

**CITY OF WASHINGTON, MISSOURI**

**FINANCIAL REPORT**

(Audited)

Year Ended September 30, 2003

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

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	<b>Page</b>
<b>INDEPENDENT AUDITOR’S REPORT</b>	R-1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	1
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets	16
Statement of Activities	17
Balance Sheet – Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Fiduciary Net Assets	25
Notes to Basic Financial Statements	26
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	43
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	44
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Parks and Recreation Fund	46
<b>OTHER SUPPLEMENTAL INFORMATION</b>	47
Combining Balance Sheet – Nonmajor Governmental Funds	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	49
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Library Special Revenue Fund	50
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Volunteer Fire Company Special Revenue Fund	51
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Airport Special Revenue Fund	52
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Improvements Sales Tax Capital Projects Fund	53
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Leasehold Revenue Bonds Debt Service Fund	54
Combining Statement of Fiduciary Net Assets	55
Statement of Changes in Assets and Liabilities - All Agency Funds	56
General Fund - Summary of Revenues	57
General Fund - Summary of Expenditures	57
Tax Rate, Assessed Valuation, Property Taxes Levied, Property Taxes Collected and General Obligation Bonded Debt to Assessed Valuation	58
Surety Bond Coverage for Principal City Officials	59
Insurance Coverage	59

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

---

	<b>Page</b>
<b>COMPLIANCE AND INTERNAL CONTROL SECTION</b>	<b>60</b>
Report of Independent Accountants on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	61
<b>SINGLE AUDIT REPORTS</b>	<b>62</b>
Schedule of Expenditures of Federal Awards	63
Notes to Schedule of Expenditures of Federal Awards	64
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	65
Schedule of Findings and Questioned Costs	67
Summary Schedule of Prior Audit Findings	67

# **Balestra, Harr & Scherer, CPAs, Inc.**

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
City Of Washington, Missouri

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington, Missouri (the City), as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2003, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2004, 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 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.

The Management's Discussion and Analysis on pages 3 through 15 and the Budgetary Comparison Schedules for the General Fund and the Parks and Recreation Fund on pages 44 through 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplemental information as listed in the table of contents 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.

As described in Note I. to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Balestra, Harr & Scherer, CPAs, Inc.  
Balestra, Harr & Scherer, CPAs, Inc.  
April 30, 2004

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

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**Management's Discussion and Analysis**

This section of the City of Washington's annual financial report presents our review of the City's financial performance during the fiscal year that ended on September 30, 2003. Since this is the first year of reporting in conformance with the Governmental Accounting Standards Board's (GASB) Statement No. 34, comparative information for the previous fiscal year is not provided. We encourage readers to consider the information presented here along with additional information in the notes to the basic financial statements and supplemental information section presented elsewhere in this report.

**Financial Highlights**

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

- The City's total net assets increased \$4,232,355 or 12.3%. Governmental activities net assets increased \$3,426,818 while business-type activities net assets increased \$805,537.
- As of the close of the current fiscal year, the City of Washington's governmental funds reported combined ending fund balances of \$10,241,697. Approximately \$6,565,721 is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,442,965 or 33.9 percent of total general fund expenditures.
- In the General Fund, sales tax revenue exceeded budgetary projections by \$171,854 (6%). Actual sales tax revenues increased 9% over fiscal year 2002 revenues.
- Buy-out of ten properties, flooded in the May 2000 flood, through a grant from the Federal Emergency Management Agency (FEMA). Property costs were \$1.3 million and funded with a 75 percent federal grant and 25 percent City funds.
- Addition of a new water well. In the west section of the City, a new water storage facility is under construction to support the needs of the industrial parks and residential developments.

**Overview of the Financial Statements**

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

**Government-wide financial statements.**

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

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

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

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

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

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Washington maintains ten individual governmental funds. Due to similarity of purpose, the Self-Insurance Contingency Fund, the Washington Industrial Development Fund and the Stormwater Improvement Fund revenues and expenditures are reported in the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Parks and Recreation Fund, Capital Improvements Sales Tax Fund, and Leasehold Revenue Bonds Debt Service Fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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The City of Washington adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for all budgeted funds to demonstrate legal compliance with the respective adopted budget.

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

**Proprietary Funds**

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

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

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

**Fiduciary Funds**

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

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

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found in this report.

**Other Information**

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

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

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

This is the first year the City of Washington has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Because this reporting model significantly changes both the recording and presentation of financial data, the City has not restated prior fiscal years for purposes of providing comparative information for Management's Discussion & Analysis. In future years, when prior-year information is available, a comparative analysis of government-wide data will be included in this report.

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

As noted earlier, net assets may server over time as a useful indicator of the City's financial position. In the case of the City of Washington, assets exceeded liabilities by \$38,583,918 at the close of the most recent fiscal year.

**Statement of Net Assets**

The following table reflects the condensed statement of net assets as of September 30, 2003:

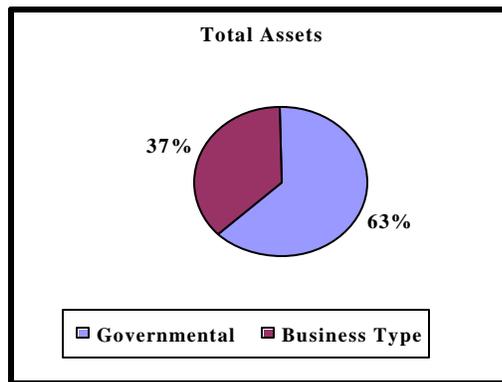
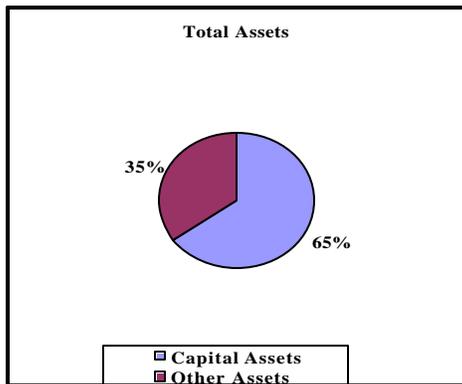
**City of Washington's Net Assets**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current and other assets	\$ 10,817,364	\$ 4,485,852	\$ 15,303,216
Capital assets, net	16,358,075	11,664,004	28,022,079
Total assets	<u>27,175,439</u>	<u>16,149,856</u>	<u>43,325,295</u>
<b>Liabilities</b>			
Long-term liabilities	1,754,095	2,224,544	3,978,639
Other liabilities	548,784	213,954	762,738
Total liabilities	<u>2,302,879</u>	<u>2,438,498</u>	<u>4,741,377</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	16,358,075	10,847,609	27,205,684
Restricted	4,364,834	225,240	4,590,074
Unrestricted	4,149,651	2,638,509	6,788,160
Total net assets	<u>\$ 24,872,560</u>	<u>\$ 13,711,358</u>	<u>\$ 38,583,918</u>

A review of the government-wide financial statement of net assets reveals the following:

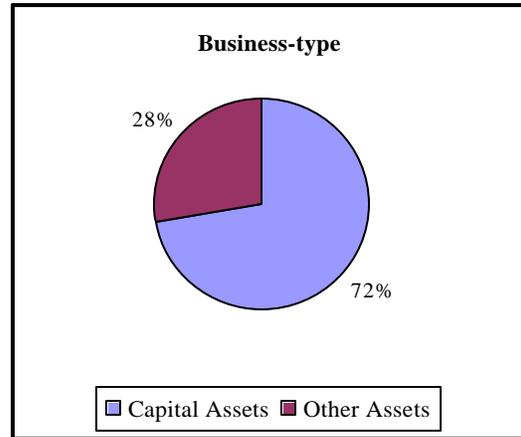
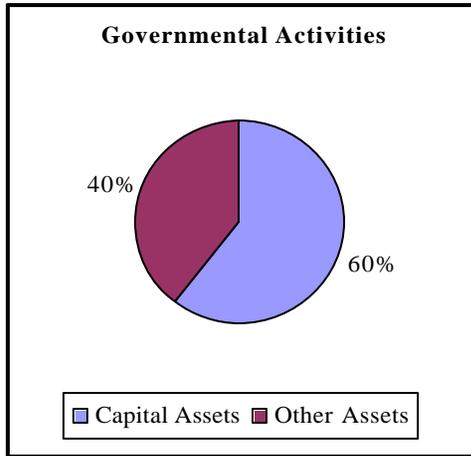
*Assets*

Total assets for the City as a whole are \$43,325,295. This includes \$27,175,439 for governmental activities and \$16,149,856 for business-type activities. Of these total assets, \$28,022,079 is capital assets and \$15,303,216 is other assets.



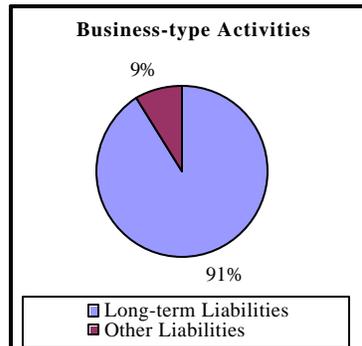
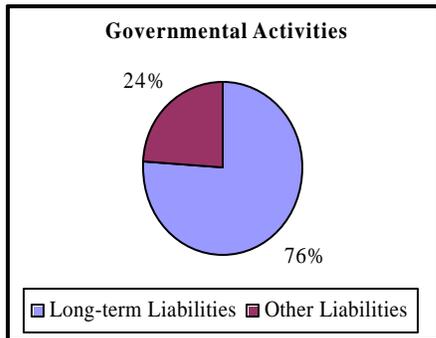
**CITY OF WASHINGTON, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For governmental activities, \$16,358,075 is capital assets and \$10,817,364 is other assets. Capital assets for business-type activities are \$11,664,004 and other assets are \$4,485,852.



*Liabilities*

Total liabilities for the City as a whole are \$4,741,377. Of these total liabilities, \$3,978,639 is long-term liabilities and \$762,738 is other liabilities. For governmental activities, \$1,754,095 is long-term liabilities and \$548,784 is other liabilities. Long-term liabilities for business-type activities are \$2,224,544 and other liabilities are \$213,954. The majority of the long-term liabilities for governmental activities is for debt issued for major capital projects. The majority of the long-term liabilities for business-type activities are for debt issued, and closure and post-closure landfill care liability.

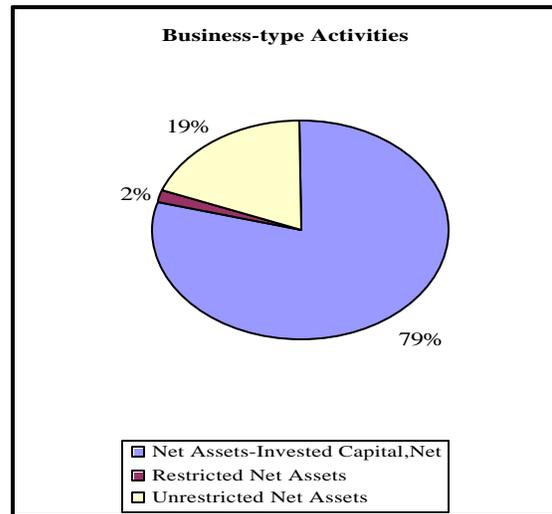
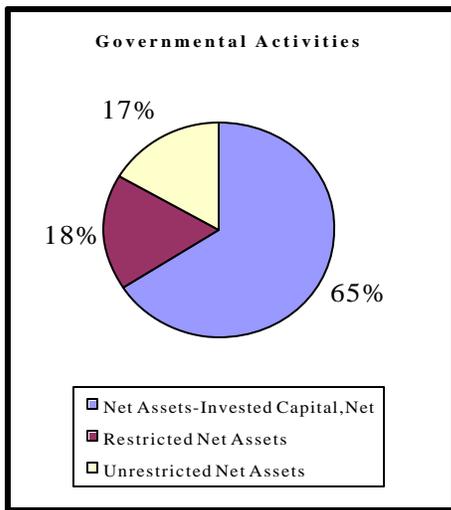


**CITY OF WASHINGTON, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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*Net Assets*

Total net assets for the City as a whole are \$38,583,918. This includes \$24,872,560 for governmental activities and \$13,711,358 for business-type activities. The largest portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure). The City of Washington uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. An additional portion of the City of Washington's net assets represents resources that are subject to external restrictions on how they may be used. Restricted net assets for governmental activities are \$4,364,834 and business-type activities are \$225,240. The remaining balance of *unrestricted net assets* (\$6,788,160) may be used to meet the City's ongoing obligations to citizens and creditors.



At the end of the current fiscal year, the City of Washington is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

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

**Statement of Activities**

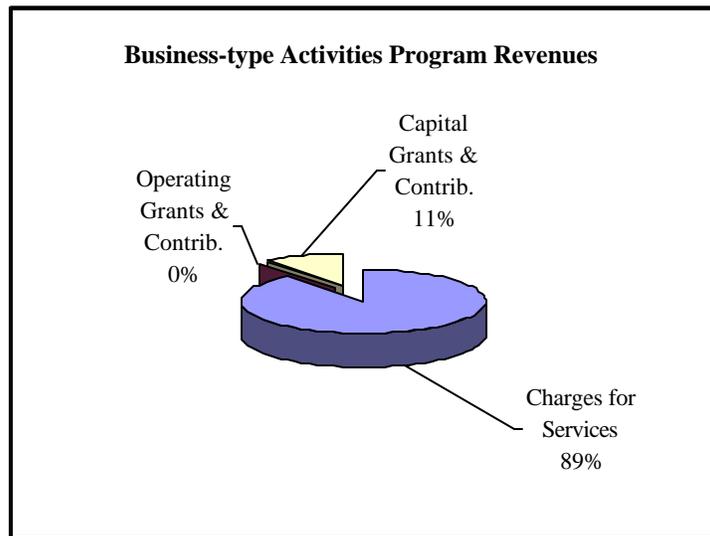
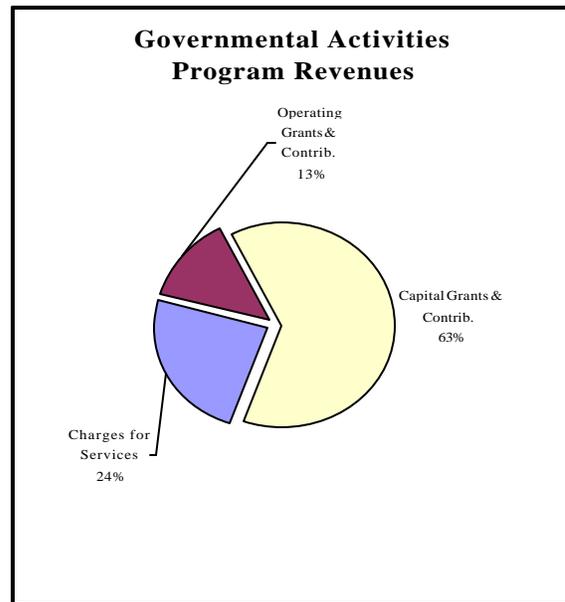
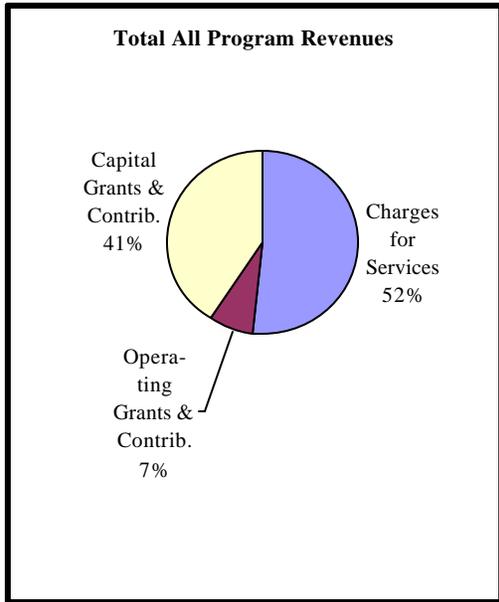
The following table reflects the revenues and expenses for the City's activities for the year ended September 30, 2003:

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,210,908	\$ 3,310,814	\$ 4,521,722
Operating grants and contributions	656,536	-	656,536
Capital grants and contributions	3,183,630	403,687	3,587,317
General revenues:			
Taxes	7,362,403	-	7,362,403
Investment earnings	182,424	97,920	280,344
Miscellaneous	35,835	29,824	65,659
Total revenues	12,631,736	3,842,245	16,473,981
<b>Expenses:</b>			
General government	1,712,695	-	1,712,695
Public safety	2,990,862	-	2,990,862
Airport	98,450	-	98,450
Highways and streets	2,501,898	-	2,501,898
Culture and recreation	1,429,316	-	1,429,316
Interest on long-term debt	111,531	-	111,531
Water	-	1,064,613	1,064,613
Sewage treatment	-	1,003,287	1,003,287
Solid Waste	-	1,328,974	1,328,974
Total expenses	8,844,752	3,396,874	12,241,626
Increase in net assets before transfers	3,786,984	445,371	4,232,355
<b>Transfers</b>	(360,166)	360,166	-
Increase in net assets	3,426,818	805,537	4,232,355
Net assets, October 1, 2002	21,445,742	12,905,821	34,351,563
Net assets, September 30, 2003	\$ 24,872,560	\$13,711,358	\$ 38,583,918

*Program Revenues*

The government-wide statement of activities indicates the major sources of program revenues are charges for services. The business-type activities account for 73% of all charges for services and governmental activities account for 27% of charges for services. The amount of operating grants and contributions is only 7% of program revenues. The capital grants and contributions account for 41% of all program revenues. The business-type activities account for 11% of all capital grants and contributions; governmental activities account for the remaining 89%. Capital grants and contributions are higher than in the previous year due to the property buy-outs with FEMA funds, federal assistance for airport expansion, design phases for the Sunnyside Street Bridge and several roadway reconstructions. Business-type activities capital grants and contributions consisted of donated water and sewer system lines by developers of residential and commercial tracts.

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

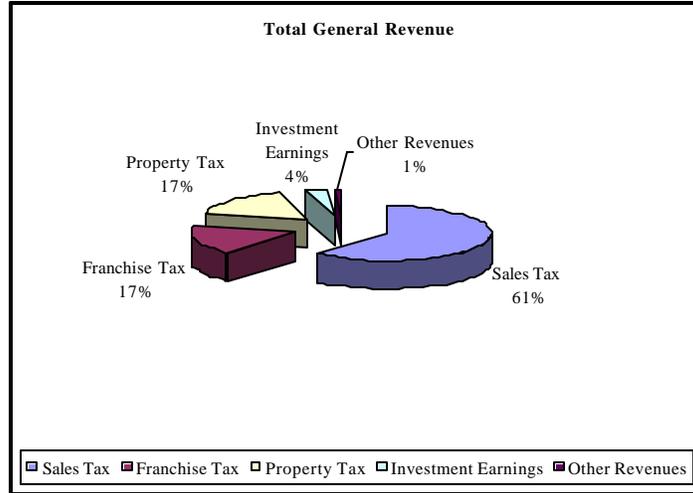


*General Revenues*

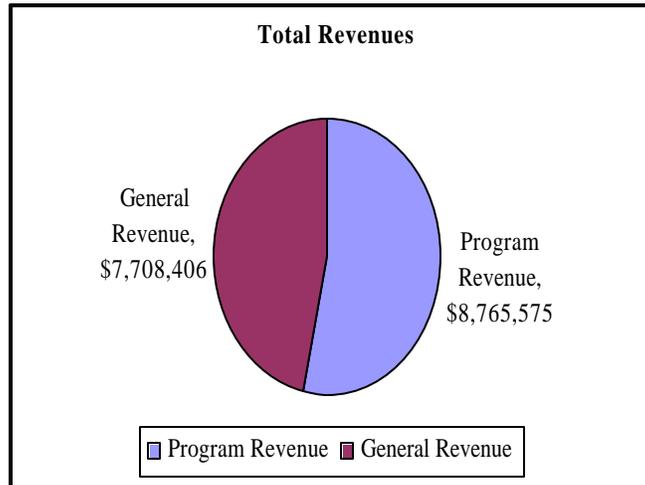
The single most significant source of general revenue is sales taxes. It accounts for 61% of total general revenues. Franchise tax and property taxes are the next most significant revenues representing 17% and 17%, respectively. The City of Washington is fortunate that sales tax revenues continue to grow. Sales tax revenues increased 9% over the 2002 fiscal year revenues and 6% over the projected revenue total for 2003. Because most cities have experienced a more significant downturn in the economy, the staff continues to closely monitor the monthly sales tax reports provided by the state and local economic activity.

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

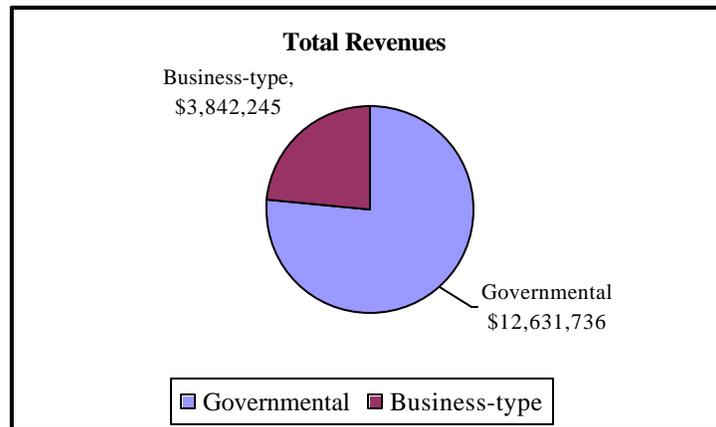
General fund property tax levy was set at \$0.4766 per \$100 assessed valuation, an approximate 10% reduction of the maximum allowed of \$0.6090; this was a reduction in property tax revenues of approximately \$130,000. This is the second year the City has elected to rollback the tax rate to a lower level.



**Total revenues are \$16,473,981.**

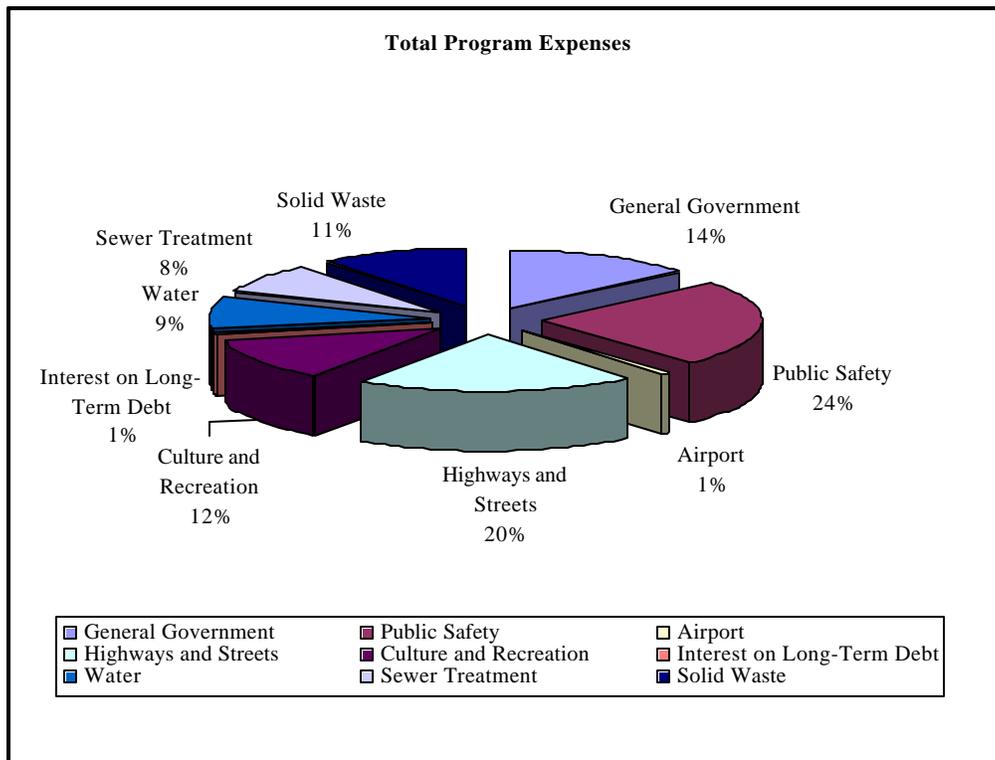


**CITY OF WASHINGTON, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**



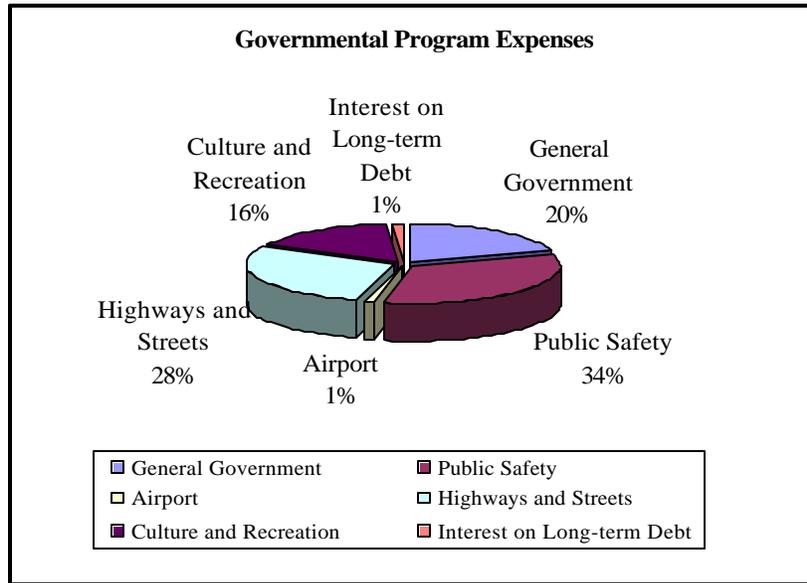
*Program Expenses*

Total program (function) expenses for fiscal year 2003 are \$12,241,626. The majority of these expenses, \$8,844,752, are for governmental activities with the remaining \$3,396,874 for business-type activities.



The largest program expense in the governmental activities is public safety at \$2,990,862 or 34% of all governmental activities.

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



*Transfers*

Net transfers were \$360,166 from governmental activities to business-type activities. \$104,820 was transferred from general fund to subsidize the curbside recycling and recycling center operations; \$255,346 was transferred from the Capital Improvement Sales Tax Fund for reconstruction of a sewer main. In addition, the general fund transferred \$791,000 to parks and recreation for operations, \$386,144 to the three nonmajor special revenue funds to subsidize operations, and \$181,800 for debt service.

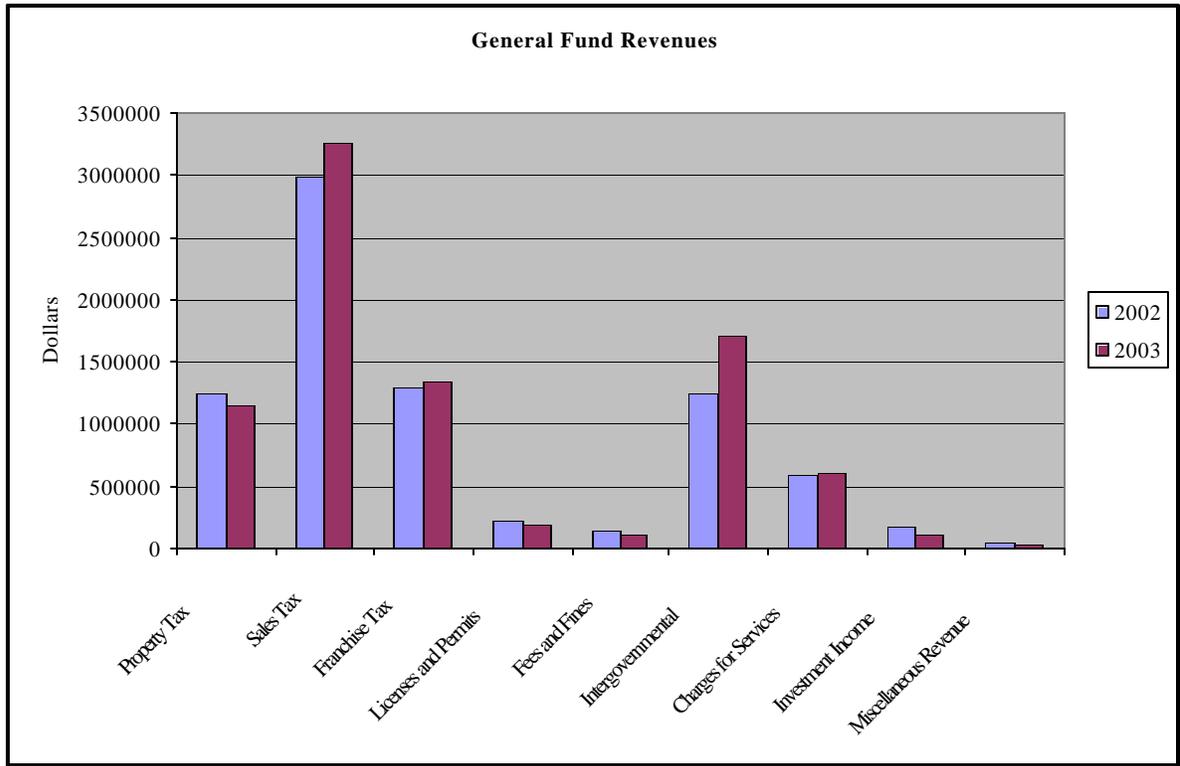
**Fund Statements**

The City of Washington fund statements can be found in the basic financial statements. As stated earlier, these statements are compiled on the modified accrual basis. Reconciliation to the government-wide financial statement has been provided with these fund statements.

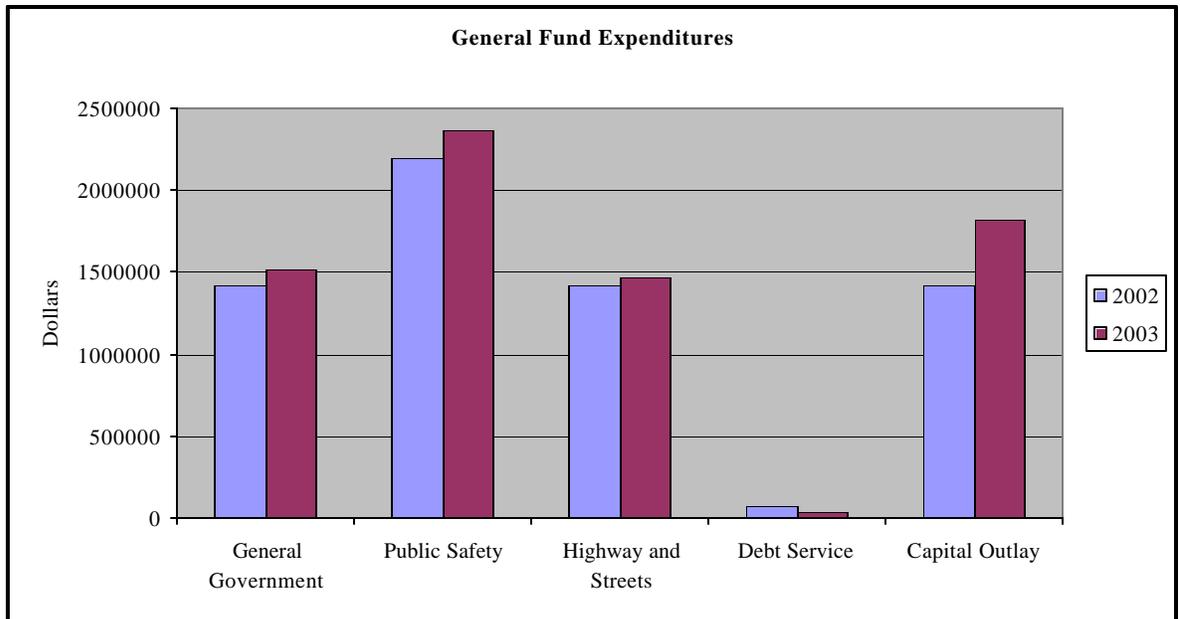
As the City completed the year, its governmental funds reported a combined fund balance of \$10.2 million. As budgeted, all the governmental funds, except the debt service fund, experienced a decrease in fund balance in fiscal year 2003. The total decrease in fund balance was \$1,063,103. The fund balance of the general fund decreased \$170,142 during fiscal year 2003. Based on program appropriations, this decrease was less than anticipated, because the additional sales tax revenues lessen the effect to fund balance.

Overall revenues in the general fund were above the budgeted amount by \$101,775. The largest increase was intergovernmental revenues, because of the FEMA grant. The next largest was sales tax. Due to the continued decline in interest rates, investment income decreased.

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

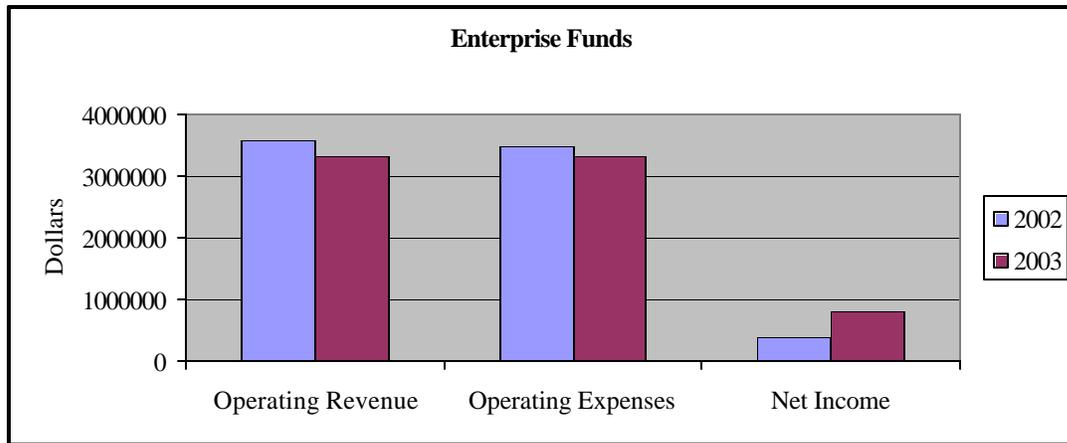


General fund expenditures were \$7,203,678, which was \$478,307 under budget for fiscal year 2003. Of the \$478,307, approximately \$250,000 consisted of two uncompleted stormwater projects and the 2003 sidewalk program that will be completed in 2004 and the remaining funds reflect cost savings or unused funds budgeted for operations. Public safety increased as a result of the addition of a school resource officer, funded by a grant, and other personal services costs.



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

A review of the net assets of the proprietary fund indicates both the water distribution operations and the sewerage treatment operations had positive changes in net assets as a result of operations. However, the solid waste operations netted a decrease in net assets, primarily due to the high cost of the landfill operations. Rates were increased late in fiscal year 2002; however, the increase caused haulers to transport their waste to another local landfill. The nearby landfill is due to close in 2004 and we expect revenue to increase and cover operation cost.



**Capital Assets**

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 4,405,401	\$ 112,762	\$ 4,518,163
Infrastructure	1,558,465	-	1,558,465
Buildings	5,858,180	1,795,761	7,653,941
Improvements other than buildings	1,178,887	8,968,129	10,147,016
Machinery and equipment	1,958,377	682,481	2,640,858
Construction in progress	1,398,765	104,871	1,503,636
	<u>\$ 16,358,075</u>	<u>\$ 11,664,004</u>	<u>\$ 28,022,079</u>

Additional information regarding capital assets can be found in the notes to the basic financial statements on pages 35 through 37.

**Major Capital Asset Events FY2003**

- Purchased replacement machinery and equipment (including vehicles) totaling \$268,000
- Purchased ten properties for flood protection totaling \$1.3 million
- Purchased the Thayer Building and lot for future downtown parking
- Completion of the reconstruction of the Madison Avenue bridge

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

- Construction continues on the following streets, bridges, and stormwater improvements:
  - Bieker Road reconstruction and widening
  - South Point Road widening at Stonecrest area
  - Improvements of intersections of Highway 100 at Pottery Road, High Street, and Hwy A
  - Kingsland Avenue
  - Highway A widening at Town & Country Industrial Park
  - Reconstruction of Locust Street bridge
  - Reconstruction of Sunnyside Street bridge
  - Westlink Drive stormwater project
  - Autumn Leaf Subdivision stormwater retention project
- Airport Expansion continues; construction in progress at the close of the fiscal year was \$455,000; land acquisition and construction to begin in fiscal 2004
- Study and design continue toward the expansion project of the sewage treatment plant or a new plant

**Debt Administration**

The City's debt issues are discussed in the notes to the basic financial statements on pages 38 and 39. During the fiscal year 2003, the City retired \$510,000 in Leasehold Revenue Bonds and \$65,000 in Sewer Bonds of 2001B.

**Economic Outlook**

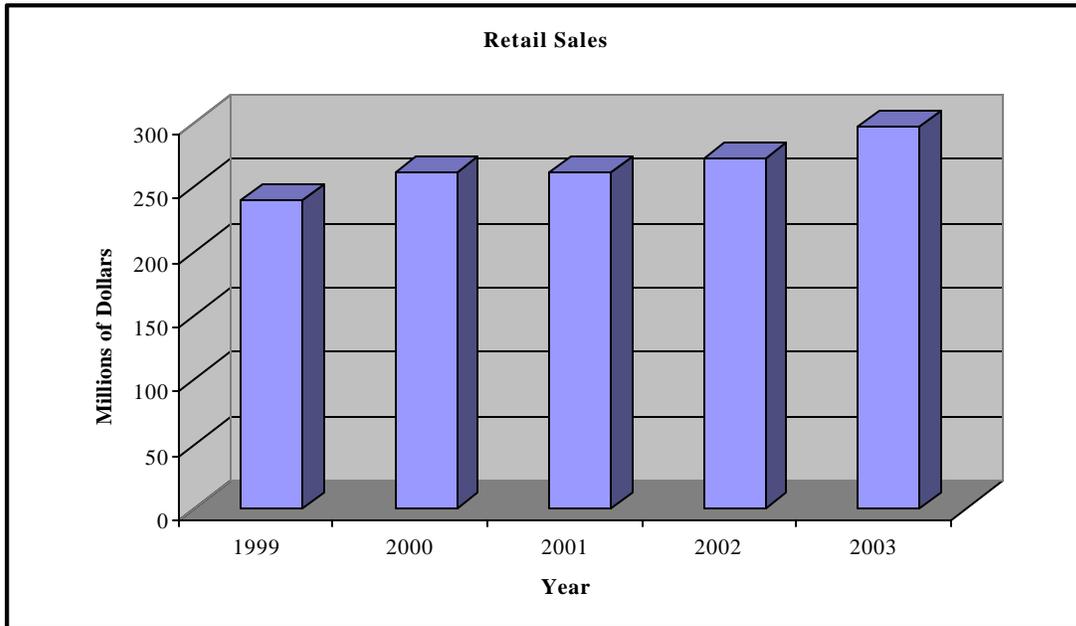
The City of Washington continues to experience growth. In 2003, the Planning and Engineering Services Department approved 390 building permits consisting of an estimated value of \$43,264,046 in construction costs. The permits were broken down as follows:

Type of Construction	No. of Permits	Construction Costs
Single Family Dwelling (SFD)	93	\$13,755,552
Two Family Dwelling (2FD)	13	\$2,809,760
Multi- Family Dwelling (Multi)	2	\$768,369
Commercial (Comm)	6	\$22,042,026
Industrial (Ind)	0	\$0
Public	0	\$0
Residential Alteration (Res Alt)	50	\$977,858
Commercial Alteration (Comm Alt)	33	\$2,480,497
Industrial Alteration (Ind Alt)	2	\$33,585
Commercial Certificate of Occupancy (Comm Cert Occ)	67	
Signs	37	
Miscellaneous Permits	87	

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

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In the last five years, retail sales has increased 24%.



**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 63090-2607.

**CITY OF WASHINGTON, MISSOURI**  
**Statement of Net Assets**  
**September 30, 2003**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash investments	\$ 5,901,318	3,021,798	8,923,116
Cash with agent	267,363	-	267,363
Accounts receivable, net of allowance	2,872,388	328,390	3,200,778
Loans receivable	1,848,424	-	1,848,424
Inventory	215,152	131,451	346,603
Prepaid items	338,140	60,973	399,113
Internal balances	(625,421)	625,421	-
Bond issue cost	-	14,810	14,810
Cash and cash investments - restricted	-	303,009	303,009
Capital assets, net of accumulated depreciation			
Land	4,405,401	112,762	4,518,163
Infrastructure	1,558,465	-	1,558,465
Buildings	5,858,180	1,795,761	7,653,941
Improvements other than buildings	1,178,887	8,968,129	10,147,016
Machinery and equipment	1,958,377	682,481	2,640,858
Construction in progress	1,398,765	104,871	1,503,636
Total Assets	<u>27,175,439</u>	<u>16,149,856</u>	<u>43,325,295</u>
<b>LIABILITIES</b>			
Accounts payable	384,545	59,071	443,616
Accrued wages	87,991	21,159	109,150
Deposits	56,695	55,955	112,650
Accrued interest payable	19,553	-	19,553
Liabilities payable from restricted assets	-	77,769	77,769
Noncurrent liabilities:			
Due within one year	547,726	7,304	555,030
Due in more than one year	1,206,369	2,217,240	3,423,609
Total Liabilities	<u>2,302,879</u>	<u>2,438,498</u>	<u>4,741,377</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	16,358,075	10,847,609	27,205,684
Restricted for:			
Capital projects	4,075,288	-	4,075,288
Debt service	289,546	225,240	514,786
Unrestricted	4,149,651	2,638,509	6,788,160
Total Net Assets	<u>\$ 24,872,560</u>	<u>13,711,358</u>	<u>38,583,918</u>

**CITY OF WASHINGTON, MISSOURI**  
**Statement of Activities**  
**For the Year Ended September 30, 2003**

	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
<b>Primary government</b>							
Governmental activities							
General government	\$ 1,712,695	414,433	-	709	(1,297,553)	-	(1,297,553)
Public safety	2,990,862	328,226	92,564	-	(2,570,072)	-	(2,570,072)
Airport	98,450	44,165	-	582,708	528,423	-	528,423
Highways and streets	2,501,898	171,893	526,951	2,600,213	797,159	-	797,159
Culture and recreation	1,429,316	252,191	37,021	-	(1,140,104)	-	(1,140,104)
Interest on long-term debt	111,531	-	-	-	(111,531)	-	(111,531)
Total governmental activities	<u>8,844,752</u>	<u>1,210,908</u>	<u>656,536</u>	<u>3,183,630</u>	<u>(3,793,678)</u>	<u>-</u>	<u>(3,793,678)</u>
Business-type activities							
Water	1,064,613	1,143,351	-	219,750	-	298,488	298,488
Sewage Treatment	1,003,287	1,013,715	-	183,937	-	194,365	194,365
Solid Waste	1,328,974	1,153,748	-	-	-	(175,226)	(175,226)
Total business-type activities	<u>3,396,874</u>	<u>3,310,814</u>	<u>-</u>	<u>403,687</u>	<u>-</u>	<u>317,627</u>	<u>317,627</u>
Total primary government	<u>\$ 12,241,626</u>	<u>4,521,722</u>	<u>656,536</u>	<u>3,587,317</u>	<u>(3,793,678)</u>	<u>317,627</u>	<u>(3,476,051)</u>
General revenues:							
Taxes							
Property taxes					1,279,952	-	1,279,952
Sales tax					4,741,562	-	4,741,562
Franchise tax					1,340,889	-	1,340,889
Grants and contributions not restricted to specific programs					-	30,689	30,689
Investment earnings					182,424	97,920	280,344
Gain on sale of capital assets					35,835	(865)	34,970
Transfers					(360,166)	360,166	-
Total general revenues and separate line items					<u>7,220,496</u>	<u>487,910</u>	<u>7,708,406</u>
Changes in net assets					3,426,818	805,537	4,232,355
Net assets - beginning					21,445,742	12,905,821	34,351,563
Net assets - ending					<u>\$ 24,872,560</u>	<u>13,711,358</u>	<u>38,583,918</u>

**CITY OF WASHINGTON, MISSOURI**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2003**

	<u>General</u>	<u>Parks And Recreation</u>	<u>Capital Improvements Sales Tax</u>	<u>Leasehold Revenue Bonds Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash investments	\$ 1,610,649	299,233	3,228,306	23,589	739,541	5,901,318
Cash with agent	2,460	-	-	264,903	-	267,363
Accounts receivable, net of allowance	2,390,943	17,407	457,463	21	6,554	2,872,388
Loans receivable	1,848,424	-	-	-	-	1,848,424
Due from other funds	54	15,874	50,000	-	-	65,928
Inventory	194,550	20,602	-	-	-	215,152
Prepaid items	243,894	31,779	-	1,033	61,434	338,140
Advance to other funds	-	-	504,466	-	-	504,466
Total Assets	<u>\$ 6,290,974</u>	<u>384,895</u>	<u>4,240,235</u>	<u>289,546</u>	<u>807,529</u>	<u>12,013,179</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 153,086	25,753	164,947	-	40,759	384,545
Compensated absences payable	15,774	6,208	-	-	744	22,726
Accrued wages	72,899	9,882	-	-	5,210	87,991
Due to other funds	65,874	-	-	-	-	65,874
Deposits	53,987	2,708	-	-	-	56,695
Advance from other funds	1,039,941	-	-	-	90,000	1,129,941
Deferred revenue	23,710	-	-	-	-	23,710
Total Liabilities	<u>1,425,271</u>	<u>44,551</u>	<u>164,947</u>	<u>-</u>	<u>136,713</u>	<u>1,771,482</u>
Fund Balances						
Reserved for:						
Prepaid items	243,894	31,779	-	1,033	61,434	338,140
Inventory	194,550	20,602	-	-	-	215,152
Encumbrances	135,870	73,477	207,745	-	64,189	481,281
Advances	-	-	504,466	-	-	504,466
Loans	1,848,424	-	-	-	-	1,848,424
Debt service	-	-	-	288,513	-	288,513
Unreserved, reported in:						
General fund	2,442,965	-	-	-	-	2,442,965
Special revenue funds	-	214,486	-	-	545,193	759,679
Capital projects fund	-	-	3,363,077	-	-	3,363,077
Total Fund Balances	<u>4,865,703</u>	<u>340,344</u>	<u>4,075,288</u>	<u>289,546</u>	<u>670,816</u>	<u>10,241,697</u>
Total Liabilities and Fund Balances	<u>\$ 6,290,974</u>	<u>384,895</u>	<u>4,240,235</u>	<u>289,546</u>	<u>807,529</u>	<u>12,013,179</u>

**CITY OF WASHINGTON, MISSOURI**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**September 30, 2003**

Total fund balances - governmental funds	\$ 10,241,697
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements. This is amount by which capital outlays (\$25,756,275) exceed accumulated depreciation (\$9,398,200).</p>	16,358,075
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>	23,710
<p>Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>	
<p>Long-term liabilities at year-end consist of:</p>	
<p>Accrued interest payable</p>	(19,553)
<p>Bonds payable</p>	(1,635,000)
<p>Accrued compensated absences payable</p>	(96,369)
<p>Net assets of governmental activities</p>	\$ 24,872,560

**CITY OF WASHINGTON, MISSOURI**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2003**

	<u>General</u>	<u>Parks and Recreation</u>	<u>Capital Improvements Sales Tax</u>	<u>Leasehold Revenue Bonds Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes:						
Property taxes	\$ 1,148,486	-	-	-	131,466	1,279,952
Sales taxes	3,254,254	-	1,487,308	-	-	4,741,562
Franchise taxes	1,340,889	-	-	-	-	1,340,889
Licenses and permits	190,504	-	-	-	-	190,504
Fees and fines	107,211	-	-	-	18,448	125,659
Intergovernmental	1,711,941	-	174,530	-	592,055	2,478,526
Charges for services	606,124	228,543	-	-	6,874	841,541
Rents	30,577	5,200	-	-	46,090	81,867
Contributions and donations	1,500	24,612	92,863	-	7,640	126,615
Investment income	105,105	5,910	55,391	3,760	12,258	182,424
Other	709	-	-	-	-	709
Total Revenues	<u>8,497,300</u>	<u>264,265</u>	<u>1,810,092</u>	<u>3,760</u>	<u>814,831</u>	<u>11,390,248</u>
<b>EXPENDITURES</b>						
Current:						
General government	1,511,981	-	-	-	-	1,511,981
Public safety	2,362,562	-	-	-	384,112	2,746,674
Highways and streets	1,462,875	-	-	-	-	1,462,875
Airport	-	-	-	-	82,244	82,244
Culture and recreation	-	1,046,582	-	-	248,209	1,294,791
Debt service:						
Principal	-	-	-	510,000	-	510,000
Interest expense and fiscal charges	40,817	-	-	75,984	-	116,801
Capital outlay:						
General government	9,173	-	306,910	-	-	316,083
Public safety	103,278	-	40,231	-	-	143,509
Highways and streets	1,712,992	-	1,437,613	-	-	3,150,605
Airport	-	-	-	-	782,177	782,177
Culture and recreation	-	23,468	11,980	-	-	35,448
Sanitary sewer system	-	-	255,343	-	-	255,343
Total Expenditures	<u>7,203,678</u>	<u>1,070,050</u>	<u>2,052,077</u>	<u>585,984</u>	<u>1,496,742</u>	<u>12,408,531</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,293,622</u>	<u>(805,785)</u>	<u>(241,985)</u>	<u>(582,224)</u>	<u>(681,911)</u>	<u>(1,018,283)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	791,000	-	586,400	536,144	1,913,544
Transfers out	(1,463,764)	-	(554,600)	-	-	(2,018,364)
Sale of capital assets	-	-	-	-	60,000	60,000
Total other financing sources (uses)	<u>(1,463,764)</u>	<u>791,000</u>	<u>(554,600)</u>	<u>586,400</u>	<u>596,144</u>	<u>(44,820)</u>
Net change in fund balances	(170,142)	(14,785)	(796,585)	4,176	(85,767)	(1,063,103)
Fund balances - beginning	5,035,845	355,129	4,871,873	285,370	756,583	11,304,800
Fund balances - ending	<u>\$ 4,865,703</u>	<u>340,344</u>	<u>4,075,288</u>	<u>289,546</u>	<u>670,816</u>	<u>10,241,697</u>

**CITY OF WASHINGTON, MISSOURI**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2003**

Net Change In Fund Balances - Governmental Funds \$ (1,063,103)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays over the capitalization threshold (\$3,478,809) exceeded depreciation (\$684,856) in the current period. 2,793,953

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (3,432)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net assets. 1,184,920

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayments:

Bonds payable	510,000	
Compensated absences	(790)	
Net Adjustment	509,210	509,210

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Accrued interest on bonds. 5,270

Change In Net Assets Of Governmental Activities \$ 3,426,818

**CITY OF WASHINGTON, MISSOURI**

**Statement of Net Assets**

**Proprietary Funds**

**September 30, 2003**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Total</b>
	<b>Water</b>	<b>Sewage Treatment</b>	<b>Solid Waste</b>	
<b>ASSETS</b>				
Current assets:				
Cash and cash investments	\$ 1,124,552	830,543	1,066,703	3,021,798
Accounts receivable (net of allowance where applicable)	127,497	112,354	88,539	328,390
Inventory	114,221	17,230	-	131,451
Advance to other funds	1,129,941	-	-	1,129,941
Prepaid items	18,026	23,637	19,310	60,973
<b>Total current assets</b>	<b>2,514,237</b>	<b>983,764</b>	<b>1,174,552</b>	<b>4,672,553</b>
Noncurrent assets:				
Cash and cash investments-restricted	-	303,009	-	303,009
Capital assets:				
Land	67,762	-	45,000	112,762
Buildings	1,951,796	3,349,909	61,702	5,363,407
Improvements non-buildings	3,291,370	6,944,305	2,381,877	12,617,552
Machinery and equipment	819,124	305,094	1,046,290	2,170,508
Construction in progress	91,927	12,944	-	104,871
Less accumulated depreciation	(2,641,936)	(4,795,750)	(1,267,410)	(8,705,096)
<b>Total noncurrent assets</b>	<b>3,580,043</b>	<b>6,119,511</b>	<b>2,267,459</b>	<b>11,967,013</b>
<b>Total assets</b>	<b>6,094,280</b>	<b>7,103,275</b>	<b>3,442,011</b>	<b>16,639,566</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	31,004	14,129	13,938	59,071
Due to other funds	-	-	54	54
Accrued wages	8,508	4,827	7,824	21,159
<b>Total current liabilities</b>	<b>39,512</b>	<b>18,956</b>	<b>21,816</b>	<b>80,284</b>
Payable from restricted assets:				
Bonds payable-current installments	-	65,000	-	65,000
Accrued interest payable	-	12,769	-	12,769
<b>Total current liabilities</b>	<b>39,512</b>	<b>96,725</b>	<b>21,816</b>	<b>158,053</b>
Noncurrent liabilities:				
Revenue bonds payable	-	715,000	-	715,000
Less-Unamortized bond issuance costs	-	(14,810)	-	(14,810)
Less-Unamortized bond discount	-	(8,816)	-	(8,816)
Customer deposits	30,435	25,520	-	55,955
Advance from other funds	-	-	504,466	504,466
Landfill care liability	-	-	1,485,747	1,485,747
Compensated absences payable	15,052	9,264	8,297	32,613
<b>Total noncurrent liabilities</b>	<b>45,487</b>	<b>726,158</b>	<b>1,998,510</b>	<b>2,770,155</b>
<b>Total liabilities</b>	<b>84,999</b>	<b>822,883</b>	<b>2,020,326</b>	<b>2,928,208</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,580,043	5,000,107	2,267,459	10,847,609
Restricted for debt service	-	225,240	-	225,240
Unrestricted	2,429,238	1,055,045	(845,774)	2,638,509
<b>Total net assets</b>	<b>\$ 6,009,281</b>	<b>6,280,392</b>	<b>1,421,685</b>	<b>13,711,358</b>

**CITY OF WASHINGTON, MISSOURI**  
**Statement of Revenues, Expenses,**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2003**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Total</b>
	<b>Water</b>	<b>Sewage Treatment</b>	<b>Solid Waste</b>	
<b>OPERATING REVENUES</b>				
Charges of sales and services	\$ 1,143,351	1,013,715	1,153,748	3,310,814
<b>OPERATING EXPENSES</b>				
Personal services	408,640	255,950	434,191	1,098,781
Purchased services	262,725	321,487	661,571	1,245,783
Supplies	248,873	167,219	40,153	456,245
Depreciation	144,375	197,483	193,059	534,917
Total operating expenses	<u>1,064,613</u>	<u>942,139</u>	<u>1,328,974</u>	<u>3,335,726</u>
Operating income (loss)	<u>78,738</u>	<u>71,576</u>	<u>(175,226)</u>	<u>(24,912)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	36,751	49,061	12,108	97,920
Miscellaneous revenue	29,824	-	-	29,824
Interest and fiscal charges	-	(58,448)	-	(58,448)
Miscellaneous expense	-	(2,700)	-	(2,700)
Total nonoperating revenues (expenses)	<u>66,575</u>	<u>(12,087)</u>	<u>12,108</u>	<u>66,596</u>
Income (loss) before contributions and transfers	<u>145,313</u>	<u>59,489</u>	<u>(163,118)</u>	<u>41,684</u>
Capital contributions	219,750	439,283	-	659,033
Transfers in	-	-	104,820	104,820
Total contributions and transfers	<u>219,750</u>	<u>439,283</u>	<u>104,820</u>	<u>763,853</u>
Change in net assets	<u>365,063</u>	<u>498,772</u>	<u>(58,298)</u>	<u>805,537</u>
Net assets - beginning	<u>5,644,218</u>	<u>5,781,620</u>	<u>1,479,983</u>	<u>12,905,821</u>
Net assets - ending	<u>\$ 6,009,281</u>	<u>6,280,392</u>	<u>1,421,685</u>	<u>13,711,358</u>

**CITY OF WASHINGTON, MISSOURI**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2003**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewage Treatment</b>	<b>Solid Waste</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,228,969	1,051,039	1,259,606	3,539,614
Payments to suppliers	(592,349)	(506,821)	(582,931)	(1,682,101)
Payments for employees and benefits	(405,439)	(253,090)	(436,126)	(1,094,655)
Net cash provided by operating activities	<u>231,181</u>	<u>291,128</u>	<u>240,549</u>	<u>762,858</u>
<b>CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>				
Advances and transfers	150,962	-	104,874	255,836
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(239,965)	(612,695)	-	(852,660)
Principal paid on capital debt	-	(65,000)	-	(65,000)
Interest paid on capital debt	-	(54,908)	-	(54,908)
Net cash (used) by capital and related financing activities	<u>(239,965)</u>	<u>(732,603)</u>	<u>-</u>	<u>(972,568)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest	36,751	49,061	12,108	97,920
Other receipts (payments)	30,690	(4,498)	-	26,192
Increase in restricted assets	-	(5,253)	-	(5,253)
Proceeds from sales and maturities of investments	125,495	380,839	-	506,334
Net cash provided by investing activities	<u>192,936</u>	<u>420,149</u>	<u>12,108</u>	<u>625,193</u>
Net increase (decrease) in cash and cash equivalents	335,114	(21,326)	357,531	671,319
Balances - beginning of the year	789,438	851,869	709,172	2,350,479
Balances - end of the year	<u>\$ 1,124,552</u>	<u>830,543</u>	<u>1,066,703</u>	<u>3,021,798</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 78,738	71,576	(175,226)	(24,912)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	144,375	197,483	193,059	534,917
(Increase) decrease in:				
Receivables, net	84,973	36,004	105,858	226,835
Inventories	8,365	(2,268)	-	6,097
Prepays	1,088	(406)	451	1,133
Increase (decrease) in:				
Accounts payable	(90,204)	(15,441)	(26,444)	(132,089)
Landfill care liability	-	-	144,786	144,786
Customer deposits	645	1,320	-	1,965
Other liabilities	3,201	2,860	(1,935)	4,126
Net cash provided by operating activities	<u>\$ 231,181</u>	<u>291,128</u>	<u>240,549</u>	<u>762,858</u>
<b>Noncash capital financing activities:</b>				
Contributions of capital assets	\$ 219,750	439,283	-	659,033

See notes to the basic financial statements

**CITY OF WASHINGTON**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2003**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash investments	\$ 209,279
Accounts receivable	163,215
Total Assets	<u>\$ 372,494</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 163,215
Due to lessee	209,279
Total Liabilities	<u>\$ 372,494</u>

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied by the City Of Washington, Missouri (the City) in the preparation of the accompanying basic financial statements are summarized below:

### **A. The Financial Reporting Entity**

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

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

### **B. Government-Wide and Fund Financial Accounting**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

#### Governmental Funds

The City reports the following major governmental funds:

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

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

The Capital Improvement Sales Tax Fund, a capital projects fund, is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and agency funds).

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

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

#### Proprietary Funds – Enterprise

The City reports the following major proprietary funds:

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

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

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

Fiduciary Funds – Agency

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operation. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Cash and Cash Investments**

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

**2. Receivables and Payables**

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

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

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

### **3. Interfund Transactions**

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

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

### **4. Inventories and Prepaid Items**

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

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

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

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

### **5. Restricted Assets**

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

### **6. Capital Assets**

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

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

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

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

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

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

## **7. Compensated Absences**

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits, a total of 10 to 15 days of vacation and 5 to 15 days of sick leave per year. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are to be liquidated through the use of expendable available financial resources. Each employee may accumulate a maximum of 20 days of vacation and 180 days of sick leave.

## **8. Long-term Obligations**

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

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

## **9. Encumbrances**

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

## **10. Fund Equity**

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

## **11. Net Assets**

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

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

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

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

## **12. Capital Contributions**

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

## **E. New Accounting Pronouncements**

During fiscal year 2003, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and GASB Statement No. 37, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus*. These Statements establish new financial reporting requirements and significantly change the format and content of the City’s financial statements. They require new information and restructure much of the information that the City has presented in the past.

Effective October 1, 2002, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*. This Statement modifies, establishes, and rescinds certain financial statement note disclosures.

GASB No. 34 (as amended by GASB No. 37) represents a very significant change in the financial reporting model used by state and local governments.

GASB No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City’s governmental activities on the statement of net assets and statement of activities. Additionally, the City’s statement of net assets includes capital assets and long-term liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, respectively. In addition to the fixed assets previously recorded in the General Fixed Assets Account Group, the City capitalized infrastructure assets acquired on or after October 1, 2002. In addition, the government-wide statement of activities reflects depreciation expense on the City’s capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting for the City’s major funds, other nonmajor governmental

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

funds and agency funds, which is similar to that previously presented for these funds in the City's financial statements, although the format of financial statements has been modified by GASB No. 34.

GASB No. 34 also includes, as required supplementary information, Management's Discussion and Analysis (MD&A), which provides an analytical overview of the City's financial activities. In addition, budgetary comparison schedules are presented which compare the original and final revised budget with actual results for the General Fund and the Parks and Recreation Fund.

GASB No. 38 requires certain disclosures to be made in the notes to the basic financial statements concurrent with the implementation of GASB No. 34. While this statement did not affect amounts reported in the financial statements of the City, certain note disclosures have been added and amended including descriptions of activities of major funds and future debt service in five year increments and interfund balances and transactions.

These statements had a significant effect on the City's financial reporting model. All statements were retroactively applied to October 1, 2002. Restatement of net assets with the government-wide financial statements is as follows:

General Fund	\$ 5,035,845
Special Revenue Funds	1,111,712
Capital Projects Fund	4,871,873
Debt Service Fund	<u>285,370</u>
Total fund equity, September 30, 2002	<u>\$11,304,800</u>
Required GASB 34 adjustments:	
Capital assets, net of accumulated depreciation	12,379,202
Revenue recognition	27,142
Long-term and other liabilities	<u>( 2,265,402)</u>
Total net assets, September 30, 2002	<u>\$21,445,742</u>

**F. Use of Estimates**

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the required supplemental information:

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

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

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

**Excess Expenditures Over Appropriations**

The following departments and/or funds exceeded budgeted expenditures.

	<b>For The Year Ended September 30, 2003</b>		
	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Excess</u></b>
Executive department	\$ 570,055	579,202	9,147
Technology Support department	226,210	242,900	16,690
Judicial department	24,840	31,385	6,545
Police department	1,698,095	1,805,791	107,696
Engineering department	444,005	451,601	7,596
Library	237,965	248,209	10,244

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

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

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

Deposits: At fiscal year end, the carrying amount of the City's deposits was \$8,712,181 and the bank balance was \$9,506,768. \$308,814 of the bank balance was covered by federal depository insurance. The remaining balance was considered uninsured and uncollateralized under GASB Statement No. 3. Although the securities serving as collateral, for \$9,171,910 for the bank balance, were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

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

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Investments:					
Money Market Accounts	\$ -	474,182	-	474,182	474,182
Repurchase Agreements	-	282,374	-	282,374	282,374
Collateralized Investments	<u>-</u>	<u>24,751</u>	<u>-</u>	<u>24,751</u>	<u>24,751</u>
Total Investments	<u>\$ -</u>	<u>781,307</u>	<u>-</u>	<u>781,307</u>	<u>781,307</u>

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

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

	Cash and Cash Investments/ Deposits	Investments
GASB Statement 9	\$9,493,488	\$ -
Investments:		
Money Market Accounts	(474,182)	474,182
Repurchase Agreements	(282,374)	282,374
Collateralized Investments	(24,751)	24,751
GASB Statement 3	<u>\$8,712,181</u>	<u>\$781,307</u>

**B. Receivables**

Receivables as of September 30, 2003, for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities					Business-type Activities			Total
	General	Parks and Recreation	Capital Improvements Sales Tax	Leasehold Revenue Bonds Debt Service	Nonmajor Governmental Funds	Water	Sewage Treatment	Solid Waste	
Receivables:									
Accrued interest	\$ 1,316	335	3,429	21	513	958	929	904	8,405
Taxes	640,956	-	226,846	-	2,415	-	-	-	870,217
Accounts	482,366	17,072	-	-	1,919	126,539	111,425	87,635	826,956
Intergovernmental	1,250,938	-	227,188	-	2,444	-	-		1,480,570
Special assessments	22,274	-	-	-	-	-	-	-	22,274
Gross receivables	2,397,850	17,407	457,463	21	7,291	127,497	112,354	88,539	3,208,422
Less: Allowance for uncollectibles	(6,907)	-	-	-	(737)	-	-	-	(7,644)
Total receivables, net	\$ 2,390,943	17,407	457,463	21	6,554	127,497	112,354	88,539	3,200,778

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

**Capital Assets**

The City changed its policy on capitalization of assets. The minimum dollar value of \$500 and asset life of one year or more was changed to \$5,000 and asset life in excess of two years. Infrastructure was established at \$25,000. As of October 1, 2002, the effect of this change in policy to the City's capital assets and prior retained earnings of the business type activities is as follows:

	<b>Balance at September 30, <u>2002</u></b>	<b>Increases (Decreases)</b>	<b>Balance at October 1, <u>2002</u></b>
<b>Governmental activities:</b>			
Land	\$ 2,643,802	34,636	2,678,438
Construction in progress	239,010	(11,423)	227,587
Buildings	10,656,663	(42,730)	10,613,933
Improvements other than buildings	2,442,804	(34,816)	2,407,988
Machinery and equipment	6,505,627	(1,250,323)	5,255,304
	<u>\$ 22,487,906</u>	<u>(1,304,656)</u>	<u>21,183,250</u>
<b>Business-type activities:</b>			
<b>Water Fund</b>			
Land	\$ 67,762	-	67,762
Construction in progress	6,937	-	6,937
Buildings	1,951,796	-	1,951,796
Improvements other than buildings	3,039,015	-	3,039,015
Machinery and equipment	815,168	(105,431)	709,737
Less: accumulated depreciation	(2,583,731)	74,053	(2,509,678)
	<u>3,296,947</u>	<u>(31,378)</u>	<u>3,265,569</u>
<b>Sewage Treatment</b>			
Construction in progress	67,953	-	67,953
Buildings	3,349,909	-	3,349,909
Improvements other than buildings	5,837,317	-	5,837,317
Machinery and equipment	366,032	(60,938)	305,094
Less: accumulated depreciation	(4,645,006)	46,740	(4,598,266)
	<u>4,976,205</u>	<u>(14,198)</u>	<u>4,962,007</u>
<b>Solid Waste</b>			
Land	45,000	-	45,000
Buildings	61,702	-	61,702
Improvements other than buildings	2,381,877	-	2,381,877
Machinery and equipment	1,058,821	(12,531)	1,046,290
Less: accumulated depreciation	(1,081,643)	7,292	(1,074,351)
	<u>2,465,757</u>	<u>(5,239)</u>	<u>2,460,518</u>
Total business-type activities capital assets, net	<u>\$ 10,738,909</u>	<u>(50,815)</u>	<u>10,688,094</u>

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

Following is a summary of changes in capital assets – governmental activities for the year ended September 30, 2003:

	<b>Balance at October 1, 2002</b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Transfers</u></b>	<b>Balance at September 30, 2003</b>
<b>Governmental activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 2,678,438	1,669,547	-	57,416	4,405,401
Construction in progress	<u>227,587</u>	<u>1,175,384</u>	<u>(4,206)</u>	<u>-</u>	<u>1,398,765</u>
Total capital assets, not being depreciated	<u>2,906,025</u>	<u>2,844,931</u>	<u>(4,206)</u>	<u>57,416</u>	<u>5,804,166</u>
<i>Capital assets being depreciated:</i>					
Infrastructure	-	1,558,465	-	-	1,558,465
Buildings	10,613,933	-	-	(57,416)	10,556,517
Improvements other than buildings	2,407,988	7,310	-	-	2,415,298
Machinery and equipment	5,255,304	281,394	(114,869)	-	5,421,829
Total capital assets being depreciated	<u>18,277,225</u>	<u>1,847,169</u>	<u>(114,869)</u>	<u>(57,416)</u>	<u>19,952,109</u>
<i>Less accumulated depreciation for:</i>					
Buildings	(4,471,990)	(226,347)	-	-	(4,698,337)
Improvements other than buildings	(1,138,947)	(97,464)	-	-	(1,236,411)
Machinery and equipment	<u>(3,193,111)</u>	<u>(361,045)</u>	<u>90,704</u>	<u>-</u>	<u>(3,463,452)</u>
Total accumulated depreciation	<u>(8,804,048)</u>	<u>(684,856)</u>	<u>90,704</u>	<u>-</u>	<u>(9,398,200)</u>
Total capital assets, net	<u>\$ 12,379,202</u>	<u>4,007,244</u>	<u>(28,371)</u>	<u>-</u>	<u>16,358,075</u>

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

	<b>Balance at October 1, 2002</b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Balance at September 30, 2003</b>
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 112,762	-	-	112,762
Construction in progress	<u>74,890</u>	<u>98,413</u>	<u>(68,432)</u>	<u>104,871</u>
Total capital assets, not being depreciated	<u>187,652</u>	<u>98,413</u>	<u>(68,432)</u>	<u>217,633</u>
<i>Capital assets being depreciated:</i>				
Buildings	5,363,407	-	-	5,363,407
Improvements other than buildings	11,258,209	1,359,343	-	12,617,552
Machinery and equipment	<u>2,061,121</u>	<u>122,369</u>	<u>(12,982)</u>	<u>2,170,508</u>
Total capital assets being depreciated	<u>18,682,737</u>	<u>1,481,712</u>	<u>(12,982)</u>	<u>20,151,467</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(3,473,516)	(94,130)	-	(3,567,646)
Improvements other than buildings	(3,357,505)	(291,918)	-	(3,649,423)
Machinery and equipment	(1,351,274)	(148,869)	12,116	(1,488,027)
Total accumulated depreciation	<u>(8,182,295)</u>	<u>(534,917)</u>	<u>12,116</u>	<u>(8,705,096)</u>
Total capital assets, net	<u>\$ 10,688,094</u>	<u>1,045,208</u>	<u>(69,298)</u>	<u>11,664,004</u>

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

<b>Governmental activities:</b>	
General government	\$ 200,714
Public safety	243,398
Airport	16,206
Highways and streets	90,013
Culture and recreation	<u>134,525</u>
Total depreciation expense - governmental activities	<u>\$ 684,856</u>
 <b>Business-type activities:</b>	
Water	\$ 144,375
Sewerage Treatment	197,483
Solid Waste	<u>193,059</u>
Total depreciation expense - business-type activities	<u>\$ 534,917</u>

Construction commitments – The City had a construction contract of \$632,000 at September 30, 2003.

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

**D. Interfund Receivables, Payables, and Transfers**

The individual interfund balances as of September 30, 2003, are as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Solid Waste	\$ 54
Parks and Recreation	General	15,874
Capital Projects	General	50,000
Total		<u>\$ 65,928</u>

Advances from/to other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Water	General	\$ 1,039,941
Water	Airport	90,000
Capital Projects	Solid Waste	504,466
Total		<u>1,634,407</u>

Individual interfund transfers for fiscal year-ended September 30, 2003, are as follows:

	Transfer In:				
	Parks and Recreation	Leasehold Revenue Bonds Debt Service	Solid Waste	Nonmajor Governmental Funds	Total
Transfer out:					
General Fund	\$ 791,000	181,800	104,820	386,144	1,463,764
Capital Improvements Sales Tax	-	404,600	-	150,000	554,600
Total transfers out	<u>\$ 791,000</u>	<u>586,400</u>	<u>104,820</u>	<u>536,144</u>	<u>2,018,364</u>

**E. Long-term Debt**

Bonds Payable

Bonds payable were comprised of the following:

**Governmental activities:**

**September 30, 2003**

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

\$1,635,000

**Business-type activities:**

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

\$780,000

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

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

<u>For the Years Ended</u> <u>September 30</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 525,000	58,658	65,000	50,715
2005	545,000	40,807	70,000	46,522
2006	565,000	21,187	75,000	42,008
2007	-	-	80,000	37,170
2008	-	-	85,000	32,010
2009-2012	-	-	405,000	68,448
Total	<u>\$ 1,635,000</u>	<u>120,652</u>	<u>780,000</u>	<u>276,873</u>

Changes in Long-term Liabilities

The changes in long-term debt are as follows:

	<u>Balance at</u> <u>October 1</u> <u>2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>September 30</u> <u>2003</u>	<u>Due within</u> <u>one year</u>
<b>Governmental activities:</b>					
L.R. Bonds payable	\$2,145,000	-	(510,000)	1,635,000	525,000
Compensated absences payable	<u>119,151</u>	<u>-</u>	<u>(56)</u>	<u>119,095</u>	<u>22,726</u>
Governmental activities - long-term liabilities	<u>\$2,264,151</u>	<u>-</u>	<u>(510,056)</u>	<u>1,754,095</u>	<u>547,726</u>
<b>Business-type activities:</b>					
Revenue Bonds payable	\$ 845,000	-	(65,000)	780,000	65,000
Less: issuance and discounts	<u>(9,823)</u>	<u>-</u>	<u>1,007</u>	<u>(8,816)</u>	<u>-</u>
Total bonds payable	<u>835,177</u>	<u>-</u>	<u>(63,993)</u>	<u>771,184</u>	<u>65,000</u>
Compensated absences payable	31,986	627	-	32,613	7,304
Landfill care liability	<u>1,340,961</u>	<u>144,786</u>	<u>-</u>	<u>1,485,747</u>	<u>-</u>
Business-type activities - long-term liabilities	<u>\$2,208,124</u>	<u>145,413</u>	<u>(63,993)</u>	<u>2,289,544</u>	<u>72,304</u> *

\* \$65,000 of this liability is reported in Liabilities Payable from Restricted Assets on the Statement of Net Assets.

**F. Fund Equity – General Fund**

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

	<u>September 30, 2003</u>
General Fund	\$3,382,317
Washington Industrial Development Fund	(1,449,553)
Stormwater Management Improvement Fund	407,689
Self-Insurance Contingency Fund	<u>102,512</u>
	<u>\$2,442,965</u>

## **IV. OTHER INFORMATION**

### **A. Employee Retirement Systems and Pension Plans**

#### Deferred Compensation Plan

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

#### Pension Plan

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

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

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

#### **1. Funding Policy**

The City of Washington's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 11.0% (general) and 8.5% (police) of annual covered payroll. The governing body of the City determines the contribution requirements of plan members. The contribution provisions of the City are established by state statute.

#### **2. Annual Pension Cost**

For 2003, the City's annual pension cost of \$418,562 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2001 and/or February 28, 2002 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit; (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2003 was 15 years.

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

Three-year trend information follows:

<b>For The Plan Years Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage Of APC Contributed</b>	<b>Net Pension Obligation</b>
2003	\$418,562	100%	\$ -
2002	452,550	100	-
2001	354,271	100	-

Schedule of Funding Progress follows:

<b>For The Actuarial Valuation Years Ended February 28/29</b>	<b>Actuarial Value Of Assets</b>	<b>Entry Age Actuarial Accrued Liability</b>	<b>Excess Of Assets Over (Unfunded) AAL</b>
2003	\$8,284,200	\$9,319,883	(\$1,035,683)
2002	7,481,348	8,697,475	(1,216,127)
2001	6,563,744	7,398,999	( 835,255)

<b>For The Actuarial Valuation Years Ended February 28/29</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Excess Of Assets Over (Unfunded) AAL As A Percentage Of Covered Payroll</b>
2003	89%	\$3,803,155	(27)%
2002	86	3,722,961	(33)
2001	89	3,172,482	(26)

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

**B. Risk Management**

The City is a member of the Missouri Intergovernmental Risk Management Association, which is a jointly self-funded insurance program consisting solely of Missouri municipalities. The MIRMA assesses each participant in the program based upon past experience of the group. The MIRMA purchases excess insurance coverage in the event of significant losses by participants in the program. The assessment for the coverage period July 1, 2003 through June 30, 2004 was \$312,729. There are potential additional assessments of \$39,911 as of September 30, 2003. There are no claims estimated to exceed policy limits as of September 30, 2003. 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, 2003 was \$102,512.

**C. Closure and Post-Closure Care Cost**

State and Federal laws and regulations required the City to place a final cover on its Steutermann and Struckhoff landfill sites when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$ 1,485,747 reported as landfill care liability at September 30, 2003, represents the post-closure care estimate for the Steutermann landfill closed in 1994 and the cumulative amount reported to date based on the use of 22 percent of the estimated capacity of the Struckhoff landfill. The landfill capacity was revised in fiscal 2002 to 1,767,900 cubic yards, an increase in capacity of 112,900 cubic yards because of improved compaction methods. The City will recognize the remaining estimated cost of closure and post-closure care of \$6.1 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2003. 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.

**D. Conduit Debt**

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

September 30, 2003

\$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%.	\$1,670,000
\$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>845,000</u>
	<u>\$2,515,000</u>

**REQUIRED SUPPLEMENTAL  
INFORMATION SECTION**

**City of Washington, Missouri**  
**Required Supplemental Information**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 1,134,790	1,134,790	1,148,486	13,696
Sales taxes	2,932,400	3,082,400	3,254,254	171,854
Franchise tax	1,361,120	1,361,120	1,340,889	(20,231)
Licenses and permits	198,500	198,500	190,504	(7,996)
Fees and fines	130,000	130,000	107,211	(22,789)
Intergovernmental	1,468,965	1,683,575	1,711,941	28,366
Charges for services	622,590	622,590	606,124	(16,466)
Rents	26,550	26,550	30,577	4,027
Contributions and donations	-	-	1,500	1,500
Investment income	156,000	156,000	105,105	(50,895)
Other	-	-	709	709
Total Revenues	<u>8,030,915</u>	<u>8,395,525</u>	<u>8,497,300</u>	<u>101,775</u>
<b>EXPENDITURES</b>				
Current:				
General Government				
Executive	568,055	570,055	579,202	(9,147)
Financial Administration	392,720	392,720	367,424	25,296
Technology Support	226,210	226,210	242,900	(16,690)
Economic Development	97,465	104,265	102,212	2,053
Maintenance-Bldg. & Grnds	223,715	233,715	220,243	13,472
	<u>1,508,165</u>	<u>1,526,965</u>	<u>1,511,981</u>	<u>14,984</u>
Public Safety				
Judicial	24,840	24,840	31,385	(6,545)
Police	1,695,375	1,698,095	1,805,791	(107,696)
Communications Center	552,720	552,720	525,386	27,334
	<u>2,272,935</u>	<u>2,275,655</u>	<u>2,362,562</u>	<u>(86,907)</u>
Highways and Streets				
Engineering, Inspections, Planning	444,005	444,005	451,601	(7,596)
Streets	1,017,410	1,037,410	1,011,274	26,136
	<u>1,461,415</u>	<u>1,481,415</u>	<u>1,462,875</u>	<u>18,540</u>
Debt service:				
Principal	48,980	97,955	-	97,955
Interest expense	53,170	53,215	40,817	12,398
	<u>102,150</u>	<u>151,170</u>	<u>40,817</u>	<u>110,353</u>

Continued

**City of Washington, Missouri**  
**Required Supplemental Information**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**General Fund (Continued)**  
**For the Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay:				
General Government	70,580	81,985	9,173	72,812
Public Safety	71,145	127,345	103,278	24,067
Highways and Streets	<u>642,300</u>	<u>2,037,450</u>	<u>1,712,992</u>	<u>324,458</u>
	<u>784,025</u>	<u>2,246,780</u>	<u>1,825,443</u>	<u>421,337</u>
Total Expenditures	<u>6,128,690</u>	<u>7,681,985</u>	<u>7,203,678</u>	<u>478,307</u>
Excess (deficiency) of revenues over (under) expenditures	1,902,225	713,540	1,293,622	580,082
<b>OTHER FINANCING SOURCES</b>				
<b>(USES)</b>				
Transfers out	<u>(1,433,590)</u>	<u>(1,463,590)</u>	<u>(1,463,764)</u>	<u>(174)</u>
Net change in fund balances	<u>\$ 468,635</u>	<u>(750,050)</u>	<u>(170,142)</u>	<u>579,908</u>
Fund balances - beginning			<u>5,035,845</u>	
Fund balances - ending			<u>\$ 4,865,703</u>	

**City of Washington, Missouri**  
**Required Supplemental Information**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Parks and Recreation Fund**  
**For the Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 215,145	215,145	228,543	13,398
Rents	2,800	2,800	5,200	2,400
Contributions and donations	16,425	16,425	24,612	8,187
Investment income	7,500	7,500	5,910	(1,590)
Total Revenues	<u>241,870</u>	<u>241,870</u>	<u>264,265</u>	<u>22,395</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation				
Parks	895,145	895,145	898,767	(3,622)
Aquatic center	183,595	183,595	147,815	35,780
	<u>1,078,740</u>	<u>1,078,740</u>	<u>1,046,582</u>	<u>32,158</u>
Capital outlay:				
Parks	50,080	50,080	23,468	26,612
Aquatic center	1,800	1,800	-	1,800
	<u>51,880</u>	<u>51,880</u>	<u>23,468</u>	<u>28,412</u>
Total Expenditures	<u>1,130,620</u>	<u>1,130,620</u>	<u>1,070,050</u>	<u>60,570</u>
Excess (deficiency) of revenues over (under) expenditures	(888,750)	(888,750)	(805,785)	82,965
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	791,000	791,000	791,000	-
Net change in fund balances	<u>\$ (97,750)</u>	<u>(97,750)</u>	<u>(14,785)</u>	<u>82,965</u>
Fund balances - beginning			<u>355,129</u>	
Fund balances - ending			<u>\$ 340,344</u>	

**OTHER SUPPLEMENTAL  
INFORMATION SECTION**

**City of Washington, Missouri**  
**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2003**

	<b>Special Revenue Funds</b>			
	<b>Library</b>	<b>Volunteer Fire Company</b>	<b>Airport</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash investments	\$ 109,949	475,225	154,367	739,541
Accounts receivable, net of allowance	1,754	4,795	5	6,554
Prepaid items	8,875	46,583	5,976	61,434
<b>Total Assets</b>	<b>\$ 120,578</b>	<b>526,603</b>	<b>160,348</b>	<b>807,529</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,862	31,988	6,909	40,759
Compensated absences payable	744	-	-	744
Accrued wages	3,973	1,237	-	5,210
Advance from other funds	-	-	90,000	90,000
<b>Total Liabilities</b>	<b>6,579</b>	<b>33,225</b>	<b>96,909</b>	<b>136,713</b>
<b>Fund Balances</b>				
<b>Reserved for:</b>				
Prepaid items	8,875	46,583	5,976	61,434
Encumbrances	-	736	63,453	64,189
<b>Unreserved, reported in:</b>				
Special revenue funds	105,124	446,059	(5,990)	545,193
<b>Total Fund Balances</b>	<b>113,999</b>	<b>493,378</b>	<b>63,439</b>	<b>670,816</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 120,578</b>	<b>526,603</b>	<b>160,348</b>	<b>807,529</b>

**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, 2003**

	<b>Special Revenue Funds</b>			<b>Total</b>
	<b>Library</b>	<b>Volunteer Fire Company</b>	<b>Airport</b>	
<b>REVENUES</b>				
Property taxes	\$ 131,466	-	-	131,466
Fees and fines	18,448	-	-	18,448
Intergovernmental	6,903	2,444	582,708	592,055
Charges for services	-	2,705	4,169	6,874
Rents	-	6,094	39,996	46,090
Contributions and donations	5,506	2,134	-	7,640
Investment income	3,842	6,802	1,614	12,258
Total Revenues	<u>166,165</u>	<u>20,179</u>	<u>628,487</u>	<u>814,831</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety				
Fire	-	384,112	-	384,112
Airport	-	-	82,244	82,244
Culture and Recreation				
Library	248,209	-	-	248,209
Capital outlay:				
Airport	-	-	782,177	782,177
Total Expenditures	<u>248,209</u>	<u>384,112</u>	<u>864,421</u>	<u>1,496,742</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(82,044)</u>	<u>(363,933)</u>	<u>(235,934)</u>	<u>(681,911)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	19,700	366,444	150,000	536,144
Sale of capital assets	-	60,000	-	60,000
Total other financing sources (uses)	<u>19,700</u>	<u>426,444</u>	<u>150,000</u>	<u>596,144</u>
Net change in fund balances	(62,344)	62,511	(85,934)	(85,767)
Fund balances - beginning	<u>176,343</u>	<u>430,867</u>	<u>149,373</u>	<u>756,583</u>
Fund balances - ending	<u>\$ 113,999</u>	<u>493,378</u>	<u>63,439</u>	<u>670,816</u>

**City of Washington, Missouri**  
**Other Supplemental Information**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Library Special Revenue Fund**  
**For the Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 128,820	128,820	131,466	2,646
Fees and fines	11,135	11,135	18,448	7,313
Intergovernmental	8,125	8,125	6,903	(1,222)
Contributions and donations	-	-	5,506	5,506
Investment income	2,800	2,800	3,842	1,042
Total Revenues	<u>150,880</u>	<u>150,880</u>	<u>166,165</u>	<u>15,285</u>
<b>EXPENDITURES</b>				
Current:				
Library	<u>237,965</u>	<u>237,965</u>	<u>248,209</u>	<u>(10,244)</u>
Excess (deficiency) of revenues over (under) expenditures	(87,085)	(87,085)	(82,044)	25,529
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	19,700	19,700	19,700	-
Net change in fund balances	<u>\$ (67,385)</u>	<u>(67,385)</u>	<u>(62,344)</u>	<u>25,529</u>
Fund balances - beginning			176,343	
Fund balances - ending			<u>\$ 113,999</u>	

**City of Washington, Missouri**  
**Other Supplemental Information**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Volunteer Fire Company Special Revenue Fund**  
**For the Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ -	3,735	2,444	(1,291)
Charges for services	1,110	3,310	2,705	(605)
Rents	5,445	5,445	6,094	649
Contributions and donations	-	2,100	2,134	34
Investment income	10,000	10,000	6,802	(3,198)
Total Revenues	<u>16,555</u>	<u>24,590</u>	<u>20,179</u>	<u>(4,411)</u>
<b>EXPENDITURES</b>				
Current:				
Volunteer Fire Company	416,235	419,970	384,112	35,858
Capital outlay:				
Volunteer Fire Company	31,000	42,500	-	42,500
Total Expenditures	<u>447,235</u>	<u>462,470</u>	<u>384,112</u>	<u>78,358</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(430,680)</u>	<u>(437,880)</u>	<u>(363,933)</u>	<u>73,947</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	336,270	366,270	366,444	174
Sale of assets	-	60,000	60,000	-
Total other financing sources (uses)	<u>336,270</u>	<u>426,270</u>	<u>426,444</u>	<u>174</u>
Net change in fund balances	<u>\$ (94,410)</u>	<u>(11,610)</u>	<u>62,511</u>	<u>74,121</u>
Fund balances - beginning			<u>430,867</u>	
Fund balances - ending			<u>\$ 493,378</u>	

**City of Washington, Missouri**  
**Other Supplemental Information**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Airport Special Revenue Fund**  
**For the Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 800,000	800,000	582,708	(217,292)
Charges for services	3,785	3,785	4,169	384
Rents	31,500	31,500	39,996	8,496
Investment income	600	600	1,614	1,014
Total Revenues	<u>835,885</u>	<u>835,885</u>	<u>628,487</u>	<u>(207,398)</u>
<b>EXPENDITURES</b>				
Current:				
Airport	99,210	109,210	82,244	26,966
Capital outlay:				
Airport	1,000,000	1,000,000	782,177	217,823
Total Expenditures	<u>1,099,210</u>	<u>1,109,210</u>	<u>864,421</u>	<u>244,789</u>
Excess (deficiency) of revenues over (under) expenditures	(263,325)	(273,325)	(235,934)	37,391
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	200,000	200,000	150,000	(50,000)
Net change in fund balances	<u>\$ (63,325)</u>	<u>(73,325)</u>	<u>(85,934)</u>	<u>(12,609)</u>
Fund balances - beginning			<u>149,373</u>	
Fund balances - ending			<u>\$ 63,439</u>	

**City of Washington, Missouri**  
**Other Supplemental Information**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Capital Improvements Sales Tax Capital Projects Fund**  
**For the Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Sales taxes	\$ 1,355,000	1,430,000	1,487,308	57,308
Intergovernmental	1,522,000	1,796,000	174,530	(1,621,470)
Charges for services	50,000	50,000	-	(50,000)
Contributions and donations	12,000	12,000	92,863	80,863
Investment income	90,000	90,000	55,391	(34,609)
Total Revenues	<u>3,029,000</u>	<u>3,378,000</u>	<u>1,810,092</u>	<u>(1,567,908)</u>
<b>EXPENDITURES</b>				
Capital outlay:				
General government	-	265,000	306,910	(41,910)
Public safety	36,000	84,300	40,231	44,069
Highways and streets	2,734,000	4,124,390	1,437,613	2,686,777
Culture and recreation	-	11,980	11,980	-
Sanitary sewer systems	300,000	300,000	255,343	44,657
Total Expenditures	<u>3,070,000</u>	<u>4,785,670</u>	<u>2,052,077</u>	<u>2,733,593</u>
Excess (deficiency) of revenues over (under) expenditures	(41,000)	(1,407,670)	(241,985)	1,165,685
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(604,600)	(604,600)	(554,600)	50,000
Net change in fund balances	<u>\$ (645,600)</u>	<u>(2,012,270)</u>	(796,585)	<u>1,215,685</u>
Fund balances - beginning			<u>4,871,873</u>	
Fund balances - ending			<u>\$ 4,075,288</u>	

**City of Washington, Missouri**  
**Other Supplemental Information**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Leasehold Revenue Bonds Debt Service Fund**  
**For the Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment income	\$ 6,000	6,000	3,760	(2,240)
<b>EXPENDITURES</b>				
Debt service:				
Principal	510,000	510,000	510,000	-
Interest expense and fiscal charges	76,470	76,470	75,984	486
Total Expenditures	586,470	586,470	585,984	486
Excess (deficiency) of revenues over (under) expenditures	(580,470)	(580,470)	(582,224)	(1,754)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	586,400	586,400	586,400	-
Net change in fund balances	\$ 5,930	5,930	4,176	(1,754)
Fund balances - beginning			285,370	
Fund balances - ending			\$ 289,546	

**CITY OF WASHINGTON**  
**Other Supplemental Information**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2003**

	<b>Agency Funds</b>				
	<b>Industrial Development Bonds</b>			<b>Eaglejet Wire &amp; Machine Co.</b>	<b>Total</b>
	<b>1977</b>	<b>1997 A</b>	<b>1997 B</b>		
<b>ASSETS</b>					
Cash and cash investments	\$ 82,894	126,385	-	-	209,279
Accounts receivable	-	-	-	163,215	163,215
Total Assets	<u>\$ 82,894</u>	<u>126,385</u>	<u>-</u>	<u>163,215</u>	<u>372,494</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	-	-	163,215	163,215
Due to lessee	82,894	126,385	-	-	209,279
Total Liabilities	<u>\$ 82,894</u>	<u>126,385</u>	<u>-</u>	<u>163,215</u>	<u>372,494</u>

**CITY OF WASHINGTON**  
**Other Supplemental Information**  
**Fiduciary Funds**  
**Statement of Changes in Assets**  
**and Liabilities - All Agency Funds**  
**For the Year Ended September 30, 2003**

	<u>Balance October 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2003</u>
<b><u>Industrial Development Bonds of 1977</u></b>				
<b><u>Assets</u></b>				
Cash and cash investments	\$ 82,838	56	-	82,894
<b><u>Liabilities</u></b>				
Due to lessee	\$ 82,838	56	-	82,894
<b><u>Industrial G. O. Bonds of 1977, Series A</u></b>				
<b><u>Assets</u></b>				
Cash and cash investments	\$ 127,334	503,044	503,993	126,385
<b><u>Liabilities</u></b>				
Due to lessee	\$ 127,334	503,044	503,993	126,385
<b><u>Eaglejet Wire &amp; Machine - Grant</u></b>				
<b><u>Assets</u></b>				
Cash and cash investments	\$ -	81,232	81,232	-
Accounts receivable	-	163,215	-	163,215
Total Assets	\$ -	244,447	81,232	163,215
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	244,447	81,232	163,215
<b><u>Total - All Agency Funds</u></b>				
<b><u>ASSETS</u></b>				
Cash and cash investments	\$ 210,172	584,332	585,225	209,279
Accounts receivable	-	163,215	-	163,215
Total Assets	\$ 210,172	747,547	585,225	372,494
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ -	244,447	81,232	163,215
Due to lessee	210,172	503,100	503,993	209,279
Total Liabilities	\$ 210,172	747,547	585,225	372,494

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

**GENERAL FUND**

**SUMMARY OF REVENUES**

<b>Period Ending</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Inter- governmental</b>	<b>Charges for Services</b>	<b>Fines</b>	<b>All Others</b>	<b>Total</b>
9/30/03	\$ 5,743,629	190,504	1,711,941	606,124	107,211	137,891	8,497,300
9/30/02	5,537,977	223,941	1,252,224	563,260	145,600	259,551	7,982,553
9/30/01	5,517,341	188,912	888,066	530,983	133,318	386,890	7,645,510
9/30/00	4,998,427	193,838	900,945	462,199	129,976	378,909	7,064,294
9/30/99	4,590,992	200,342	642,542	434,172	114,992	317,393	6,300,433
9/30/98	4,414,596	235,818	703,684	311,739	79,746	2,213,493	7,959,076
9/30/97	3,962,327	203,059	976,532	316,638	76,880	92,363	5,627,799
9/30/96	3,858,278	205,184	1,265,858	244,501	85,158	287,930	5,946,909
9/30/95	4,083,503	166,453	1,125,316	188,021	82,616	108,537	5,754,446
9/30/94	3,567,588	154,702	734,149	135,406	98,360	64,260	4,754,465

**SUMMARY OF EXPENDITURES**

<b>Period Ending</b>	<b>Administration Department</b>	<b>Building and Maintenance Department</b>	<b>Police Department</b>	<b>Street Department</b>	<b>Engineering Department</b>	<b>Total</b>
9/30/03	\$ 1,339,271	220,243	2,468,297	2,724,266	451,601	7,203,678
9/30/02	2,126,034	246,451	2,313,663	1,339,306	505,421	6,530,875
9/30/01	1,475,023	228,967	2,261,274	1,074,511	336,994	5,376,769
9/30/00	1,413,200	175,549	1,900,804	1,047,252	291,919	4,828,724
9/30/99	1,166,734	186,405	1,731,256	1,209,484	308,731	4,602,610
9/30/98	3,111,965	146,808	1,685,946	956,006	369,889	3,158,649
9/30/97	1,320,733	156,837	1,504,652	1,048,292	436,830	3,146,611
9/30/96	1,079,184	121,826	1,476,040	1,928,398	523,414	4,049,678
9/30/95	1,118,213	121,167	1,332,497	1,524,989	260,610	3,239,263
9/30/94	671,278	131,580	1,283,443	1,748,178	231,570	3,394,771

**CITY OF WASHINGTON  
OTHER SUPPLEMENTAL INFORMATION**

	For the Fiscal Year Ended				
	2003	2002	2001	2000	1999
TAX RATE (per \$100 assessed valuation)	\$ 0.5672	0.6296	0.6967	0.69	0.73
ASSESSED VALUATION	217,809,847	212,891,878	193,807,900	180,023,477	154,363,522
PROPERTY TAXES LEVIED	1,120,421	1,225,867	1,242,798	1,145,407	1,040,096
PROPERTY TAXES COLLECTED	1,121,436	1,236,578	1,261,937	1,136,004	1,038,410
GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUATION	1.2%	1.3	1.6	2.0	2.6

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

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**Surety Bond Coverage For  
Principal City Officials**

**September 30, 2003**

Treasurer

\$ 50,000

**Insurance Coverage**

At September 30, 2003, the City had insurance coverage of 100% of replacement value for buildings and contents and \$2,500,000 limit per occurrence for liability insurance.

**COMPLIANCE AND INTERNAL CONTROL SECTION**

# **Balestra, Harr & Scherer, CPAs, Inc.**

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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Honorable Mayor and City Council  
City of Washington, Missouri

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington, Missouri (the City), as of and for the year ended September 30, 2003, and have issued our report thereon dated April 30, 2004, in which we indicated the City adopted Governmental Accounting Standards Board Statement numbers 34, 37, and 38. 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 basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, 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 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 the 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 financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated April 30, 2004.

This report is intended solely for the information and use of the audit committee, management, the Mayor, members of Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.  
April 30, 2004

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528 South West Street ° P.O. Box 687 ° Piketon, Ohio 45661 ° (740) 289-4131 ° FAX (740) 289-3639

**SINGLE AUDIT REPORTS SECTION**

**CITY OF WASHINGTON, MISSOURI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

<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			
Highway Planning and Construction	20.205	STP-6400(617)	\$ 9,397
Highway Planning and Construction	20.205	STP-6400(615)	88,483
Highway Planning and Construction	20.205	STP-6400(616)	23,650
Highway Planning and Construction	20.205	STP-6403(605)	16,000
Highway Planning and Construction	20.205	TIP#8012-5	<u>32,000</u>
			169,530
Airport Grant	20.106	AIRE 005-54A, AIRE 015-54A, AIRE 025-54A, & AIRE 035-54A	582,707
Passed through Missouri Department of Public Safety and Local Highway Safety			
Sobriety Checkpoint	20.600	03-J7-03-34	3,496
Hazardous Moving Violations	20.600	03-PT-02-123	<u>5,000</u>
			8,496
<b>U.S. Department of Housing and Urban Development</b>			
Passed through Missouri Department of Economic Development			
Community Development Block Grant	14.228	2003-MO-03	244,446
<b>Federal Emergency Management Agency</b>			
Passed through Missouri Emergency Management Agency			
Hazard Mitigation	83.548	FEMA-1412-DR-MO	1,006,514
<b>U.S. Department of Justice</b>			
Passed through Missouri Department Of Mental Health			
Alcohol & Drug Abuse Prevention	16.727	OJJ DP-Alcohol Prevention Program	2,944
<b>U.S. Department of Justice</b>			
COPS In School	16.710	2002-SHWX-0644	39,963
COPS In School	16.710	2001-SHWX-0408	27,088
Bullet Proof Vest	16.607	2002-CF	1,331
Local Law Enforcement Block Grant	16.592	2001-LBBX-1964	<u>4,214</u>
			<u>72,596</u>
Total Awards Expended			<u>\$2,087,233</u>

**CITY OF WASHINGTON, MISSOURI**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

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**NOTES:**

**1. General**

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

**2. Basis of Accounting**

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

# **Balestra, Harr & Scherer, CPAs, Inc.**

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## **Report on Compliance With Requirements Applicable to Each Major Program, Internal Control Over Compliance in Accordance With OMB Circular A-133, and Schedule of Expenditure of Federal Awards**

Honorable Mayor and City Council  
City of Washington, Missouri

### **Compliance**

We have audited the compliance of 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, 2003. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

### **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.

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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, regulation, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the City in a separate letter dated April 30, 2004.

#### **Schedule of Expenditure of Federal Awards**

We have audited the basic financial statements of the City as of and for the year ended September 30, 2003, and have issued our report thereon dated April 30, 2004. Our audit was made for the purpose of forming an opinion on the basic 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 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 the audit committee, management, the mayor, members of Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

April 30, 2004

**CITY OF WASHINGTON, MISSOURI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**SEPTEMBER 30, 2003**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

I. Summary of the auditors' results:

- A. The type of report issued on the general purpose financial statements of the auditee: Unqualified opinion.
- B. The audit of the general purpose financial statements did not disclose any reportable conditions in internal control.
- 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 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 Grant – CFDA # 20.106  
Hazard Mitigation – CFDA # 83.548
- 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 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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None