

CITY OF WASHINGTON, MISSOURI

FINANCIAL REPORT

(Audited)

Year Ended September 30, 2006

CITY OF WASHINGTON, MISSOURI
FINANCIAL REPORT

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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, 2006, 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.

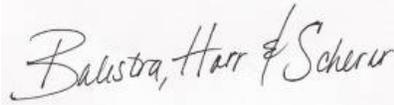
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2006, 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, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 and the Budgetary Comparison Schedule for the General Fund on pages 40 through 41 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.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
April 30, 2007

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

**Management's Discussion and Analysis
Fiscal Year Ended September 30, 2006**

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, 2006. We encourage readers to consider the information presented here along with additional information in the notes to the financial statements and supplemental information section presented elsewhere in this report.

Financial Highlights

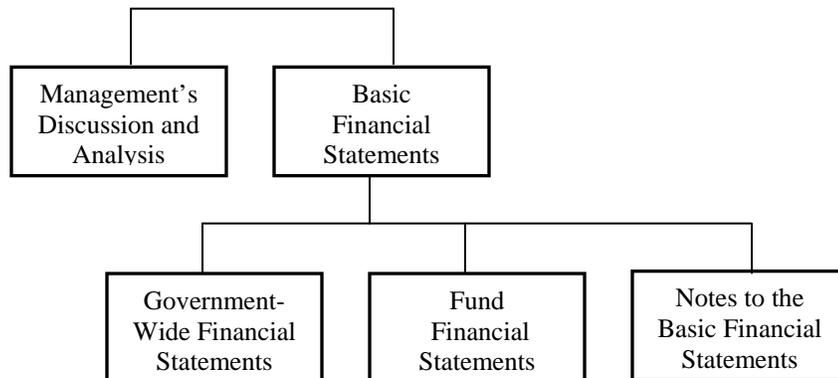
Washington continues to see growth in its revenue sources. The City is experiencing residential, commercial and industrial growth.

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$56.7 million (net assets). Of this amount, \$7.4 million (unrestricted net assets) may be used to meet its' ongoing obligations to citizens and creditors.
- The City's total net assets increased \$4.7 million from "governmental activities", while the "business-type activities" decreased by \$48,300.
- In the General Fund, sales tax revenue met budgetary projections of \$3,745,090. The actual sales tax revenues of \$3,745,935 increased 5.4% over fiscal year 2005 revenues.
- Public Safety Building was completed. The City issued \$5,000,000 in Certificates of Participation for the building and complex.

Overview of the Financial Statements

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

Required Components of Annual Financial Report



CITY OF WASHINGTON, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Statements

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

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*. Increases or decreases in net assets serve as a useful indicator of whether the financial position of the City of Washington is improving or deteriorating.

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

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 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, a solid waste collection and disposal operation and a recycling center.

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*.

CITY OF WASHINGTON, MISSOURI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Washington maintained eleven individual governmental funds in previous years. In fiscal year 2006, due to similarity of purpose and no special purpose revenues requiring individual funds, the Self-Insurance Contingency Fund, the Washington Industrial Development Fund, the Parks and Recreation Fund and the Airport Fund have been combined into the General Fund. The Stormwater Improvement Fund will remain as an individual fund, however due to similarity of purpose, revenue and expenditures will continue to be reported in 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, Capital Improvements Sales Tax Fund, Transportation 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* in the Other Supplemental Information Section of this report.

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

Proprietary Funds

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

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

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.

Notes to the Basic Financial Statements

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

Other Information

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

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

This is the fourth year the City of Washington has presented its financial statements under the 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*. Therefore, a comparative analysis of government-wide data is also included in this report.

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

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. As of September 30, 2006, assets exceeded liabilities by \$56.7 million. The largest portion of the City's net assets, \$45.9 million (81%) reflects its investment in capital assets (e.g. land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure); less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Statement of Net Assets

The following table reflects the condensed statement of net assets as of September 30, 2006 and 2005.

Assets

Total assets for the City of Washington are \$67,175,181, an increase of 15.8percent in comparison to the previous fiscal year. The largest portion of these assets reflects its investment in capital assets, \$50,350,540, and \$16,824,641 represents cash and cash investments, receivables, and other prepaid items.

Liabilities

Total liabilities for the City of Washington are \$10,490,464, an increase of 74.4 percent in comparison to the previous fiscal year. Of these total liabilities, \$7,918,677 is long-term liabilities and \$2,571,787 other liabilities. The major reason for the increase in long-term liabilities is the certificates of participation issued for the Public Safety Complex. Long-term liabilities increased in business-type activities because of closure and post-closure cost liabilities for the landfill operation.

	City of Washington's Net Assets					
	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$ 12,391,893	\$ 11,352,652	\$ 4,432,748	\$ 4,592,201	\$ 16,824,641	\$ 15,944,853
Capital assets, net	36,130,384	28,607,705	14,220,156	13,462,502	50,350,540	42,070,207
Total assets	<u>48,522,277</u>	<u>39,960,357</u>	<u>18,652,904</u>	<u>18,054,703</u>	<u>67,175,181</u>	<u>58,015,060</u>
Liabilities						
Long-term liabilities	5,204,524	685,534	2,714,153	2,450,425	7,918,677	3,135,959
Other liabilities	1,919,098	2,608,841	652,689	269,916	2,571,787	2,878,757
Total liabilities	<u>7,123,622</u>	<u>3,294,375</u>	<u>3,366,842</u>	<u>2,720,341</u>	<u>10,490,464</u>	<u>6,014,716</u>
Net Assets						
Invested in capital assets, net of related debt	32,150,021	28,607,705	13,746,355	12,910,727	45,896,376	41,518,432
Restricted	3,234,143	2,336,893	126,521	137,959	3,360,664	2,474,852
Unrestricted	6,014,491	5,721,384	1,413,186	2,285,676	7,427,677	8,007,060
Total net assets	<u>\$ 41,398,655</u>	<u>\$ 36,665,982</u>	<u>\$ 15,286,062</u>	<u>\$ 15,334,362</u>	<u>\$ 56,684,717</u>	<u>\$ 52,000,344</u>

Net Assets

In 2006, the City of Washington government-wide total net assets is \$56,684,717 in comparison to \$52,000,344 in fiscal year 2005, an increase of 9.0%. This includes \$41,398,655 for governmental activities and \$15,286,062 for business-type activities.

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

At the end of 2006, the City had positive balances in all three of its categories of net assets

- \$45,896,376 Invested in capital assets, net of related debt
- 3,360,664 Restricted
- 7,427,677 Unrestricted

Restricted net assets for governmental activities are \$3,234,143 and business-type activities are \$126,521. Restricted net assets equal 5.9% of total net assets. These resources are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws/regulations or other governments, or restrictions imposed by law through constitutional provisions or legislation.

The remaining portion of the City's net assets represent *unrestricted net assets*, \$7,427,677 (down 7.2% from 2005), which may be used to meet the City's ongoing obligations to citizens and creditors.

Changes in Net Assets

The following table reflects the revenues and expenses for the City's activities for the year ended September 30, 2006:

	City of Washington Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 1,489,026	\$ 1,451,499	\$ 3,874,818	\$ 3,947,415	\$ 5,363,844	\$ 5,398,914
Operating grants and contributions	662,219	1,352,922	-	-	662,219	1,352,922
Capital grants and contributions	1,661,422	5,362,513	-	400,205	1,661,422	5,762,718
General revenues:					-	
Property taxes	1,735,672	1,538,475	-	-	1,735,672	1,538,475
Sales taxes	6,959,132	5,169,890	-	-	6,959,132	5,169,890
Franchise taxes	1,527,221	1,423,277	-	-	1,527,221	1,423,277
Investment earnings	457,575	235,722	214,500	127,141	672,075	362,863
Miscellaneous	5,335	5,493	41,150	45,041	46,485	50,534
Total revenues	<u>14,497,602</u>	<u>16,539,791</u>	<u>4,130,468</u>	<u>4,519,802</u>	<u>18,628,070</u>	<u>21,059,593</u>
Expenses:						
General government	2,015,197	1,861,917	-	-	2,015,197	1,861,917
Public safety	3,423,303	3,375,127	-	-	3,423,303	3,375,127
Airport	308,987	123,243	-	-	308,987	123,243
Highways and streets	1,994,062	2,787,179	-	-	1,994,062	2,787,179
Culture and recreation	1,624,823	1,507,396	-	-	1,624,823	1,507,396
Interest on long-term debt	185,745	70,005	-	-	185,745	70,005
Water	-	-	1,401,617	1,360,439	1,401,617	1,360,439
Sewage treatment	-	-	1,094,885	1,001,500	1,094,885	1,001,500
Solid Waste	-	-	1,895,078	1,774,550	1,895,078	1,774,550
Total expenses	<u>9,552,117</u>	<u>9,724,867</u>	<u>4,391,580</u>	<u>4,136,489</u>	<u>13,943,697</u>	<u>13,861,356</u>
Increase (decrease) in net assets before transfers	4,945,485	6,814,924	(261,112)	383,313	4,684,373	7,198,237
Transfers	<u>(212,812)</u>	<u>(294,766)</u>	<u>212,812</u>	<u>294,766</u>	<u>-</u>	<u>-</u>
Increase/(decrease) in net assets	4,732,673	6,520,158	(48,300)	678,079	4,684,373	7,198,237
Net assets, beginning	<u>36,665,982</u>	<u>30,145,824</u>	<u>15,334,362</u>	<u>14,656,283</u>	<u>52,000,344</u>	<u>44,802,107</u>
Net assets, ending	<u>\$ 41,398,655</u>	<u>\$ 36,665,982</u>	<u>\$ 15,286,062</u>	<u>\$ 15,334,362</u>	<u>\$ 56,684,717</u>	<u>\$ 52,000,344</u>

Governmental Activities

Governmental activities increased the City's net assets by \$4.7 million. Sales taxes, the largest governmental category, were \$7.0 million or 48% of governmental revenue. For the fiscal year ended September 30, 2006, revenues totaled \$18.6 million (governmental and business-type). Revenues from governmental activities totaled \$14.5 million or 78% of the total City revenues.

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

Governmental activities expenses decreased \$172,750 or 1.8% for the fiscal year ended September 30, 2006 compared to the fiscal year ended September 30, 2005. This slight decrease was a result of a change in the street maintenance program.

Certain revenues are generated specific to governmental program activities. These direct revenues totaled \$3.8 million. The following table shows expenses for program activities and the effect of these direct revenues to program costs.

Net Cost of Governmental Activities				
	Total cost of service		Net cost of service	
	2006	2005	2006	2005
General government	\$ 2,015,197	1,861,917	(1,444,119)	(1,317,781)
Public safety	3,423,303	3,375,127	(2,896,269)	(2,612,002)
Airport	308,987	123,243	(224,059)	3,389,723
Highways and streets	1,994,062	2,787,179	401,390	164,426
Culture and recreation	1,624,823	1,507,396	(1,390,648)	(1,112,294)
Interest on long-term debt	185,745	70,005	(185,745)	(70,005)
Total	<u>\$ 9,552,117</u>	<u>9,724,867</u>	<u>(5,739,450)</u>	<u>(1,557,933)</u>

Expenses from governmental activities totaled \$9.6 million. However, net costs of these services were \$5.7 million. The difference represents direct revenues received from charges for services of \$1.5 million, operating grants and contributions of \$0.7 million, and capital grants and contributions of \$1.7 million. Taxes and other revenues of \$10.5 million were used to cover these net costs.

Business-Type Activities

Business-type activities net assets decreased \$48,300 in the fiscal year ended September 30, 2006. Total revenues decreased \$389,334 or 8.6% compared to the prior year. Cost of services increased \$255,091 or 6.2%; in addition, direct revenues declined by \$72,597. Studies are being conducted for increases in water rates, sewer service charges and refuse collection service fees.

Net Cost of Business-Type Activities				
	Total cost of service		Net cost of service	
	2006	2005	2006	2005
Water	\$ 1,401,617	1,360,439	(186,703)	9,761
Sewer	1,094,885	1,001,500	(78,450)	177,599
Solid Waste	1,895,078	1,774,550	(251,609)	23,771
Total	<u>\$ 4,391,580</u>	<u>4,136,489</u>	<u>(516,762)</u>	<u>211,131</u>

CITY OF WASHINGTON, MISSOURI MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the City's Major Funds

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

Governmental Funds

The focus of the City of Washington's governmental funds is to provide information on near-term inflows, outflows and balances of available expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the primary operating fund of the City of Washington. The fund balance of the General Fund at September 30, 2006 was \$3.8 million or 46.1% of actual expenditures. This represents a decrease of \$1.6 million over the prior year. This is the result of funding a new capital projects fund for vehicle and equipment replacement. The City recognizes the need for a fund balance that can absorb an economic downturn or natural disaster to avoid changes and reductions in service levels. The City Council adopted a resolution committed to maintaining at a minimum, an amount equal to 15% of operating expenditures in the General Fund balance.

Leasehold Revenue Bonds Debt Service Fund

This fund ended the year with a \$0 fund balance. This is a result of the final payment on a \$2.6 million issue in 2001 for capital projects.

Capital Improvement Sales Tax

At the end of the current fiscal year, the total fund balance of this capital projects fund was \$2.9 million, an increase of \$1.4 million. The increase was the result of issuing certificates of participation for the Public Safety Building and Complex and additional grants for infrastructure projects. These certificates of participation are to be retired from future sales tax revenues. The present sale tax for capital improvements expires June 30, 2010.

Transportation Sales Tax

In April 2005, the voters passed a ½-cent sales tax for the purposes of transportation, including, but not limited to, payment of the local share of the cost of expanding Highway 100 from Interstate 44 to High Street from two lanes to four lanes. This is a 50/50 cost-sharing project with the Missouri Highways and Transportation Commission. The construction cost for the Highway 100 improvement project is estimated to cost \$47 million with the local share being \$23.5 million. In addition, the City has a ten-year plan for upgrading and improving local roadways. This tax was effective October 1, 2005 and expires June 30, 2030. The fund balance at September 30, 2006 was \$980,230.

Proprietary Funds

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

A review of the operations of the proprietary funds indicates water, sewage treatment and solid waste operations reflect operating losses totaling \$470,520. Only the sewage treatment fund had an increase in net

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

assets at September 30, 2006. As noted earlier, studies are being performed to evaluate rate increase requirements.

General Fund Budgetary Highlights

The final budget of the City's General Fund expenditures was \$8,676,090, which differs from the original budget of \$7,821,590 by \$854,500. The supplemental appropriations are summarized as follows:

- \$ 77,600 allocated to support general government activities
 - \$ 99,500 allocated to support public safety
 - \$388,600 allocated to support highway and streets
 - \$ 53,000 allocated for airport operations
 - \$167,450 allocated for parks and recreation
 - \$ 21,000 allocated for debt service interest expense
 - \$ 47,350 allocated for capital outlay
- ❖ Revenues were originally estimated at \$8,773,610. This number was revised during the fiscal year to \$9,177,105, an increase of \$403,495. This reflects additional interest earnings, sales tax and franchise tax revenues and less state grant funds.
 - ❖ The total original budget for other financing sources (uses) of (\$2,735,775) increased to (\$2,892,375). Other financing sources (uses) consist of transfers in from other funds and transfers to other funds.

The General Fund ended the year with revenues exceeding expenditures by \$1.0 million. However, after financing sources and uses, the decrease in fund balance was \$1.5 million.

Capital Assets and Debt Administration

Capital Assets

The amount invested in capital assets for the City as of September 30, 2006, is \$50,350,540, net of accumulated depreciation. Capital assets increased \$8.3 million. The following chart breaks down the City's capital asset balance into the various categories of assets.

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 6,763,960	\$ 6,597,101	\$ 854,354	\$ 854,354	\$ 7,618,314	\$ 7,451,455
Infrastructure	8,395,179	4,617,131	-	-	8,395,179	4,617,131
Buildings	10,719,281	6,528,771	1,589,884	1,615,325	12,309,165	8,144,096
Improvements other than buildings	6,089,689	6,179,538	10,068,123	10,151,221	16,157,812	16,330,759
Machinery and equipment	2,871,226	2,048,019	811,316	622,414	3,682,542	2,670,433
Construction in progress	1,291,049	2,637,145	896,479	219,188	2,187,528	2,856,333
	<u>\$ 36,130,384</u>	<u>\$ 28,607,705</u>	<u>\$ 14,220,156</u>	<u>\$ 13,462,502</u>	<u>\$ 50,350,540</u>	<u>\$ 42,070,207</u>

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

Major Capital Asset Events FY2006

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

- Public Safety Building, including communications equipment totaling \$4,926,000
- Four police vehicles, equipped totaling \$109,000
- Construction in progress on fire burn center and training facility \$250,000 for the year
- Land purchases for future expansion and roadway extensions totaling \$167,000
- New street program – Ultrathin Wearing Surface totaling \$578,000
- South Point Road widening at Stonecrest area totaling \$205,000
- Bieker Road – Phase B for the year \$124,000
- Vossbrink Drive totaling \$364,000
- Westlink Drive, reconstruction totaling \$460,000
- Fifth Street reconstruction, Grand Ave to Hwy. 100 totaling \$613,000
- Street Overlay Program totaling \$851,000
- Downtown area stormwater separation project - \$356,000
- New lighting at Ronsick Baseball Field - \$143,000
- New ‘Tots’ playground - \$60,000
- Design of new sewerage treatment plant, this fiscal period \$313,000
- Water line extensions to serve new developments - \$198,000
- Construction in progress hi-level water system pump station , this year \$247,000
- Replacement of five trucks in the street department fleet - \$243,000
- Street sweeper - \$149,000
- Replacement of a trash truck and recycling truck totaling \$232,000

Debt Administration

The City’s debt issues are discussed in the notes to the basic financial statements. During the fiscal year 2006, the City retired \$565,000 in Leasehold Revenue Bonds, completing the retirement of the bonds. A payment of \$75,000 for Sewer Revenue Bonds of 2001B Series was made in 2006, leaving a principal balance of \$570,000. The City issued \$5,000,000 in Certificates of Participation for the Public Safety Complex. Compensated absences payables was \$160,251, an increase of \$6,919.

In January 2007, Standard and Poor’s changed the bond rating of the City from an “A” to “A+”, based on the City’s tax base expansion, solid financial reserves and prudent financial management.

Economic Outlook and Next Year’s Budget

The City continues to see development and growth. In 2007, the Wal-Mart Company opened a new 231,000 square foot center. A new retail shopping center is under construction, Phoenix Center II, with an estimated 681,000 square foot combined retail/office space. Major stores committed to locate in the center are Target and Kohl’s stores. A Community Improvement District (CID) has been approved for this project. Target store plans to open in the summer of 2007.

In the first quarter 2007, a Downtown Improvement District was approved. The first Tax Increment Financing (TIF) project was recently approved.

Phase I of the Highway 100 widening project is in bid stage, estimated at \$8.9 million.

Construction of the new sewage treatment plant is planned for the fall of 2007. In November 2006, the voters approved a \$20 million sewer revenue bond issue for this purpose.

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

For fiscal year 2007, the General Fund revenues are budgeted to be \$8.5 million. This represents a 7.3% reduction from the prior year budget of \$9.2 million.

General Fund expenditures are projected to be \$8.1 million. This represents a decrease of 6.5% compared to the \$8.7 million budgeted in fiscal year 2006.

Personal Services expenditures are estimated to increase 2.4%, \$286,000. This included a 2% C.P.I. index applied to the performance compensation plan.

Health benefits are projected at an equivalent 10% increase over fiscal year 2006; the benefit renewal date is February 2007.

Estimated sales tax revenues for fiscal year 2007 for General Fund are \$4 million, an increase of \$255,000 from the final budgeted amount in fiscal year 2006.

Below is a chart of retail sales for the last ten years. In fiscal year 2006, retail sales increased 5.4%.

<u>Retail Sales</u>	
<u>Year</u>	<u>(Millions of Dollars)</u>
2006	\$374.6
2005	355.4
2004	340.7
2003	325.4
2002	299.0
2001	286.9
2000	279.7
1999	255.2
1998	245.4
1997	216.8
1996	211.3

Financial Contact

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

CITY OF WASHINGTON, MISSOURI
Statement of Net Assets
September 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash investments	\$ 6,299,095	3,010,525	9,309,620
Cash with agent	1,104,450	-	1,104,450
Accounts receivable, net of allowance	2,993,386	479,693	3,473,079
Loans receivable	1,764,636	-	1,764,636
Inventory	266,858	202,954	469,812
Prepaid items	381,314	78,890	460,204
Internal balances	(434,719)	434,719	-
Bond issue cost	16,873	10,154	27,027
Cash and cash investments - restricted	-	215,813	215,813
Non-depreciable capital assets:			
Land	6,763,960	854,354	7,618,314
Construction in progress	1,291,049	896,479	2,187,528
Depreciable capital assets, net:			
Infrastructure	8,395,179	-	8,395,179
Buildings	10,719,281	1,589,883	12,309,164
Improvements other than buildings	6,089,689	10,068,124	16,157,813
Machinery and equipment	2,871,226	811,316	3,682,542
Total Assets	48,522,277	18,652,904	67,175,181
LIABILITIES			
Accounts payable	1,642,668	469,711	2,112,379
Accrued wages	133,838	36,281	170,119
Deposits	80,971	57,405	138,376
Accrued interest payable	61,621	-	61,621
Liabilities payable from restricted assets	-	89,292	89,292
Noncurrent liabilities:			
Due within one year	470,690	11,204	481,894
Due in more than one year	4,733,834	2,702,949	7,436,783
Total Liabilities	7,123,622	3,366,842	10,490,464
NET ASSETS			
Invested in capital assets, net of related debt	32,150,021	13,746,355	45,896,376
Restricted for:			
Capital projects	3,234,143	-	3,234,143
Debt service	-	126,521	126,521
Unrestricted	6,014,491	1,413,186	7,427,677
Total Net Assets	\$ 41,398,655	15,286,062	56,684,717

CITY OF WASHINGTON, MISSOURI
Statement of Activities
For the Year Ended September 30, 2006

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 2,015,197	535,916	35,162	-	(1,444,119)	-	(1,444,119)
Public safety	3,423,303	458,891	57,385	10,758	(2,896,269)	-	(2,896,269)
Airport	308,987	72,370	-	12,558	(224,059)	-	(224,059)
Highways and streets	1,994,062	212,792	544,554	1,638,106	401,390	-	401,390
Culture and recreation	1,624,823	209,057	25,118	-	(1,390,648)	-	(1,390,648)
Interest on long-term debt	185,745	-	-	-	(185,745)	-	(185,745)
Total governmental activities	9,552,117	1,489,026	662,219	1,661,422	(5,739,450)	-	(5,739,450)
Business-type activities							
Water	1,401,617	1,214,914	-	-	-	(186,703)	(186,703)
Sewer	1,094,885	1,016,435	-	-	-	(78,450)	(78,450)
Solid Waste	1,895,078	1,643,469	-	-	-	(251,609)	(251,609)
Total business-type activities	4,391,580	3,874,818	-	-	-	(516,762)	(516,762)
Total primary government	\$ 13,943,697	5,363,844	662,219	1,661,422	(5,739,450)	(516,762)	(6,256,212)
General revenues:							
Taxes							
Property taxes					1,735,672	-	1,735,672
Sales tax					6,959,132	-	6,959,132
Franchise tax					1,527,221	-	1,527,221
Grants and contributions not restricted to specific programs					-	41,150	41,150
Investment earnings					457,575	214,500	672,075
Gain on sale of capital assets					5,335	-	5,335
Transfers					(212,812)	212,812	-
Total general revenues and separate line items					10,472,123	468,462	10,940,585
Changes in net assets					4,732,673	(48,300)	4,684,373
Net assets - beginning					36,665,982	15,334,362	52,000,344
Net assets - ending					\$ 41,398,655	15,286,062	56,684,717

CITY OF WASHINGTON, MISSOURI
Balance Sheet
Governmental Funds
September 30, 2006

	<u>General</u>	<u>Capital Improvements Sales Tax</u>	<u>Transportation Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash investments	\$ 1,791,835	1,188,348	957,769	2,361,143	6,299,095
Cash with agent	2,231	1,102,219	-	-	1,104,450
Accounts receivable, net of allowance	1,047,375	1,572,236	353,634	20,141	2,993,386
Loans receivable	1,764,636	-	-	-	1,764,636
Inventory	266,858	-	-	-	266,858
Prepaid items	313,851	-	-	67,463	381,314
Advance to other funds	65,292	-	-	-	65,292
Total Assets	<u><u>\$ 5,252,078</u></u>	<u><u>3,862,803</u></u>	<u><u>1,311,403</u></u>	<u><u>2,448,747</u></u>	<u><u>12,875,031</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 772,118	506,671	331,173	32,706	1,642,668
Accrued wages	128,846	-	-	4,992	133,838
Deposits	80,971	-	-	-	80,971
Advance from other funds	496,211	-	-	3,800	500,011
Deferred revenue	18,984	415,000	-	-	433,984
Total Liabilities	<u><u>1,497,130</u></u>	<u><u>921,671</u></u>	<u><u>331,173</u></u>	<u><u>41,498</u></u>	<u><u>2,791,472</u></u>
Fund Balances					
Reserved for:					
Prepaid items	313,851	-	-	67,463	381,314
Inventory	266,858	-	-	-	266,858
Encumbrances	122,857	1,520,826	136,827	122,764	1,903,274
Advances	99,329	-	-	-	99,329
Loans	1,764,636	-	-	-	1,764,636
Unreserved, reported in:					
General fund	1,187,417	-	-	-	1,187,417
Special revenue funds	-	-	-	840,286	840,286
Capital projects fund	-	1,420,306	843,403	1,376,736	3,640,445
Total Fund Balances	<u><u>3,754,948</u></u>	<u><u>2,941,132</u></u>	<u><u>980,230</u></u>	<u><u>2,407,249</u></u>	<u><u>10,083,559</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 5,252,078</u></u>	<u><u>3,862,803</u></u>	<u><u>1,311,403</u></u>	<u><u>2,448,747</u></u>	<u><u>12,875,031</u></u>

CITY OF WASHINGTON, MISSOURI
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2006

Total fund balances - governmental funds \$ 10,083,559

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements. This is amount by which capital outlays (\$47,419,151) exceed accumulated depreciation (\$11,288,767). 36,130,384

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 433,984

Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities at year-end consist of:

Capital lease	(82,582)
Certificates of participation	(5,000,000)
Accrued compensated absences payable	(121,942)
Accrued interest payable	(61,621)
Unamortized bond issuance cost	16,873

Net assets of governmental activities \$ 41,398,655

CITY OF WASHINGTON, MISSOURI
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2006

	General	Capital Improvements Sales Tax	Transportation Sales Tax	Leasehold Revenue Bonds Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property taxes	\$ 1,578,934	-	-	-	158,437	1,737,371
Sales taxes	3,745,935	1,644,343	1,568,854	-	-	6,959,132
Franchise tax	1,527,221	-	-	-	-	1,527,221
Licenses and permits	243,598	-	-	-	-	243,598
Fees and fines	148,638	-	-	-	29,917	178,555
Intergovernmental	611,465	872,099	163,341	-	9,335	1,656,240
Charges for services	969,263	602,666	-	-	5,202	1,577,131
Rents	85,587	-	-	-	6,819	92,406
Contributions and donations	49,178	1,250	-	-	14,308	64,736
Investment income	214,246	108,442	27,575	7,183	100,129	457,575
Total Revenues	<u>9,174,065</u>	<u>3,228,800</u>	<u>1,759,770</u>	<u>7,183</u>	<u>324,147</u>	<u>14,493,965</u>
EXPENDITURES						
Current:						
General government	1,822,544	3,389	-	-	-	1,825,933
Public safety	2,707,872	73,498	-	-	385,220	3,166,590
Highways and streets	1,506,186	203,495	1,887	-	-	1,711,568
Airport	132,816	-	-	-	-	132,816
Culture and recreation	1,139,006	880	-	-	313,469	1,453,355
Debt service:						
Principal	-	20,645	-	565,000	-	585,645
Interest expense and fiscal charges	21,015	112,920	-	21,187	-	155,122
Capital outlay:						
General government	13,569	4,176,249	-	-	55,229	4,245,047
Public safety	54,423	434,316	-	-	118,826	607,565
Highways and streets	703,479	1,985,070	329,298	-	350,186	3,368,033
Airport	13,295	33,456	-	-	-	46,751
Culture and recreation	37,697	248,910	-	-	74,153	360,760
Water system	-	1,500	-	-	-	1,500
Sanitary sewer system	-	44,411	-	-	-	44,411
Total Expenditures	<u>8,151,902</u>	<u>7,338,739</u>	<u>331,185</u>	<u>586,187</u>	<u>1,297,083</u>	<u>17,705,096</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,022,163</u>	<u>(4,109,939)</u>	<u>1,428,585</u>	<u>(579,004)</u>	<u>(972,936)</u>	<u>(3,211,131)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease	-	103,227	-	-	-	103,227
Capital-related debt issued	-	5,000,000	-	-	-	5,000,000
Transfers in	318,636	761,879	-	310,932	2,443,809	3,835,256
Transfers out	(2,895,734)	(310,932)	(448,355)	(1,924)	(314,436)	(3,971,381)
Sale of capital assets	84	-	-	-	5,251	5,335
Total other financing sources (uses)	<u>(2,577,014)</u>	<u>5,554,174</u>	<u>(448,355)</u>	<u>309,008</u>	<u>2,134,624</u>	<u>4,972,437</u>
Net change in fund balances	<u>(1,554,851)</u>	<u>1,444,235</u>	<u>980,230</u>	<u>(269,996)</u>	<u>1,161,688</u>	<u>1,761,306</u>
Fund balances - beginning	<u>5,309,799</u>	<u>1,496,897</u>	<u>-</u>	<u>269,996</u>	<u>1,245,561</u>	<u>8,322,253</u>
Fund balances - ending	<u>\$ 3,754,948</u>	<u>2,941,132</u>	<u>980,230</u>	<u>-</u>	<u>2,407,249</u>	<u>10,083,559</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, 2005

Net Change In Fund Balances - Governmental Funds \$ 1,761,306

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 (\$8,639,824) exceeded depreciation (\$1,083,308) in the current period. 7,556,516

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,699)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net assets. (33,837)

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.

Proceeds:

Capital lease	(103,227)	
Certificates of participation	(5,000,000)	
Issuance costs	18,748	
	(5,084,479)	

Repayments:

Bonds payable	565,000	
Capital lease	20,645	
Amortization	(1,875)	
Compensated absences	(1,408)	
Net Adjustment	(4,502,117)	

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. (47,496)

Change In Net Assets Of Governmental Activities \$ 4,732,673

CITY OF WASHINGTON, MISSOURI
Statement of Net Assets
Proprietary Funds
September 30, 2006

	Business-type Activities - Enterprise Funds			
	Water	Sewage Treatment	Solid Waste	Total
ASSETS				
Current assets:				
Cash and cash investments	\$ 543,372	600,517	1,866,636	3,010,525
Accounts receivable (net of allowance where applicable)	170,345	125,828	183,520	479,693
Inventory	178,704	24,250	-	202,954
Advance to other funds	496,211	-	-	496,211
Prepaid items	23,640	27,115	28,135	78,890
Total current assets	<u>1,412,272</u>	<u>777,710</u>	<u>2,078,291</u>	<u>4,268,273</u>
Noncurrent assets:				
Cash and cash investments-restricted	-	215,813	-	215,813
Capital assets:				
Land	67,762	741,592	45,000	854,354
Buildings	1,951,796	3,349,909	122,011	5,423,716
Improvements non-buildings	4,894,417	7,499,595	2,381,877	14,775,889
Machinery and equipment	929,675	340,809	1,366,284	2,636,768
Construction in progress	439,947	456,449	83	896,479
Less accumulated depreciation	(3,159,263)	(5,445,254)	(1,762,533)	(10,367,050)
Total noncurrent assets	<u>5,124,334</u>	<u>7,158,913</u>	<u>2,152,722</u>	<u>14,435,969</u>
Total assets	<u>6,536,606</u>	<u>7,936,623</u>	<u>4,231,013</u>	<u>18,704,242</u>
LIABILITIES				
Current liabilities:				
Accounts payable	100,465	293,452	75,794	469,711
Accrued wages	14,754	5,839	15,688	36,281
	<u>115,219</u>	<u>299,291</u>	<u>91,482</u>	<u>505,992</u>
Payable from restricted assets:				
Bonds payable-current installments	-	80,000	-	80,000
Accrued interest payable	-	9,292	-	9,292
	<u>-</u>	<u>89,292</u>	<u>-</u>	<u>89,292</u>
Total current liabilities	<u>115,219</u>	<u>388,583</u>	<u>91,482</u>	<u>595,284</u>
Noncurrent liabilities:				
Revenue bonds payable	-	490,000	-	490,000
Less-Unamortized bond issuance costs	-	(10,154)	-	(10,154)
Less-Unamortized bond discount	-	(6,045)	-	(6,045)
Customer deposits	29,925	27,480	-	57,405
Advance from other funds	-	29,215	32,277	61,492
Landfill care liability	-	-	2,191,889	2,191,889
Compensated absences payable	16,691	7,525	14,093	38,309
Total noncurrent liabilities	<u>46,616</u>	<u>538,021</u>	<u>2,238,259</u>	<u>2,822,896</u>
Total liabilities	<u>161,835</u>	<u>926,604</u>	<u>2,329,741</u>	<u>3,418,180</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,124,334	6,469,299	2,152,722	13,746,355
Restricted for debt service	-	126,521	-	126,521
Unrestricted	1,250,437	414,199	(251,450)	1,413,186
Total net assets	<u>\$ 6,374,771</u>	<u>7,010,019</u>	<u>1,901,272</u>	<u>15,286,062</u>

CITY OF WASHINGTON, MISSOURI
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2006

	Business-type Activities - Enterprise Funds			
	Water	Sewage Treatment	Solid Waste	Total
OPERATING REVENUES				
Charges of sales and services	\$ 1,214,914	1,016,435	1,643,469	3,874,818
OPERATING EXPENSES				
Personal services	541,089	270,496	577,098	1,388,683
Purchased services	373,011	401,943	1,034,254	1,809,208
Supplies	289,577	151,426	88,743	529,746
Depreciation	197,940	224,778	194,983	617,701
Total operating expenses	<u>1,401,617</u>	<u>1,048,643</u>	<u>1,895,078</u>	<u>4,345,338</u>
Operating income (loss)	<u>(186,703)</u>	<u>(32,208)</u>	<u>(251,609)</u>	<u>(470,520)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	62,142	72,264	80,094	214,500
Miscellaneous revenue	17,821	12,819	10,510	41,150
Interest and fiscal charges	-	(46,242)	-	(46,242)
Total nonoperating revenues (expenses)	<u>79,963</u>	<u>38,841</u>	<u>90,604</u>	<u>209,408</u>
Income (loss) before contributions and transfers	(106,740)	6,633	(161,005)	(261,112)
Capital contributions	16,391	60,296	-	76,687
Transfers in	30,000	-	140,325	170,325
Transfers out	(2,700)	(31,500)	-	(34,200)
Total contributions and transfers	<u>43,691</u>	<u>28,796</u>	<u>140,325</u>	<u>212,812</u>
Change in net assets	<u>(63,049)</u>	<u>35,429</u>	<u>(20,680)</u>	<u>(48,300)</u>
Net assets - beginning	<u>6,437,820</u>	<u>6,974,590</u>	<u>1,921,952</u>	<u>15,334,362</u>
Net assets - ending	<u>\$ 6,374,771</u>	<u>7,010,019</u>	<u>1,901,272</u>	<u>15,286,062</u>

CITY OF WASHINGTON, MISSOURI
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006

	Business-type Activities - Enterprise Funds			
	Water	Sewage Treatment	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,208,746	1,011,929	1,620,805	3,841,480
Payments to suppliers	(616,160)	(281,197)	(741,924)	(1,639,281)
Payment for employees and benefits	(537,229)	(271,257)	(575,011)	(1,383,497)
Net cash provided by operating activities	<u>55,357</u>	<u>459,475</u>	<u>303,870</u>	<u>818,702</u>
CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES				
Advances and transfers	130,322	(2,285)	115,906	243,943
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(558,843)	(447,630)	(292,195)	(1,298,668)
Principal paid on capital debt	-	(75,000)	-	(75,000)
Interest paid on capital debt	-	(45,426)	-	(45,426)
Net cash used by capital and related financing activities	<u>(558,843)</u>	<u>(568,056)</u>	<u>(292,195)</u>	<u>(1,419,094)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	62,142	72,264	80,094	214,500
Other receipts (payments)	17,821	12,819	10,510	41,150
Decrease in restricted assets	-	7,648	-	7,648
Net cash provided by investing activities	<u>79,963</u>	<u>92,731</u>	<u>90,604</u>	<u>263,298</u>
Net increase (decrease) in cash and cash equivalents	(293,201)	(18,135)	218,185	(93,151)
Balances - beginning of the year	836,573	618,652	1,648,451	3,103,676
Balances - end of the year	<u>\$ 543,372</u>	<u>600,517</u>	<u>1,866,636</u>	<u>3,010,525</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (186,703)	(32,208)	(251,609)	(470,520)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	197,940	224,778	194,983	617,701
(Increase) decrease in:				
Receivables, net	(5,473)	(4,261)	(22,664)	(32,398)
Inventories	(18,803)	(6,014)	-	(24,817)
Prepays	3,211	2,763	807	6,781
Increase (decrease) in:				
Accounts payable	62,020	275,422	42,806	380,248
Landfill care liability	-	-	337,461	337,461
Customer deposits	(695)	(245)	-	(940)
Other liabilities	3,860	(760)	2,086	5,186
Net cash provided by operating activities	<u>\$ 55,357</u>	<u>459,475</u>	<u>303,870</u>	<u>818,702</u>
Noncash capital financing activities:				
Contributions of capital assets	\$ 16,391	60,296	-	76,687

CITY OF WASHINGTON
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and cash investments	\$ 211,676
Total Assets	<u>\$ 211,676</u>
LIABILITIES	
Due to lessee	\$ 211,676
Total liabilities	<u>\$ 211,676</u>

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

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

B. Government-Wide and Fund Financial Accounting

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

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

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

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

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

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

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

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

Governmental Funds

The City reports the following major governmental funds:

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

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

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 or major capital projects) that are legally restricted to expenditures for specified purposes and a capital project fund, which accounts for financial resources to be used for the acquisition of vehicles and equipment. The nonmajor funds of the City are the Library Fund, Volunteer Fire Company Fund, Parks and Recreation, Airport, and the Vehicle and Equipment Replacement 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, Taxable Industrial Revenue Bonds, Series 2005, and Industrial Development Bonds of 1977.

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Investments

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

2. Receivables and Payables

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

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

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

3. Interfund Transactions

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

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

4. Inventories and Prepaid Items

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

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

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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

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	4-15
Utility systems	50
Infrastructure	20-40

7. Compensated Absences

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

8. Long-term Obligations

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

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

9. Encumbrances

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

10. Fund Balances

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

11. Net Assets

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

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

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

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

12. Capital Contributions

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

E. Use of Estimates

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

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

Deposits: At fiscal year end, the carrying amount of the City’s deposits was \$ 8,288,931 and the bank balance was \$ 8,538,536. \$ 273,108 of the bank balance was covered by federal depository insurance. The remaining balance was considered uninsured and uncollateralized under GASB Statement No. 3. Although the securities serving as collateral, for \$ 8,265,428 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.

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

Investments: As of September 30, 2006, the City had the following investments:

	Fair Market Value	No Maturity	6-10 Years	More Than 10 Years	Credit Risk
Money Market Accounts	\$ 1,231,000	\$1,231,000	\$ -	\$ -	Not Rated
Repurchase Agreements	1,295,542	1,295,542	-	-	AAA
Guaranteed Investment Contracts	<u>26,086</u>	<u>-</u>	<u>13,373</u>	<u>12,713</u>	Not Rated
Total Investments	<u>\$ 2,552,628</u>	<u>\$2,526,542</u>	<u>\$ 13,373</u>	<u>\$12,713</u>	

Investment Policies

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

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

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

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. 40 is as follows:

	Cash and Cash Investments/ <u>Deposits</u>	<u>Investments</u>
GASB Statement 9	\$10,841,559	\$ -
Investments:		
Money Market Accounts	(1,231,000)	1,231,000
Repurchase Agreements	(1,295,542)	1,295,542
Collateralized Investments	<u>(26,086)</u>	<u>26,086</u>
GASB Statement 3	<u>\$8,288,931</u>	<u>\$2,552,628</u>

B. Receivables

Receivables as of September 30, 2006, for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

	Governmental Activities				Business-type Activities			
	<u>Capital</u>		<u>Transportation</u>	<u>Nonmajor</u>				
	<u>Improvement</u>		<u>Sales</u>	<u>Governmental</u>	<u>Sewage</u>		<u>Solid</u>	
	<u>General</u>	<u>Sales Tax</u>	<u>Tax</u>	<u>Funds</u>	<u>Water</u>	<u>Treatment</u>	<u>Waste</u>	<u>Total</u>
Receivables:								
Accrued interest	\$ 7,473	\$ 171	\$ 5,309	\$ 11,429	\$ 3,894	\$ 3,874	\$ 8,489	\$ 40,639
Taxes	893,262	185,297	184,984	3,339	-	-	-	1,266,882
Accounts	78,921	581,790	-	3,889	166,519	121,666	167,280	1,120,065
Intergovernmental	60,587	804,978	163,341	2,599	-	-	10,000	1,041,505
Special assessments	17,111	-	-	-	-	288	-	17,399
Gross receivables	1,057,354	1,572,236	353,634	21,256	170,413	125,828	185,769	3,486,490
Less: Allowance for uncollectibles	(9,979)	-	-	(1,115)	(68)	-	(2,249)	(13,411)
Total receivables, net	<u>\$ 1,047,375</u>	<u>\$ 1,572,236</u>	<u>\$ 353,634</u>	<u>\$ 20,141</u>	<u>\$ 170,345</u>	<u>\$ 125,828</u>	<u>\$ 183,520</u>	<u>\$ 3,473,079</u>

Capital Assets

Following is a summary of changes in capital assets – governmental activities for the year ended September 30, 2006:

	Balance at October 1, 2005	Increases	Decreases	Balance at September 30, 2006
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 6,597,101	\$ 166,859	\$ -	\$ 6,763,960
Construction in progress	2,637,145	540,205	(1,886,301)	1,291,049
Total capital assets, not being depreciated	<u>9,234,246</u>	<u>707,064</u>	<u>(1,886,301)</u>	<u>8,055,009</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	4,758,507	3,933,312	-	8,691,819
Buildings	11,552,000	4,458,659	-	16,010,659
Improvements other than buildings	7,556,073	174,415	-	7,730,488
Machinery and equipment	5,994,665	1,252,675	(316,164)	6,931,176
Total capital assets being depreciated	<u>29,861,245</u>	<u>9,819,061</u>	<u>(316,164)</u>	<u>39,364,142</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	(141,376)	(155,264)	-	(296,640)
Buildings	(5,023,229)	(268,149)	-	(5,291,378)
Improvements other than buildings	(1,376,535)	(264,264)	-	(1,640,799)
Machinery and equipment	(3,946,646)	(395,631)	282,327	(4,059,950)
Total accumulated depreciation	<u>(10,487,786)</u>	<u>(1,083,308)</u>	<u>282,327</u>	<u>(11,288,767)</u>
Total capital assets, net	<u>\$ 28,607,705</u>	<u>\$ 9,442,817</u>	<u>\$ (1,920,138)</u>	<u>\$ 36,130,384</u>

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance at October 1, 2005	Increases	Decreases	Balance at September 30, 2006
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 854,354	\$ -	\$ -	\$ 854,354
Construction in progress	<u>219,188</u>	<u>832,623</u>	<u>(155,332)</u>	<u>896,479</u>
Total capital assets, not being depreciated	<u>1,073,542</u>	<u>832,623</u>	<u>(155,332)</u>	<u>1,750,833</u>
<i>Capital assets being depreciated:</i>				
Buildings	5,363,407	60,309	-	5,423,716
Improvements other than buildings	14,485,034	290,855	-	14,775,889
Machinery and equipment	<u>2,351,131</u>	<u>346,900</u>	<u>(61,263)</u>	<u>2,636,768</u>
Total capital assets being depreciated	<u>22,199,572</u>	<u>698,064</u>	<u>(61,263)</u>	<u>22,836,373</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(3,748,082)	(85,750)	-	(3,833,832)
Improvements other than buildings	(4,333,813)	(373,953)	-	(4,707,766)
Machinery and equipment	<u>(1,728,717)</u>	<u>(157,998)</u>	<u>61,263</u>	<u>(1,825,452)</u>
Total accumulated depreciation	<u>(9,810,612)</u>	<u>(617,701)</u>	<u>61,263</u>	<u>(10,367,050)</u>
Total capital assets, net	<u>\$ 13,462,502</u>	<u>\$ 912,986</u>	<u>\$ (155,332)</u>	<u>\$ 14,220,156</u>

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

Governmental activities:	
General government	\$ 191,628
Public safety	269,767
Airport	176,171
Highway and streets	277,253
Culture and recreation	<u>168,489</u>
Total depreciation expense - governmental activities	<u>\$ 1,083,308</u>
Business-type activities:	
Water	197,940
Sewerage Treatment	224,778
Solid Waste	<u>194,983</u>
Total depreciation expense - business-type activities	<u>\$ 617,701</u>

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

D. Interfund Receivables, Payables, and Transfers

The individual interfund balances as of September 30, 2006, are as follows:

Advances from/to other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Water	General	\$ 496,211
General	Vehicle & Equipment	3,800
General	Sewage Treatment	29,215
General	Solid Waste	<u>32,277</u>
Total		<u>\$ 561,503</u>

Individual interfund transfers for fiscal year-ended September 30, 2006, are as follows:

	Transfer In:						<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvements Sales Tax</u>	<u>Leasehold Revenue Bonds Debt Service</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Nonmajor Governmental Funds</u>	
	Transfer out:						
General Fund	\$ -	\$ 311,600	\$ -	\$ -	\$ 140,325	\$ 2,443,809	\$ 2,895,734
Capital Improvements Sales Tax	-	-	310,932	-	-	-	310,932
Transportation Sales Tax	-	448,355	-	-	-	-	448,355
Leasehold Revenue Bonds Debt Service	-	1,924	-	-	-	-	1,924
Nonmajor Governmental Funds	314,436	-	-	-	-	-	314,436
Water	2,700	-	-	-	-	-	2,700
Sewage Treatment	1,500	-	-	30,000	-	-	31,500
Total transfers out	<u>\$ 318,636</u>	<u>\$ 761,879</u>	<u>\$ 310,932</u>	<u>\$ 30,000</u>	<u>\$ 140,325</u>	<u>\$ 2,443,809</u>	<u>\$ 4,005,581</u>

E. Leases

Capital Leases

The City has entered into a capital lease agreement for the purpose of acquiring and financing Public Safety equipment.

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
	<u>September 30, 2006</u>
Machinery and equipment	\$ 103,322
Less - Accumulated depreciation	-
	<u>\$ 103,322</u>

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

The future minimum capital lease obligations and the net present value of these minimum lease payments as of September 30, 2006 were as follows:

Governmental activities:

<u>For the Years Ended</u> <u>September 30</u>	<u>Lease Payments</u>
2007	\$ 20,645
2008	20,645
2009	20,646
2010	20,646
Total lease payments	82,582
Less amounts representing interest	0
	\$ 82,582

F. Long-term Debt

Bonds Payable

Bonds payable were comprised of the following:

Governmental activities:

September 30, 2006

\$5,000,000 Certificates of Participation (Series 2005), due in annual installments through December 1, 2015; interest payable at 3.35% to 4.05%

\$5,000,000

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%

\$570,000

The annual debt service requirements for 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>
2007	\$ 425,000	\$ 177,744	\$ 80,000	\$ 37,170
2008	450,000	162,998	85,000	32,010
2009	450,000	147,653	90,000	26,527
2010	475,000	131,575	100,000	20,633
2011	475,000	114,641	105,000	14,082
2012-2016	2,725,000	277,578	110,000	7,205
Total	\$ 5,000,000	\$ 1,012,189	\$ 570,000	\$ 137,627

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

Changes in Long-term Liabilities

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

	Balance at October 1 <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30 <u>2006</u>	<u>Due within one year</u>
Governmental activities:					
L. R. Bonds Payable	\$ 565,000	\$ -	\$(565,000)	\$ -	-
Certificates of Participation	-	5,000,000	-	5,000,000	425,000
Capital Lease	-	103,227	(20,645)	82,582	20,645
Compensated absences payable	<u>120,534</u>	<u>1,408</u>	<u>-</u>	<u>121,942</u>	<u>25,045</u>
Governmental activities – long-term liabilities	<u>685,534</u>	<u>5,104,635</u>	<u>(585,645)</u>	<u>5,204,524</u>	<u>470,690</u>
Business-type activities:					
Revenue Bonds payable	\$ 645,000	-	(75,000)	570,000	80,000
Less: issuance and discounts	<u>(6,801)</u>	<u>-</u>	<u>756</u>	<u>(6,045)</u>	<u>-</u>
Total bonds payable	<u>638,199</u>	<u>-</u>	<u>(74,244)</u>	<u>563,955</u>	<u>80,000</u>
Compensated absences payable	32,798	5,511	-	38,309	11,204
Landfill care liability	<u>1,854,428</u>	<u>337,461</u>	<u>-</u>	<u>2,191,889</u>	<u>-</u>
Business-type activities - long-term liabilities	<u>\$2,525,425</u>	<u>\$ 342,972</u>	<u>\$ (74,244)</u>	<u>\$2,794,153</u>	<u>\$ 91,204</u>

The amount due within one year above includes \$80,000, which is reported as part of liabilities payable from restricted assets in the Statement of Net Assets.

F. Fund Equity – General Fund

Due to similarity of purpose, 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, 2006</u>
General Fund	\$ 353,982
Stormwater Management Improvement Fund	<u>833,435</u>
	<u>1,187,417</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.

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

Pension Plan

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

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

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

1. Funding Policy

The City of Washington’s full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 11.9% (general) and 10.3% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

Annual Pension Cost

For 2006, the City’s annual pension cost of \$489,504 was equal to the required and actual contributions. The required contribution was determined as part of the February 29, 2004 and/or February 28, 2005 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 6.0% per year, depending on age and division, attributable to seniority/merit; (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement 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, 2006 was 15 years.

Three-year trend information follows:

For The Plan Years Ended June 30	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2006	\$489,504	100%	\$ -
2005	481,120	100	-
2004	445,109	100	-

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

Schedule of Funding Progress follows:

For The Actuarial Valuation Years Ended <u>February 28/29</u>	Actuarial Value Of Assets	Entry Age Actuarial Accrued Liability	Excess Of Assets Over (Unfunded) AAL
2006	\$8,826,258	\$10,100,180	(\$1,273,922)
2005	8,494,730	9,930,688	(1,435,958)
2004	8,772,658	9,848,921	(1,076,263)

For The Actuarial Valuation Years Ended <u>February 28/29</u>	Funded Ratio	Annual Covered Payroll	Excess Of Assets Over (Unfunded) AAL As A Percentage Of Covered Payroll
2006	87%	\$4,214,820	(30)%
2005	86	4,185,314	(34)
2004	89	3,846,357	(28)

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual 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, 2006 through June 30, 2007 was \$375,565. There are no claims estimated to exceed policy limits as of September 30, 2006. The City has not recorded any liability for future potential losses in the accompanying financial statements based upon the above information provided by MIRMA.

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 \$2,191,889 reported as landfill care liability at September 30, 2006, 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 30 percent of the estimated capacity of the Struckhoff landfill. The landfill capacity was revised in fiscal 2002 to 1,767,900 cubic yards, an increase in capacity of 112,900 cubic yards because of improved compaction methods. The City will recognize the remaining estimated cost of closure and post-closure care of \$6.1 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2004. Actual cost may be higher due to inflation, changes in technology and/or changes in regulations.

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

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

D. Conduit Debt

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

	<u>September 30, 2006</u>
\$30,000,000 Taxable Industrial Revenue Bonds (Series 2005), due in annual installments through December 1, 2015; interest payable at 5%	\$ 12,822,937
\$2,910,000 General Obligation Industrial Refunding Bonds (Series 1997 A), due in annual installments through June 1, 2009; interest payable at 4.7% to 5.5%.	900,000
\$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>455,000</u>
	<u>\$ 14,177,937</u>

E. Subsequent Events

In April 2005, the citizens of Washington, Missouri, voted to impose a sales tax of one-half (1/2) of one percent for transportation purposes, including, but not limited to, payment of the local share of the cost of expanding Highway 100 from Interstate 44 to High Street from two lanes to four lanes. This tax became effective October 1, 2005 and will expire automatically on June 30, 2030. In April 2007, the City of Washington will enter into an agreement with the Missouri Transportation Finance Corporation for a Direct Loan in the amount of \$7,364,451 to finance Phase I of the Highway 100 Project.

In November 2006, the citizens of Washington, Missouri, voted to authorize issuance of sewerage system revenue bonds for \$20,000,000, for the purpose of construction of a new sewage treatment facility. The City has applied for financing through the State Revolving Fund Program, if denied, the City anticipates going to market to issue revenue bonds in November 2007.

Budgetary Information

The City follows these procedures in establishing the budgetary data:

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

**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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property taxes	\$ 1,543,870	1,573,970	1,578,934	4,964
Sales taxes	3,712,590	3,745,090	3,745,935	845
Franchise tax	1,434,785	1,524,485	1,527,221	2,736
Licenses and permits	199,000	243,400	243,598	198
Fees and fines	110,000	148,650	148,638	(12)
Intergovernmental	694,895	610,555	611,465	910
Charges for services	908,305	982,560	969,263	(13,297)
Rents	100,770	84,870	85,587	717
Contributions and donations	11,895	49,175	49,178	3
Investment income	57,500	214,350	214,246	(104)
Total Revenues	<u>8,773,610</u>	<u>9,177,105</u>	<u>9,174,065</u>	<u>(3,040)</u>
EXPENDITURES				
Current:				
General Government				
Executive	705,770	773,170	743,119	30,051
Financial Administration	442,990	442,990	427,944	15,046
Technology Support	335,390	335,390	303,831	31,559
Economic Development	117,775	127,975	121,056	6,919
Maintenance-Bldg. & Grnds	251,530	251,530	226,594	24,936
	<u>1,853,455</u>	<u>1,931,055</u>	<u>1,822,544</u>	<u>108,511</u>
Public Safety				
Judicial	36,895	36,895	31,974	4,921
Police	1,990,490	2,089,990	2,069,165	20,825
Communications Center	654,305	654,305	606,733	47,572
	<u>2,681,690</u>	<u>2,781,190</u>	<u>2,707,872</u>	<u>73,318</u>
Highways and Streets				
Engineering, Inspections, Planning	569,385	569,385	497,783	71,602
Streets	1,251,025	1,639,625	1,008,403	631,222
	<u>1,820,410</u>	<u>2,209,010</u>	<u>1,506,186</u>	<u>702,824</u>
Airport				
Airport	117,975	170,975	132,816	38,159
Culture and recreation				
Parks	926,680	1,010,180	950,707	59,473
Aquatic center	105,550	189,500	188,299	1,201
	<u>1,032,230</u>	<u>1,199,680</u>	<u>1,139,006</u>	<u>60,674</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Debt service:				
Interest expense	-	21,000	21,015	(15)
Capital outlay:				
General Government	8,500	8,500	13,569	(5,069)
Public Safety	56,530	57,530	54,423	3,107
Highways and Streets	162,000	218,350	703,479	(485,129)
Airport	-	15,000	13,295	1,705
Culture and recreation	88,800	63,800	37,697	26,103
	<u>315,830</u>	<u>363,180</u>	<u>822,463</u>	<u>(459,283)</u>
Total Expenditures	<u>7,821,590</u>	<u>8,676,090</u>	<u>8,151,902</u>	<u>524,188</u>
Excess (deficiency) of revenues over (under) expenditures	952,020	501,015	1,022,163	521,148
OTHER FINANCING SOURCES				
(USES)				
Transfers in	4,200	4,200	318,636	314,436
Transfers out	(2,739,975)	(2,896,575)	(2,895,734)	841
Sale of capital assets	-	-	84	84
Total Other Financing Sources (Uses)	<u>(2,735,775)</u>	<u>(2,892,375)</u>	<u>(2,577,014)</u>	<u>315,361</u>
Net change in fund balances	<u>\$ (1,783,755)</u>	<u>(2,391,360)</u>	(1,554,851)	<u>836,509</u>
Fund balances - beginning			5,309,799	
Fund balances - ending			<u>\$ 3,754,948</u>	

**OTHER SUPPLEMENTAL
INFORMATION SECTION**

City of Washington, Missouri
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total</u>
	<u>Library</u>	<u>Volunteer Fire Company</u>	<u>Vehicle And Equipment</u>	
ASSETS				
Cash and cash investments	\$ 128,849	767,378	1,464,916	2,361,143
Accounts receivable, net of allowance	5,298	3,985	10,858	20,141
Prepaid items	12,564	54,899	-	67,463
Total Assets	<u>\$ 146,711</u>	<u>826,262</u>	<u>1,475,774</u>	<u>2,448,747</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 5,742	26,964	-	32,706
Accrued wages	3,427	1,565	-	4,992
Advance from other funds	-	-	3,800	3,800
Total Liabilities	<u>9,169</u>	<u>28,529</u>	<u>3,800</u>	<u>41,498</u>
Fund Balances				
Reserved for:				
Prepaid items	12,564	54,899	-	67,463
Encumbrances	3,341	24,185	95,238	122,764
Unreserved, reported in:				
Special revenue funds	121,637	718,649	-	840,286
Capital projects fund	-	-	1,376,736	1,376,736
Total Fund Balances	<u>137,542</u>	<u>797,733</u>	<u>1,471,974</u>	<u>2,407,249</u>
Total Liabilities and Fund Balances	<u>\$ 146,711</u>	<u>826,262</u>	<u>1,475,774</u>	<u>2,448,747</u>

City of Washington, Missouri
Other Supplemental Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2006

	Special Revenue Funds				Capital Projects	Total
	Library	Volunteer Fire Company	Parks And Recreation	Airport	Fund Vehicle And Equipment	
REVENUES						
Property taxes	\$ 158,437	-	-	-	-	158,437
Fees and fines	29,917	-	-	-	-	29,917
Intergovernmental	5,535	3,800	-	-	-	9,335
Charges for services	-	5,202	-	-	-	5,202
Rents	-	6,819	-	-	-	6,819
Contributions and donations	8,083	6,225	-	-	-	14,308
Investment income	9,670	38,271	-	-	52,188	100,129
Total Revenues	<u>211,642</u>	<u>60,317</u>	<u>-</u>	<u>-</u>	<u>52,188</u>	<u>324,147</u>
EXPENDITURES						
Current:						
Public Safety						
Fire	-	385,220	-	-	-	385,220
Culture and recreation						
Library	313,469	-	-	-	-	313,469
Capital outlay:						
General government	-	-	-	-	55,229	55,229
Highway and streets	-	-	-	-	350,186	350,186
Public Safety						
Fire	-	34,257	-	-	-	34,257
Police	-	-	-	-	84,569	84,569
Culture and recreation						
Parks	-	-	-	-	34,585	34,585
Library	39,568	-	-	-	-	39,568
Total Expenditures	<u>353,037</u>	<u>419,477</u>	<u>-</u>	<u>-</u>	<u>524,569</u>	<u>1,297,083</u>
Excess (deficiency) of revenues over (under) expenditures	(141,395)	(359,160)	-	-	(472,381)	(972,936)
OTHER FINANCING SOURCES (USES)						
Transfers in	165,525	488,929	-	-	1,789,355	2,443,809
Transfers out	-	-	(248,819)	(65,617)	-	(314,436)
Sale of capital assets	-	5,251	-	-	-	5,251
Total other financing sources (uses)	<u>165,525</u>	<u>494,180</u>	<u>(248,819)</u>	<u>(65,617)</u>	<u>1,789,355</u>	<u>2,134,624</u>
Net change in fund balances	24,130	135,020	(248,819)	(65,617)	1,316,974	1,161,688
Fund balances - beginning	113,412	662,713	248,819	65,617	155,000	1,245,561
Fund balances - ending	<u>\$ 137,542</u>	<u>797,733</u>	<u>-</u>	<u>-</u>	<u>1,471,974</u>	<u>2,407,249</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 145,295	158,295	158,437	142
Fees and fines	26,135	29,435	29,917	482
Intergovernmental	6,910	5,210	5,535	325
Contributions and donations	3,600	8,100	8,083	(17)
Investment income	3,500	9,600	9,670	70
Total Revenues	<u>185,440</u>	<u>210,640</u>	<u>211,642</u>	<u>1,002</u>
EXPENDITURES				
Current:				
Library	300,965	317,615	313,469	4,146
Capital outlay:				
Library	50,000	39,600	39,568	32
Total Expenditures	<u>350,965</u>	<u>357,215</u>	<u>353,037</u>	<u>4,178</u>
Excess (deficiency) of revenues over (under) expenditures	(165,525)	(146,575)	(141,395)	5,180
OTHER FINANCING SOURCES (USES)				
Transfers in	165,525	165,525	165,525	-
Net change in fund balances	<u>\$ -</u>	<u>18,950</u>	24,130	<u>5,180</u>
Fund balances - beginning			113,412	
Fund balances - ending			<u>\$ 137,542</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	3,800	3,800	-
Charges for services	7,035	7,035	5,202	(1,833)
Rents	5,445	6,820	6,819	(1)
Contributions and donations	-	-	6,225	6,225
Investment income	8,000	38,300	38,271	(29)
Total Revenues	<u>20,480</u>	<u>55,955</u>	<u>60,317</u>	<u>4,362</u>
EXPENDITURES				
Current:				
Volunteer Fire Company	422,585	473,185	385,220	87,965
Capital outlay:				
Volunteer Fire Company	28,000	6,800	34,257	(27,457)
Total Expenditures	<u>450,585</u>	<u>479,985</u>	<u>419,477</u>	<u>60,508</u>
Excess (deficiency) of revenues over (under) expenditures	(430,105)	(424,030)	(359,160)	64,870
OTHER FINANCING SOURCES (USES)				
Transfers in	489,770	489,770	488,929	(841)
Sale of assets	-	5,000	5,251	251
Total other financing sources (uses)	<u>489,770</u>	<u>494,770</u>	<u>494,180</u>	<u>(590)</u>
Net change in fund balances	<u>\$ 59,665</u>	<u>70,740</u>	135,020	<u>64,280</u>
Fund balances - beginning			<u>662,713</u>	
Fund balances - ending			<u>\$ 797,733</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales taxes	\$ 1,700,265	1,644,265	1,644,343	78
Intergovernmental	579,250	764,250	872,099	107,849
Charges for services	28,255	584,105	602,666	18,561
Contributions and donations	-	-	1,250	1,250
Investment income	45,000	108,500	108,442	(58)
Total Revenues	<u>2,352,770</u>	<u>3,101,120</u>	<u>3,228,800</u>	<u>127,680</u>
EXPENDITURES				
Current:				
General government	-	-	3,389	(3,389)
Public safety				
Communications	-	-	19,687	(19,687)
Police	-	-	53,811	(53,811)
Highways and streets	-	-	203,495	(203,495)
Culture and recreation	-	-	880	(880)
	<u>-</u>	<u>-</u>	<u>281,262</u>	<u>(281,262)</u>
Debt service:				
Principal	-	-	20,645	(20,645)
Interest expense and fiscal charges	-	113,750	112,920	830
	<u>-</u>	<u>113,750</u>	<u>133,565</u>	<u>(19,815)</u>
Capital outlay:				
General government	4,751,740	5,139,740	4,176,249	963,491
Public safety				
Communications	-	-	157,502	(157,502)
Police	-	-	317	(317)
Fire	1,500,000	1,500,000	276,497	1,223,503
Highways and streets	2,134,200	2,563,500	1,985,070	578,430
Airport	40,000	124,650	33,456	91,194
Culture and recreation	269,000	201,000	248,910	(47,910)
Water systems	-	-	1,500	(1,500)
Sanitary sewer systems	150,000	312,000	44,411	267,589
	<u>8,844,940</u>	<u>9,840,890</u>	<u>6,923,912</u>	<u>2,916,978</u>
Total Expenditures	<u>8,844,940</u>	<u>9,954,640</u>	<u>7,338,739</u>	<u>2,615,901</u>
Excess (deficiency) of revenues over (under) expenditures	(6,492,170)	(6,853,520)	(4,109,939)	2,743,581

Continued

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 (Continued)
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Capital lease	-	-	103,227	103,227
Long-term debt issued	5,500,000	5,000,000	5,000,000	-
Transfers in	-	759,955	761,879	1,924
Transfers out	(586,690)	(310,940)	(310,932)	8
Total other financing sources (uses)	<u>4,913,310</u>	<u>5,449,015</u>	<u>5,554,174</u>	<u>105,159</u>
Net change in fund balances	<u>\$ (1,578,860)</u>	<u>(1,404,505)</u>	<u>1,444,235</u>	<u>2,848,740</u>
Fund balances - beginning			<u>1,496,897</u>	
Fund balances - ending			<u>\$ 2,941,132</u>	

City of Washington, Missouri
Other Supplemental Information
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Transportation Sales Tax Capital Projects Fund
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales taxes	\$ 1,700,265	1,568,765	1,568,854	89
Intergovernmental	-	163,300	163,341	41
Investment income	35,000	35,000	27,575	(7,425)
Total Revenues	<u>1,735,265</u>	<u>1,767,065</u>	<u>1,759,770</u>	<u>(7,295)</u>
EXPENDITURES				
Current:				
Highway and streets	-	-	1,887	(1,887)
Capital outlay:				
Highway and streets	300,000	473,500	329,298	144,202
Total Expenditures	<u>300,000</u>	<u>473,500</u>	<u>331,185</u>	<u>142,315</u>
Excess (deficiency) of revenues over (under) expenditures	1,435,265	1,293,565	1,428,585	135,020
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(448,355)	(448,355)	-
Net change in fund balances	<u>\$ 1,435,265</u>	<u>845,210</u>	980,230	<u>135,020</u>
Fund balances - beginning			-	
Fund balances - ending			<u>\$ 980,230</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment income	\$ 500	500	7,183	6,683
EXPENDITURES				
Debt service:				
Principal	565,000	565,000	565,000	-
Interest expense and fiscal charges	22,190	22,190	21,187	1,003
Total Expenditures	<u>587,190</u>	<u>587,190</u>	<u>586,187</u>	<u>1,003</u>
Excess (deficiency) of revenues over (under) expenditures	(586,690)	(586,690)	(579,004)	7,686
OTHER FINANCING SOURCES (USES)				
Transfers in	586,690	310,940	310,932	(8)
Transfers out	-	-	(1,924)	(1,924)
Total other financing sources (uses)	<u>586,690</u>	<u>310,940</u>	<u>309,008</u>	<u>(1,932)</u>
Net change in fund balances	<u>\$ -</u>	<u>(275,750)</u>	<u>(269,996)</u>	<u>5,754</u>
Fund balances - beginning			<u>269,996</u>	
Fund balances - ending			<u>\$ -</u>	

City of Washington, Missouri
Other Supplemental Information
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Vehicle and Equipment Capital Projects Fund
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment income	10,000	52,200	52,188	(12)
Total Revenues	<u>10,000</u>	<u>52,200</u>	<u>52,188</u>	<u>(12)</u>
EXPENDITURES				
Capital outlay:				
Culture and recreation	74,500	82,400	34,585	47,815
Highway and streets	286,000	397,600	350,186	47,414
Public safety	84,000	84,000	84,569	(569)
General government	50,000	55,250	55,229	21
Total Expenditures	<u>494,500</u>	<u>619,250</u>	<u>524,569</u>	<u>94,681</u>
Excess (deficiency) of revenues over (under) expenditures	(484,500)	(567,050)	(472,381)	94,669
OTHER FINANCING SOURCES (USES)				
Transfers in	1,944,355	1,789,355	1,789,355	-
Net change in fund balances	<u>\$ 1,459,855</u>	<u>1,222,305</u>	1,316,974	<u>94,669</u>
Fund balances - beginning			<u>155,000</u>	
Fund balances - ending			<u>\$ 1,471,974</u>	

CITY OF WASHINGTON
Other Supplemental Information
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006

	Agency Funds			
	Industrial Development Bonds			
	1977	1997 A	2005	Total
ASSETS				
Cash and cash investments	\$ 82,894	128,782	-	211,676
Total Assets	\$ 82,894	128,782	-	211,676
LIABILITIES				
Due to lessee	\$ 82,894	128,782	-	211,676
Total liabilities	\$ 82,894	128,782	-	211,676

CITY OF WASHINGTON
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended September 30, 2006

	<u>Balance October 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2006</u>
<u>Industrial Development Bonds of 1977</u>				
<u>Assets</u>				
Cash and cash investments	\$ 82,894	-	-	82,894
<u>Liabilities</u>				
Due to lessee	\$ 82,894	-	-	82,894
<u>Industrial G. O. Bonds of 1997, Series A</u>				
<u>Assets</u>				
Cash and cash investments	\$ 125,808	500,144	497,170	128,782
<u>Liabilities</u>				
Due to lessee	\$ 125,808	500,144	497,170	128,782
<u>Taxable Industrial Revenue Bonds (HBAS Manufacturing Inc Project), Series 2005</u>				
<u>ASSETS</u>				
Cash and cash investments	\$ -	12,824,437	12,824,437	-
<u>LIABILITIES</u>				
Due to lessee	\$ -	12,824,437	12,824,437	-
<u>Total - All Agency Funds</u>				
<u>ASSETS</u>				
Cash and cash investments	\$ 208,702	13,324,581	13,321,607	211,676
Total Assets	<u>\$ 208,702</u>	<u>13,324,581</u>	<u>13,321,607</u>	<u>211,676</u>
<u>LIABILITIES</u>				
Due to lessee	\$ 208,702	13,324,581	13,321,607	211,676
Total Liabilities	<u>\$ 208,702</u>	<u>13,324,581</u>	<u>13,321,607</u>	<u>211,676</u>

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

GENERAL FUND

SUMMARY OF REVENUES

<u>Period Ending</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-governmental</u>	<u>Charges for Services</u>	<u>Fines</u>	<u>All Others</u>	<u>Total</u>
9/30/06	\$ 6,852,090	243,598	611,465	969,263	148,638	349,095	9,174,149
9/30/05	6,378,761	222,720	608,187	741,767	150,953	216,929	8,319,317
9/30/04	6,100,614	210,587	954,487	619,151	121,324	118,127	8,124,290
9/30/03	5,743,629	190,504	1,711,941	606,124	107,211	137,891	8,497,300
9/30/02	5,537,977	223,941	1,252,224	563,260	145,600	259,551	7,982,553
9/30/01	5,517,341	188,912	888,066	530,983	133,318	386,890	7,645,510
9/30/00	4,998,427	193,838	900,945	462,199	129,976	378,909	7,064,294
9/30/99	4,590,992	200,342	642,542	434,172	114,992	317,393	6,300,433
9/30/98	4,414,596	235,818	703,684	311,739	79,746	2,213,493	7,959,076
9/30/97	3,962,327	203,059	976,532	316,638	76,880	92,363	5,627,799
9/30/96	3,858,278	205,184	1,265,858	244,501	85,158	287,930	5,946,909

SUMMARY OF EXPENDITURES

<u>Period Ending</u>	<u>Administration Department</u>	<u>Building and Maintenance Department</u>	<u>Police Department</u>	<u>Street Department</u>	<u>Engineering Department</u>	<u>Parks & Recreation Department</u>	<u>Airport Department</u>	<u>Total</u>
9/30/06	\$ 1,630,534	226,594	2,762,295	1,711,882	497,783	1,176,703	146,111	8,151,902
9/30/05	1,526,882	223,959	2,635,105	1,417,092	566,539	-	-	6,369,577
9/30/04	1,500,701	230,647	2,579,142	1,311,033	485,156	-	-	6,106,679
9/30/03	1,339,271	220,243	2,468,297	2,724,266	451,601	-	-	7,203,678
9/30/02	2,126,034	246,451	2,313,663	1,339,306	505,421	-	-	6,530,875
9/30/01	1,475,023	228,967	2,261,274	1,074,511	336,994	-	-	5,376,769
9/30/00	1,413,200	175,549	1,900,804	1,047,252	291,919	-	-	4,828,724
9/30/99	1,166,734	186,405	1,731,256	1,209,484	308,731	-	-	4,602,610
9/30/98	3,111,965	146,808	1,685,946	956,006	369,889	-	-	6,270,614
9/30/97	1,320,733	156,837	1,504,652	1,048,292	436,830	-	-	4,467,344
9/30/96	1,079,184	121,826	1,476,040	1,928,398	523,414	-	-	5,128,862

**CITY OF WASHINGTON
OTHER SUPPLEMENTAL INFORMATION**

	For the Fiscal Year Ended				
	2006	2005	2004	2003	2002
TAX RATE (per \$100 assessed valuation)	\$ 0.6049	\$ 0.6335	0.6335	0.5672	0.6296
ASSESSED VALUATION	281,019,086	237,452,759	228,169,605	217,809,847	212,891,878
PROPERTY TAXES LEVIED	1,578,851	1,409,752	1,354,690	1,120,421	1,225,867
PROPERTY TAXES COLLECTED	1,565,709	1,410,290	1,339,079	1,121,436	1,236,578
GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUATION	0.1%	0.7%	0.9%	1.2%	1.3

CITY OF WASHINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION

**Surety Bond Coverage For
Principal City Officials**

September 30, 2006

Treasurer

\$ 50,000

Insurance Coverage

At September 30, 2006, the City had insurance coverage of 100% of replacement value for buildings and contents and \$2,500,000 limit per occurrence for liability insurance.

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

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

Honorable Mayor and 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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

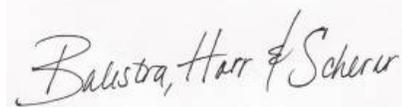
Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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



Balestra, Harr & Scherer, CPAs, Inc.
April 30, 2007

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SINGLE AUDIT REPORTS SECTION

CITY OF WASHINGTON, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Expenditures</u>
U.S. Department of Transportation			
Passed through Missouri Department of Transportation			
Highway Planning and Construction	20.205	STP-6403(604)	\$357,370
Highway Planning and Construction	20.205	STP-6400(618)	42,716
Highway Planning and Construction	20.205	STP-6403(605)	479,523
Airport Improvement Program	20.106	AIRE 035-54A	5,755
Passed through Central Missouri State University			
State & Community Highway Safety			
2006 STEP – DWI Enforcement	20.600	NA	921
2006 STEP - Seatbelt	20.600	NA	1,822
Passed through Missouri Department of Public Safety and Local Highway Safety			
State & Community Highway Safety			
Hazardous Moving Violations	20.600	06-PT-02-120	7,800
Alcohol Traffic Safety & Drunk Driving Prevention			
DWI Enforcement	20.601	06-J7-03-96	10,965
Youth Alcohol Enforcement	20.601	06-J7-03-97	4,992
Accident Software	20.601	06-TR-06-2	259
U.S. Department of the Interior			
Challenge Cost Share – Osage Project	15.642	NA	3,000
U.S. Department of Homeland Security			
Passed through Missouri Emergency Management Agency			
State Domestic Preparedness Equipment Support Program			
	97.004	FY2004-6642	3,800
Disaster Grants – Public Assistance	97.036	FEMA-3232-EM-MO	20,162
U.S. Department of Justice			
Bullet Proof Vest Partnership Program	16.607	NA	909
Passed through Missouri Department of Public Safety and Local Highway Safety			
Local Law Enforcement Block Grants	16.592	2005-LBGJ-102	<u>2,363</u>
Total Awards Expended			<u>\$942,357</u>

CITY OF WASHINGTON, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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.

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

Honorable Mayor and City Council
City of Washington, Missouri

Compliance

We have audited the compliance of the City of Washington, Missouri (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2006. The City's major federal program is 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 its major federal program 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 its major federal program for the year ended September 30, 2006.

Internal Control Over Compliance

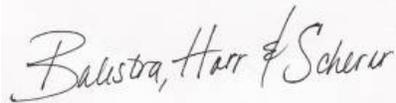
The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit we considered the City's internal control over compliance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

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.
April 30, 2007

CITY OF WASHINGTON, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. Summary of the auditors' results:

- A. The type of report issued on the basic financial statements of the auditee: Unqualified opinion.
- B. The audit of the basic financial statements did not disclose any reportable conditions in internal control.
- C. The audit did not disclose any noncompliance which is material to the basic 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: Highway Planning & Construction – CFDA # 20.205
- 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 basic 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