332,497 | 1,524,989 | 260,610 | 4,357,476 |
| 9/30/94 | 671,278 | 131,580 | 1,283,443 | 1,748,178 | 231,570 | 4,066,049 |
| 9/30/93 | 659,604 | 141,663 | 1,163,614 | 1,231,575 | 197,804 | 3,394,260 |

**CITY OF WASHINGTON
SUPPLEMENTAL INFORMATION**

For the Fiscal Year Ended

| | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| TAX RATE (per \$100 assessed valuation) | \$ 0.6296 | 0.6967 | 0.69 | 0.73 | 0.71 |
| ASSESSED VALUATION | 212,891,878 | 193,807,900 | 180,023,477 | 154,363,522 | 149,185,952 |
| PROPERTY TAXES LEVIED | 1,225,867 | 1,242,798 | 1,145,407 | 1,040,096 | 983,111 |
| PROPERTY TAXES COLLECTED | 1,236,578 | 1,261,937 | 1,136,004 | 1,038,410 | 990,458 |
| GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUATION | 1.3% | 1.6% | 2.0% | 2.6% | 3.0% |

CITY OF WASHINGTON, MISSOURI
SUPPLEMENTAL INFORMATION

**Surety Bond Coverage For
Principal City Officials**

September 30, 2002

Treasurer

\$ 50,000

Insurance Coverage

At September 30, 2002, the city had insurance coverage of 100% replacement value for buildings and contents and \$2,500,000 limit per occurrence for liability insurance.

**REPORT OF INDEPENDENT ACCOUNTANTS ON
COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council
CITY OF WASHINGTON, MISSOURI

We have audited the general-purpose financial statements of the **CITY OF WASHINGTON, MISSOURI** (the City) as of and for the year ended September 30, 2002, and have issued our report thereon dated March 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be

Honorable Mayor and City Council
City of Washington, Missouri
Report of Independent Accountants on
Compliance and on Internal Control
Required by *Government Auditing Standards*
Page -2-

detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated March 24, 2003.

This report is intended for the information of management and all applicable regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Harold Schuur, CPAs

Circleville, Ohio
March 24, 2003

CITY OF WASHINGTON, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Number</u> | <u>Expenditures</u> |
|----------------------------------------------------------------------------------------------------|------------------------------------|--------------------------------|---------------------|
| U.S. Department of Transportation Passed through Missouri Police Chief's Association | | DTNH-2201-H35144 | \$ 748 |
| Passed through Missouri Department of Transportation Washington Memorial Airport Grant | | AIRE 015-54A | 97,638 |
| Highway Planning and Construction | 20.205 | STP-6400(606) | 36,045 |
| Highway Planning and Construction | 20.205 | STP-6400(607) | 114,432 |
| Highway Planning and Construction | 20.205 | STP-6400(617) | 26,603 |
| Highway Planning and Construction | 20.205 | STP-6400(615) | 13,517 |
| Highway Planning and Construction | 20.205 | STP-6400(613) | 14,795 |
| Highway Planning and Construction | 20.205 | N/A | <u>35,000</u> |
| | | | 240,392 |
| Passed through Missouri Department of Public Safety and Local Highway Safety | 20.600 | 02-154-AL-38 | 2,746 |
| Public Safety and Local Highway Safety | 20.600 | 02-154-AL-60 | 2,787 |
| Public Safety and Local Highway Safety | 20.600 | 02-UDL-03-12 | 157 |
| Public Safety and Local Highway Safety | 20.600 | 02-PT-02-73 | <u>4,820</u> |
| | | | 10,510 |
| U.S. Department of Housing and Urban Development | | | |
| Passed through Missouri Department of Economic Development Community Development Block Grant | 14.228 | 2001-EM-01 | 309,500 |
| Federal Emergency Management Agency | | | |
| Passed through Missouri Emergency Management Agency Public Assistance | 83.544 | PA-1328 | 114,534 |
| U.S. Department of Justice | | | |
| COPS FAST | 16.710 | 2000-SHWX-0408 | 26,905 |
| Bullet Proof Vest Partnership Program | 16.607 | 2001-BUBX-01006702 | 1,300 |
| Local Law Enforcement Block Grant | 16.592 | 2001-LBBX-0159 | <u>9,227</u> |
| | | | 37,432 |
| Total Awards Expended | | | <u>\$ 810,754</u> |

NOTES:

1. General

The accompanying schedule of financial assistance (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 general purpose financial statements. Federal financial assistance received directly from federal agencies, as well as passed through other government agencies, is included on the schedule.

2. Basis of Accounting

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

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL
PROGRAM. INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE
OF EXPENDITURE OF FEDERAL AWARDS**

March 24, 2003

Honorable Mayor and Board of Aldermen
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, 2002. 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 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 on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2002.

Honorable Mayor and Board of Aldermen
City of Washington, Missouri
Report of Independent Accountants on Compliance
with Requirements Applicable to Each Major Federal
Program. Internal Control over Compliance in
Accordance with OMB Circular A-133 and Schedule
of Expenditure of Federal Awards
Page 2

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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Expenditure of Federal Awards

We have audited the general purpose financial statements of the City as of and for the year ended September 30, 2002, and have issued our report thereon dated March 24, 2003. Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the City taken as a whole. 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Harold Schum, CPAs

Circleville, Ohio
March 24, 2003

**CITY OF WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2002**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. Summary of the auditor's results:

- A. The type of report issued on the general purpose financial statements of the auditee: Unqualified opinion.
- B. No reportable conditions in internal control were disclosed by the audit of the general purpose financial statements.
- C. The audit did not disclose any noncompliance which is material to the general purpose financial statements of the auditee.
- D. No reportable conditions in the 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: Community Development Block 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 general purpose financial statements which are required to be reported in accordance with GAGAS: None

III. Findings and questioned costs for federal awards which shall include audit findings as defined in §.510(a): None

IV.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None