

CITY OF WASHINGTON, MISSOURI

FINANCIAL REPORT

(Audited)

Year Ended September 30, 2005

CITY OF WASHINGTON, MISSOURI
FINANCIAL REPORT

	Page
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	16
Statement of Activities	17
Balance Sheet – Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Fiduciary Net Assets	25
Notes to Basic Financial Statements	26
REQUIRED SUPPLEMENTAL INFORMATION	41
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	42
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Parks and Recreation Fund	44
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Airport Fund	45
OTHER SUPPLEMENTAL INFORMATION	46
Combining Balance Sheet – Nonmajor Governmental Funds	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	48
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Library Special Revenue Fund	49
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Volunteer Fire Company Special Revenue Fund	50
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Improvements Sales Tax Capital Projects Fund	51
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Leasehold Revenue Bonds Debt Service Fund	52
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Vehicle and Equipment Capital Projects Fund	53
Combining Statement of Fiduciary Net Assets	54
Statement of Changes in Assets and Liabilities - All Agency Funds	55
General Fund - Summary of Revenues	56
General Fund - Summary of Expenditures	56
Tax Rate, Assessed Valuation, Property Taxes Levied, Property Taxes Collected and General Obligation Bonded Debt to Assessed Valuation	57
Surety Bond Coverage for Principal City Officials	58

CITY OF WASHINGTON, MISSOURI
FINANCIAL REPORT

	Page
Insurance Coverage	58
INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS SECTION	59
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	60
SINGLE AUDIT REPORTS	61
Schedule of Expenditures of Federal Awards	62
Notes to Schedule of Expenditures of Federal Awards	63
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	64
Schedule of Findings and Questioned Costs	66
Summary Schedule of Prior Audit Findings	66

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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, 2005, 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, 2005, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.
March 31, 2006

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

**Management's Discussion and Analysis
Fiscal Year Ended September 30, 2005**

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, 2005. We encourage readers to consider the information presented here along with additional information in the notes to the financial statements and supplemental information section presented elsewhere in this report.

Financial Highlights

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

- The City's government-wide net assets increased \$7,198,237 or 16.1%. Governmental activities net assets increased \$6,520,158 while business-type activities net assets increased \$678,079.
- As of the close of the current fiscal year, the City of Washington's governmental funds reported combined ending fund balances of \$8,322,253, a decrease of \$1,643,403 in comparison with the prior year. The decrease largely due to construction of several infrastructure projects, the Public Safety Complex and Senior Center. Approximately \$743,034 is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,967,639 or 46.6 percent of total General Fund expenditures.
- In the General Fund, sales tax revenue failed budgetary projections by \$33,834 (1.0%). However, actual sales tax revenues increased 4.3% over fiscal year 2004 revenues.
- The runway expansion project at the city airport is complete. The total cost of this multi-year project is \$6,565,765, of which approximately 90 percent was funded by federal grants and the remaining 10 percent by the Capital Improvement Sales Tax Fund.
- The Senior Center, a project costing \$738,900, is completed.
- The City is in the process of the construction of a Public Safety Complex, estimated project cost is \$4.8 million.

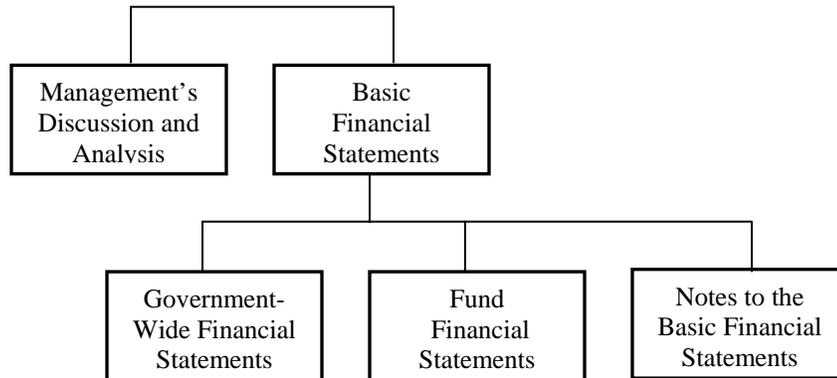
Overview of the Financial Statements

The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. These statements are prepared on a full accrual basis of accounting to present information in a more corporate-like presentation on individual parts of the government. More relevant detail is provided by distinct presentation of major funds in the basic financial statements, rather than summaries by total fund types.

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

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

Required Components of Annual Financial Report



Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Washington's finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole. Note, 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*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Washington is improving or deteriorating.

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

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

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

CITY OF WASHINGTON, MISSOURI MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

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

Governmental Funds

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

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

The City of Washington maintains eleven individual governmental funds. Due to similarity of purpose, the Self-Insurance Contingency Fund, the Washington Industrial Development Fund and the Stormwater Improvement Fund revenues and expenditures are reported in the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Parks and Recreation Fund, Airport Fund, Capital Improvements Sales Tax Fund, and Leasehold Revenue Bonds Debt Service Fund, all of which are considered to be major funds. Data from the other 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.

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

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

This is the third year the City of Washington has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Therefore, a comparative analysis of government-wide data is also included in this report.

As noted earlier, net assets may server over time as a useful indicator of the City's financial position. In the case of the City of Washington, assets exceeded liabilities by \$52,000,344 at the close of the most recent fiscal year.

Statement of Net Assets

On the following page, the table reflects the condensed statement of net assets as of September 30, 2005 and 2004. A review of the government-wide financial statement of net assets reveals the following:

Assets

Total assets for the City of Washington are \$58,015,060, an increase of 15.1percent in comparison to the previous fiscal year. The largest portion of these assets reflects its investment in capital assets, \$42,070,207, and \$15,944,853 represents cash and cash investments, receivables, prepaids, and other similar items.

Liabilities

Total liabilities for the City of Washington are \$6,014,716, an increase of seven percent in comparison to the previous fiscal year. Of these total liabilities, \$3,135,959 is long-term liabilities and \$2,878,757 is other

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

liabilities. The major reason for the increase in current liabilities is for accounts payable on the construction of the Public Safety Complex and several infrastructure projects. Long-term liabilities for governmental activities decreased as a result of principal payments for debt issued for major capital projects. Long-term liabilities increased in business-type activities as a result of closure cost liabilities for the landfill operation. The long-term liabilities for business-type activities are for debt issued for major capital projects, and closure and post-closure landfill care liability.

City of Washington's Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets						
Current and other assets	\$ 11,352,652	\$ 11,829,951	\$ 4,592,201	\$ 4,326,167	\$ 15,944,853	\$ 16,156,118
Capital assets, net	28,607,705	21,402,264	13,462,502	12,865,840	42,070,207	34,268,104
Total assets	<u>39,960,357</u>	<u>33,232,215</u>	<u>18,054,703</u>	<u>17,192,007</u>	<u>58,015,060</u>	<u>50,424,222</u>
Liabilities						
Long-term liabilities	685,534	1,238,115	2,450,425	2,240,251	3,135,959	3,478,366
Other liabilities	2,608,841	1,848,276	269,916	295,473	2,878,757	2,143,749
Total liabilities	<u>3,294,375</u>	<u>3,086,391</u>	<u>2,720,341</u>	<u>2,535,724</u>	<u>6,014,716</u>	<u>5,622,115</u>
Net Assets						
Invested in capital assets, net of related debt	28,607,705	21,402,264	12,910,727	12,241,765	41,518,432	33,644,029
Restricted	2,336,893	3,985,879	137,959	224,800	2,474,852	4,210,679
Unrestricted	5,721,384	4,757,681	2,285,676	2,189,718	8,007,060	6,947,399
Total net assets	<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

In 2005, the City of Washington government-wide total net assets is \$52,000,344 in comparison to \$44,802,107 in fiscal year 2004, an increase of 16.1%. This includes \$36,665,982 for governmental activities and \$15,334,362 for business-type activities.

At the end of 2005, the City had positive balances in all three of its categories of net assets

- \$41,518,432 Invested in capital assets, net of related debt
- 2,474,852 Restricted
- 8,007,060 Unrestricted

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

Restricted net assets for governmental activities are \$2,336,893 and business-type activities are \$137,959. Restricted net assets equal 4.8% 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*, \$8,007,060 (up 15.3% from 2004), which may be used to meet the City's ongoing obligations to citizens and creditors.

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

Statement of Activities

The following table reflects the revenues and expenses for the City's activities for the year ended September 30, 2005:

	City of Washington Changes in Net Assets					
	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 1,451,499	\$ 1,296,756	\$ 3,947,415	\$ 3,905,614	\$ 5,398,914	\$ 5,202,370
Operating grants and contributions	1,352,922	982,312	-	-	1,352,922	982,312
Capital Grants and contributions	5,362,513	3,561,738	400,205	411,475	5,762,718	3,973,213
General revenues:					-	-
Taxes	8,131,642	7,772,598	-	-	8,131,642	7,772,598
Investment earnings	235,722	133,112	127,141	71,422	362,863	204,534
Miscellaneous	5,493	-	45,041	53,545	50,534	53,545
Total revenues	<u>16,539,791</u>	<u>13,746,516</u>	<u>4,519,802</u>	<u>4,442,056</u>	<u>21,059,593</u>	<u>18,188,572</u>
Expenses:						
General government	1,861,917	1,906,000	-	-	1,861,917	1,906,000
Public safety	3,375,127	3,122,518	-	-	3,375,127	3,122,518
Airport	123,243	97,536	-	-	123,243	97,536
Highways and streets	2,787,179	1,779,304	-	-	2,787,179	1,779,304
Culture and recreation	1,507,396	1,472,036	-	-	1,507,396	1,472,036
Interest on long-term debt	70,005	80,766	-	-	70,005	80,766
Water	-	-	1,360,439	1,147,483	1,360,439	1,147,483
Sewage treatment	-	-	1,001,500	999,553	1,001,500	999,553
Solid Waste	-	-	1,774,550	1,455,805	1,774,550	1,455,805
Total expenses	<u>9,724,867</u>	<u>8,458,160</u>	<u>4,136,489</u>	<u>3,602,841</u>	<u>13,861,356</u>	<u>12,061,001</u>
Increase in net assets before transfers	6,814,924	5,288,356	383,313	839,215	7,198,237	6,127,571
Transfers	<u>(294,766)</u>	<u>(105,710)</u>	<u>294,766</u>	<u>105,710</u>	<u>-</u>	<u>-</u>
Increase in net assets	6,520,158	5,182,646	678,079	944,925	7,198,237	6,127,571
Net assets, October 1, 2004	30,145,824	24,963,178	14,656,283	13,711,358	44,802,107	38,674,536
Net assets, October 1, 2005	<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>

Program Revenues

For the year ending September 2005, the government-wide statement of activities indicates the major source of program revenues is capital grants and contributions.

The capital grants and contributions of \$5,762,718 account for 46 percent of all program revenues (\$12,514,554). The business-type activities account for seven percent and governmental activities account for the remaining 93 percent. Capital grants and contributions are higher than in the previous year due to the airport expansion grants and contributions by developers for infrastructure assets. Business-type activities capital grants and contributions consisted of donated water and sewer system lines by developers of residential and commercial tracts.

Charges for services increased \$196,544 (3.8 percent) in comparison to prior year. The business-type activities account for 73 percent of all charges for services. The Solid Waste operations reflect the largest portion of this increase as a result of our landfill location and increased traffic from private haulers. The remaining increase, in both governmental and business-type revenues, is due to the new construction occurring in the City.

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

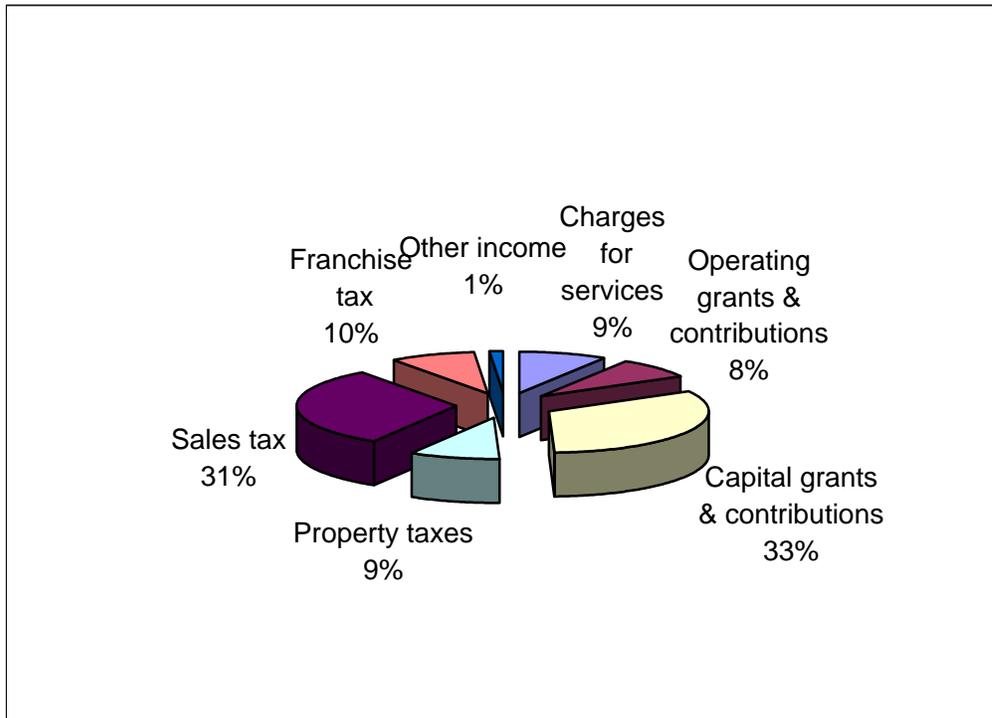
Operating grants and contributions account for 11 percent of program revenues. The amount of operating grants and contributions increased \$370,610 (38 percent) in comparison to 2004. The largest portion of these revenues was for street maintenance through an intergovernmental revenue source. The City does not expect to receive this amount annually. The balances of the operating revenues were intergovernmental grants for public safety.

General Revenues

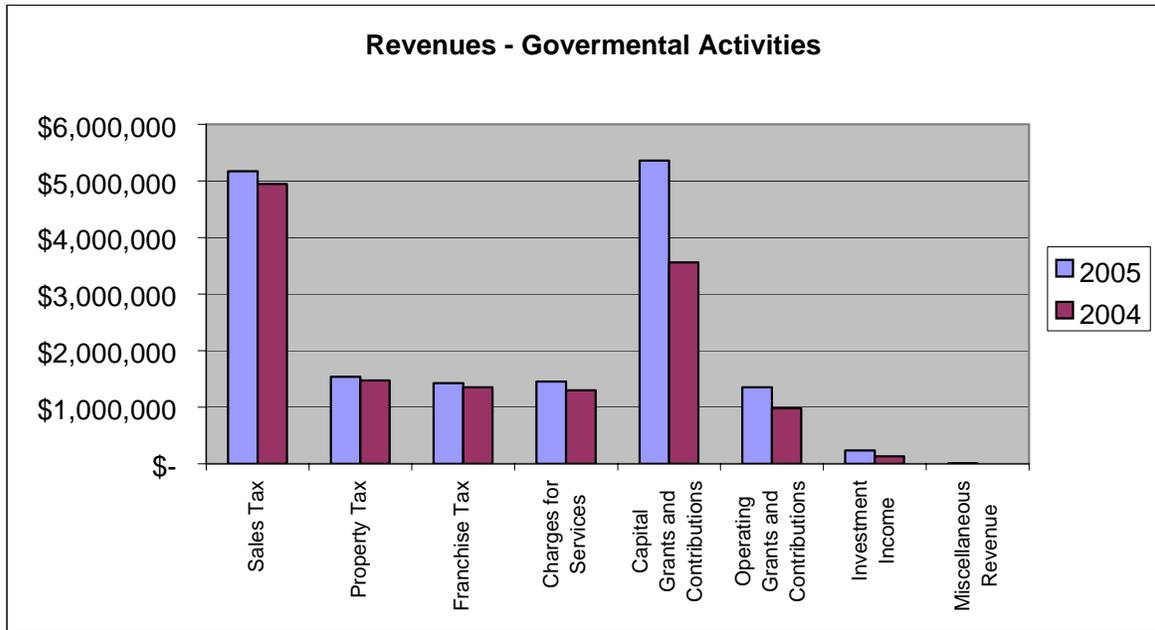
The single most significant source of all general revenues is sales taxes. It accounts for \$5,169,890 or 61% of total general revenues. Property taxes and the franchise tax are the next most significant revenues representing eighteen percent and seventeen percent, respectively. The remaining four percent is all other general revenue. The City of Washington continues to see sales tax revenue growth, but at slower rate. Sales tax revenues increased \$221,457 (4.5%) over the 2004 fiscal year revenues. Due to the present economic conditions, the staff continues to monitor the monthly sales tax reports provided by the state and local economic activity. Business-type general revenues consisted of investment earnings.

The City property tax levy was set at \$0.6335 being split between the general operating levy of \$0.5412 and the Library Tax levy of \$0.0923. The general operating tax levy, set at \$0.5412 per \$100 assessed valuation, is approximately a 10 percent reduction of the maximum allowed of \$0.6130. This was a reduction in property tax revenues of approximately \$157,431. This is the fourth year the City has elected to rollback the tax rate to a lower level.

Revenues by Source – Governmental Activities

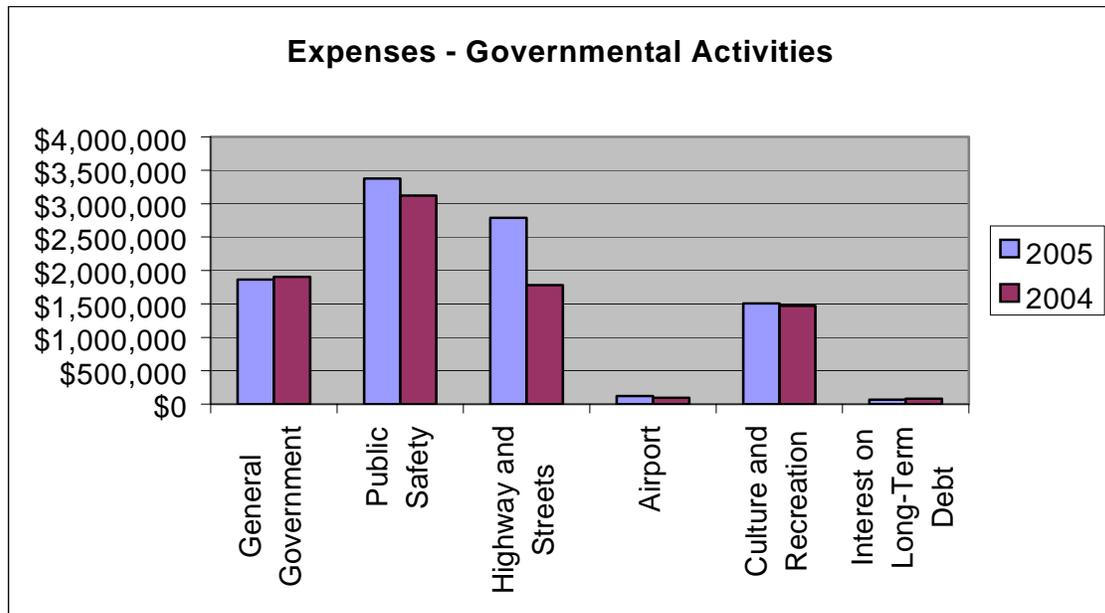


**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS**



Program Expenses

Total program (function) expenses for fiscal year 2005 are \$13,861,356, an increase of \$1,800,355 in comparison with the prior year. The largest program expense in the governmental activities is public safety at \$3,375,127 or 35% of all governmental activities. Highway and streets expenses reflect a large portion of the total increase in program costs because of contributions to public infrastructure projects (\$740,495). The fire department incurred \$168,400 to replace forty-one air masks to maintain safety standards.



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

Transfers

Net transfers were \$294,766 from governmental activities to business-type activities. These transfers were from General Fund to subsidize the curbside recycling and recycling center operations and the Capital Improvement Sales Tax Fund for water and sewer lines.

Net Assets

Government-wide activities of the City of Washington increased net assets by \$7,198,237 in comparison to the prior year.

Governmental activities increased the City's total net assets by \$6,520,158. Governmental activities reflect an increase of \$7,205,441 in its capital asset investment, used to provide the services of our citizens. Funds from the capital grants, contributions by developers and the continued sales tax growth limited the reduction of the restricted and unrestricted net assets by \$685,283. Departments continue to strive to find alternative funding and use the available resources responsibly.

Business-type activities increased total net assets by \$678,079. Investments in capital assets increased \$668,962 from the prior year. Capital assets contributions by developers of water and sewer lines represents \$400,205 of this growth. The remainder of the increase in net assets was generated by charges for services, investment earnings and other contributions.

Financial Analysis of the City's Major Funds

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

Governmental Funds

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

As the City completed the year, its governmental funds reported a combined fund balance of \$8,322,253, a decrease of \$1,643,403 from the prior year. The decrease is due to the spending down of reserves for Senior Center, Public Safety Complex, Vossbrink Drive, Vossbrink Drive & Highway 100 Interchange, Bieker Road reconstruction and several other road infrastructure projects.

The unreserved fund balance for the governmental funds is \$743,034, which represents resources for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$4,628,473), (2) non-current advances and loans (\$1,968,847), (3) inventory and prepaid expenses (\$711,903), (4) to pay debt service (\$269,996).

General Fund

The General Fund is the chief operating fund of the City of Washington. At the end of the current fiscal year, total fund balance of the General Fund was \$5,309,799, an increase of \$93,096 in comparison to the prior year.

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

Parks and Recreation Fund

The Parks and Recreation Fund is used to report the operations of park facilities and recreational activities. As of the close of the current fiscal year, total fund balance was \$248,819, an increase of \$98,146.

Airport

The Airport Fund is used to report the operations of the airport. The total fund balance at the end of the current fiscal year was \$65,617.

Capital Improvement Sales Tax

At the end of the current fiscal year, the total fund balance of this capital projects fund was \$1,496,897, a decrease of \$2,223,990. The decrease in fund balance was for various projects discussed earlier regarding the governmental funds fund balances.

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 both the solid waste operations and the sewerage treatment operations had a net income as a result of operations. The water distribution operations reflect a loss of \$203,998. Each of these funds did reflect an increase in net assets after consideration of non-operating revenues and capital contributions.

General Fund Budgetary Highlights

The final budget of the City's general fund expenditures was \$6,870,665, which differs from the original budget of \$6,500,815 by \$369,850. The supplemental appropriations are summarized as follows:

- ❖ \$96,650 allocated to support general government activities
- ❖ \$53,700 allocated to support public safety
- ❖ \$219,500 allocated to support highway and streets

- ❖ Revenues were originally estimated at \$8,096,455. This number was revised during the fiscal year to \$8,217,665, an increase of \$121,210. This reflects additional interest earnings, franchise tax revenues and state grant funds.

The General Fund ended the year with revenues exceeding expenditures of \$1,949,740. However, after net financing sources and uses (\$1,856,644), the net change in fund balance was \$93,096.

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

Capital Assets and Debt Administration

Capital Assets

The amount invested in capital assets for the City as of September 30, 2005, is \$42,070,207, net of accumulated depreciation. This amount includes infrastructure assets. The following chart breaks down the City's capital asset balance into the various categories of assets.

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

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 6,597,101	\$ 4,868,611	\$ 854,354	\$ 638,547	\$ 7,451,455	\$ 5,507,158
Infrastructure	4,617,131	3,102,752	-	-	4,617,131	3,102,752
Buildings	6,528,771	5,631,904	1,615,325	1,704,848	8,144,096	7,336,752
Improvements other than buildings	6,179,538	1,190,067	10,151,221	9,838,627	16,330,759	11,028,694
Machinery and equipment	2,048,019	2,066,281	622,414	603,302	2,670,433	2,669,583
Construction in progress	2,637,145	4,542,649	219,188	80,516	2,856,333	4,623,165
	\$ 28,607,705	\$ 21,402,264	\$ 13,462,502	\$ 12,865,840	\$ 42,070,207	\$ 34,268,104

Major Capital Asset Events FY2005

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

- Purchased machinery, equipment and vehicles for public safety, highway and streets, technology support, and building inspection.
- Purchased properties for roadway and utility easements
- Senior Center
- Completion of
 - Sunnyside Street Bridge, reconstruction
 - Bieker Road, widening and reconstruction
 - Restroom & Concession Stand at Ronsick Field
 - Ballfield and stand renovations at Ronsick Field
 - Airport runway expansion (increased from 3,200 feet to 5,000 feet)
- Construction continues on the following streets improvements:
 - South Point Road widening at Stonecrest area
 - Kingsland Avenue
 - Vossbrink Drive
 - Westlink Drive, reconstruction
 - Fifth Street reconstruction
- Construction of the Public Safety Complex
- Designing continue toward the expansion project of the sewage treatment plant or a new plant
- Water lines, sewer lines and infrastructure assets acquired through contributions by private developers

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

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

Debt Administration

The City's debt issues are discussed in the notes to the basic financial statements. During the fiscal year 2005, the City retired \$545,000 in Leasehold Revenue Bonds, leaving a principal balance of \$565,000. \$70,000 in Sewer Bonds of 2001B Series, leaving a principal balance of \$645,000. Compensated absences payables was \$153,332, a decrease of \$4,096.

Economic Outlook

The City of Washington continues to experience growth. In 2005, the Planning and Engineering Services Department approved approximately 490 building permits, relatively the same number as the prior year.

The Wal-Mart Corporation recently purchased a large parcel of land along the Highway 100 corridor to build a new Super Wal-Mart, replacing their old location. Construction is expected to start January 2006.

Harmon Becker Automotive Systems recently purchased a 23-acre tract in the industrial park and are constructing a facility expecting to cost approximately 26.2 million dollars. HBAS develops and manufactures automotive audio and infotainment systems.

In April 2005, the voters passed a ½-cent sales tax for the purpose 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 in the City limits from two lanes to four lanes. This tax is effective October 1, 2005 through June 30, 2030.

Budget for FY2006

Governmental Funds

The fiscal year 2006 annual budget for the governmental funds is \$18,849,770. This is a reduction of \$1,284,485 from the previous fiscal year 2005. This is a result of a smaller capital projects program for 2006.

Included in the budgeted revenue sources, \$5,000,000 Certificates of Participation to complete the financing of the Public Safety Complex under construction. These C.O.P. were issued in December 2005.

Estimated sales tax revenues for fiscal year 2006 for general fund is \$3,712,590, an increase of \$119,345 (3.3%) from the original fiscal year 2005 budget figures.

Retail sales increased 4.8 percent in 2005 in comparison to the prior year. Below is a chart of retail sales for the last ten years.

<u>Retail Sales</u>	
<u>Year</u>	<u>(Millions of Dollars)</u>
2005	\$ 323.1
2004	308.2
2003	297.5
2002	272.8
2001	261.5
2000	260.9
1999	239.5
1998	243.9
1997	216.8
1996	211.3

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

Enterprise Funds

Enterprise funds operations (net of depreciation) are planned at a cost of \$3,864,785, an increase of 11.7 percent as a result of personal services, benefit costs and other services. Capital acquisitions are planned to cost \$2,375,000.

Included are

- \$685,000 - improvements to the water system pump station, storage facilities and vehicle replacement
- \$955,000 – design phase for wastewater treatment plan, long –range plan and vehicle replacement
- \$735,000 – replacement trash truck, landfill compactor, recycling truck and construction of equipment shelter at recycling center

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, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash investments	\$ 5,738,050	3,103,676	8,841,726
Cash with agent	270,365	-	270,365
Accounts receivable, net of allowance	3,479,980	447,295	3,927,275
Loans receivable	1,694,891	-	1,694,891
Inventory	252,612	178,137	430,749
Prepaid items	459,291	85,671	544,962
Internal balances	(542,537)	542,537	-
Bond issue cost	-	11,424	11,424
Cash and cash investments - restricted	-	223,461	223,461
Non-depreciable capital assets:			
Land	6,597,101	854,354	7,451,455
Construction in progress	2,637,145	219,188	2,856,333
Depreciable capital assets, net:			
Infrastructure	4,617,131	-	4,617,131
Buildings	6,528,771	1,615,325	8,144,096
Improvements other than buildings	6,179,538	10,151,221	16,330,759
Machinery and equipment	2,048,019	622,414	2,670,433
Total Assets	<u>39,960,357</u>	<u>18,054,703</u>	<u>58,015,060</u>
LIABILITIES			
Accounts payable	2,357,726	89,463	2,447,189
Accrued wages	124,285	36,606	160,891
Deposits	112,705	58,345	171,050
Accrued interest payable	14,125	-	14,125
Liabilities payable from restricted assets	-	85,502	85,502
Noncurrent liabilities:			
Due within one year	587,493	10,253	597,746
Due in more than one year	98,041	2,440,172	2,538,213
Total Liabilities	<u>3,294,375</u>	<u>2,720,341</u>	<u>6,014,716</u>
NET ASSETS			
Invested in capital assets, net of related debt	28,607,705	12,910,727	41,518,432
Restricted for:			
Capital projects	2,066,897	-	2,066,897
Debt service	269,996	137,959	407,955
Unrestricted	5,721,384	2,285,676	8,007,060
Total Net Assets	<u>\$ 36,665,982</u>	<u>15,334,362</u>	<u>52,000,344</u>

CITY OF WASHINGTON, MISSOURI
Statement of Activities
For the Year Ended September 30, 2005

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 1,861,917	491,685	32,451	20,000	(1,317,781)	-	(1,317,781)
Public safety	3,375,127	435,562	313,675	13,888	(2,612,002)	-	(2,612,002)
Airport	123,243	70,017	-	3,442,949	3,389,723	-	3,389,723
Highways and streets	2,787,179	215,693	950,236	1,785,676	164,426	-	164,426
Culture and recreation	1,507,396	238,542	56,560	100,000	(1,112,294)	-	(1,112,294)
Interest on long-term debt	70,005	-	-	-	(70,005)	-	(70,005)
Total governmental activities	9,724,867	1,451,499	1,352,922	5,362,513	(1,557,933)	-	(1,557,933)
Business-type activities							
Water	1,360,439	1,156,441	-	213,759	-	9,761	9,761
Sewer	1,001,500	992,653	-	186,446	-	177,599	177,599
Solid Waste	1,774,550	1,798,321	-	-	-	23,771	23,771
Total business-type activities	4,136,489	3,947,415	-	400,205	-	211,131	211,131
Total primary government	\$ 13,861,356	5,398,914	1,352,922	5,762,718	(1,557,933)	211,131	(1,346,802)
General revenues:							
Taxes							
Property taxes					1,538,475	-	1,538,475
Sales tax					5,169,890	-	5,169,890
Franchise tax					1,423,277	-	1,423,277
Grants and contributions not restricted to specific programs					-	45,041	45,041
Investment earnings					235,722	127,141	362,863
Gain on sale of capital assets					5,493	-	5,493
Transfers					(294,766)	294,766	-
Total general revenues and separate line items					8,078,091	466,948	8,545,039
Changes in net assets					6,520,158	678,079	7,198,237
Net assets - beginning					30,145,824	14,656,283	44,802,107
Net assets - ending					\$ 36,665,982	15,334,362	52,000,344

CITY OF WASHINGTON, MISSOURI
Balance Sheet
Governmental Funds
September 30, 2005

	<u>General</u>	<u>Parks And Recreation</u>	<u>Airport</u>	<u>Capital Improvements Sales Tax</u>	<u>Leasehold Revenue Bonds Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash investments	\$ 3,174,830	208,615	292,440	1,175,851	1,918	884,396	5,738,050
Cash with agent	2,287	-	-	-	268,078	-	270,365
Accounts receivable, net of allowance	967,628	20,881	590,223	1,894,872	-	6,376	3,479,980
Loans receivable	1,694,891	-	-	-	-	-	1,694,891
Inventory	231,499	21,113	-	-	-	-	252,612
Prepaid items	337,725	42,176	6,931	-	-	72,459	459,291
Advance to other funds	-	-	-	273,956	-	-	273,956
Total Assets	<u>\$ 6,408,860</u>	<u>292,785</u>	<u>889,594</u>	<u>3,344,679</u>	<u>269,996</u>	<u>963,231</u>	<u>12,169,145</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 356,631	27,559	516,717	1,432,782	-	24,037	2,357,726
Accrued wages	104,744	11,472	-	-	-	8,069	124,285
Deposits	108,145	4,560	-	-	-	-	112,705
Advance from other funds	509,233	-	307,260	-	-	-	816,493
Deferred revenue	20,308	375	-	415,000	-	-	435,683
Total Liabilities	<u>1,099,061</u>	<u>43,966</u>	<u>823,977</u>	<u>1,847,782</u>	<u>-</u>	<u>32,106</u>	<u>3,846,892</u>
Fund Balances							
Reserved for:							
Prepaid items	337,725	42,176	6,931	-	-	72,459	459,291
Inventory	231,499	21,113	-	-	-	-	252,612
Encumbrances	78,045	8,029	1,974	4,482,382	-	58,043	4,628,473
Advances	-	-	-	273,956	-	-	273,956
Loans	1,694,891	-	-	-	-	-	1,694,891
Debt service	-	-	-	-	269,996	-	269,996
Unreserved, reported in:							
General fund	2,967,639	-	-	-	-	-	2,967,639
Special revenue funds	-	177,501	56,712	-	-	701,323	935,536
Capital projects fund	-	-	-	(3,259,441)	-	99,300	(3,160,141)
Total Fund Balances	<u>5,309,799</u>	<u>248,819</u>	<u>65,617</u>	<u>1,496,897</u>	<u>269,996</u>	<u>931,125</u>	<u>8,322,253</u>
Total Liabilities and Fund Balances	<u>\$ 6,408,860</u>	<u>292,785</u>	<u>889,594</u>	<u>3,344,679</u>	<u>269,996</u>	<u>963,231</u>	<u>12,169,145</u>

CITY OF WASHINGTON, MISSOURI
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2005

Total fund balances - governmental funds	\$	8,322,253
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements. This is amount by which capital outlays (\$39,095,491) exceed accumulated depreciation (\$10,487,786).		28,607,705
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		435,683
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Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities at year-end consist of:

Accrued interest payable		(14,125)
Bond payable		(565,000)
Accrued compensated absences payable		(120,534)

Net assets of governmental activities	\$	<u>36,665,982</u>
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CITY OF WASHINGTON, MISSOURI
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2005

	<u>General</u>	<u>Parks and Recreation</u>	<u>Airport</u>	<u>Capital Improvements Sales Tax</u>	<u>Leasehold Revenue Bonds Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes:							
Property taxes	\$ 1,401,073	-	-	-	-	137,402	1,538,475
Sales taxes	3,554,411	-	-	1,615,479	-	-	5,169,890
Franchise tax	1,423,277	-	-	-	-	-	1,423,277
Licenses and permits	222,720	-	-	-	-	-	222,720
Fees and fines	150,953	-	-	-	-	31,132	182,085
Intergovernmental	608,187	-	3,442,948	879,293	-	266,044	5,196,472
Charges for services	741,767	198,802	3,362	-	-	8,041	951,972
Rents	26,242	4,400	66,656	-	-	6,364	103,662
Contributions and donations	38,251	17,075	-	110,000	-	30,016	195,342
Investment income	152,436	5,345	2,594	47,893	5,577	21,877	235,722
Other	-	-	-	-	-	-	-
Total Revenues	<u>8,319,317</u>	<u>225,622</u>	<u>3,515,560</u>	<u>2,652,665</u>	<u>5,577</u>	<u>500,876</u>	<u>15,219,617</u>
EXPENDITURES							
Current:							
General government	1,683,480	-	-	15,692	-	-	1,699,172
Public safety	2,543,298	-	-	-	-	553,615	3,096,913
Highways and streets	1,842,138	-	-	712,203	-	-	2,554,341
Airport	-	-	87,802	-	-	-	87,802
Culture and recreation	-	1,074,756	-	-	-	285,060	1,359,816
Debt service:							
Principal	-	-	-	-	545,000	-	545,000
Interest expense and fiscal charges	27,100	-	-	-	42,383	-	69,483
Capital outlay:							
General government	40,261	-	-	1,449,487	-	-	1,489,748
Public safety	91,807	-	-	-	-	104,036	195,843
Highways and streets	141,493	-	-	1,152,261	-	-	1,293,754
Airport	-	-	3,635,239	-	-	-	3,635,239
Culture and recreation	-	-	-	595,653	-	-	595,653
Water system	-	-	-	13,500	-	-	13,500
Sanitary sewer system	-	-	-	132,839	-	-	132,839
Total Expenditures	<u>6,369,577</u>	<u>1,074,756</u>	<u>3,723,041</u>	<u>4,071,635</u>	<u>587,383</u>	<u>942,711</u>	<u>16,769,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,949,740</u>	<u>(849,134)</u>	<u>(207,481)</u>	<u>(1,418,970)</u>	<u>(581,806)</u>	<u>(441,835)</u>	<u>(1,549,486)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	30,320	947,280	273,755	-	586,810	759,902	2,598,067
Transfers out	(1,892,457)	-	-	(805,020)	-	-	(2,697,477)
Sale of capital assets	5,493	-	-	-	-	-	5,493
Total other financing sources (uses)	<u>(1,856,644)</u>	<u>947,280</u>	<u>273,755</u>	<u>(805,020)</u>	<u>586,810</u>	<u>759,902</u>	<u>(93,917)</u>
Net change in fund balances	93,096	98,146	66,274	(2,223,990)	5,004	318,067	(1,643,403)
Fund balances - beginning	5,216,703	150,673	(657)	3,720,887	264,992	613,058	9,965,656
Fund balances - ending	<u>\$ 5,309,799</u>	<u>248,819</u>	<u>65,617</u>	<u>1,496,897</u>	<u>269,996</u>	<u>931,125</u>	<u>8,322,253</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 \$ (1,643,403)

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 (\$7,161,218) exceeded depreciation (\$797,894) in the current period. 6,363,324

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 406,061

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net assets. 842,117

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

Repayments:		
Bonds payable	545,000	
Compensated absences	7,581	
Net Adjustment	552,581	552,581

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. (522)

Change In Net Assets Of Governmental Activities \$ 6,520,158

CITY OF WASHINGTON, MISSOURI
Statement of Net Assets
Proprietary Funds
September 30, 2005

	Business-type Activities - Enterprise Funds			
	Water	Sewage Treatment	Solid Waste	Total
ASSETS				
Current assets:				
Cash and cash investments	\$ 836,573	618,652	1,648,451	3,103,676
Accounts receivable (net of allowance where applicable)	164,872	121,567	160,856	447,295
Inventory	159,901	18,236	-	178,137
Advance to other funds	599,233	-	-	599,233
Prepaid items	26,851	29,878	28,942	85,671
Total current assets	<u>1,787,430</u>	<u>788,333</u>	<u>1,838,249</u>	<u>4,414,012</u>
Noncurrent assets:				
Cash and cash investments-restricted	-	223,461	-	223,461
Capital assets:				
Land	67,762	741,592	45,000	854,354
Buildings	1,951,796	3,349,909	61,702	5,363,407
Improvements non-buildings	4,663,858	7,439,299	2,381,877	14,485,034
Machinery and equipment	831,667	323,721	1,195,743	2,351,131
Construction in progress	193,280	25,908	-	219,188
Less accumulated depreciation	(2,961,323)	(5,220,477)	(1,628,812)	(9,810,612)
Total noncurrent assets	<u>4,747,040</u>	<u>6,883,413</u>	<u>2,055,510</u>	<u>13,685,963</u>
Total assets	<u>6,534,470</u>	<u>7,671,746</u>	<u>3,893,759</u>	<u>18,099,975</u>
LIABILITIES				
Current liabilities:				
Accounts payable	38,445	18,030	32,988	89,463
Accrued wages	13,609	7,572	15,425	36,606
	<u>52,054</u>	<u>25,602</u>	<u>48,413</u>	<u>126,069</u>
Payable from restricted assets:				
Bonds payable-current installments	-	75,000	-	75,000
Accrued interest payable	-	10,502	-	10,502
	<u>-</u>	<u>85,502</u>	<u>-</u>	<u>85,502</u>
Total current liabilities	<u>52,054</u>	<u>111,104</u>	<u>48,413</u>	<u>211,571</u>
Noncurrent liabilities:				
Revenue bonds payable	-	570,000	-	570,000
Less-Unamortized bond issuance costs	-	(11,424)	-	(11,424)
Less-Unamortized bond discount	-	(6,801)	-	(6,801)
Customer deposits	30,620	27,725	-	58,345
Advance from other funds	-	-	56,696	56,696
Landfill care liability	-	-	1,854,428	1,854,428
Compensated absences payable	13,976	6,552	12,270	32,798
Total noncurrent liabilities	<u>44,596</u>	<u>586,052</u>	<u>1,923,394</u>	<u>2,554,042</u>
Total liabilities	<u>96,650</u>	<u>697,156</u>	<u>1,971,807</u>	<u>2,765,613</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,747,040	6,108,177	2,055,510	12,910,727
Restricted for debt service	-	137,959	-	137,959
Unrestricted	1,690,780	728,454	(133,558)	2,285,676
Total net assets	<u>\$ 6,437,820</u>	<u>6,974,590</u>	<u>1,921,952</u>	<u>15,334,362</u>

CITY OF WASHINGTON, MISSOURI
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2005

	Business-type Activities - Enterprise Funds			
	Water	Sewage Treatment	Solid Waste	Total
OPERATING REVENUES				
Charges of sales and services	\$ 1,156,441	992,653	1,798,321	3,947,415
OPERATING EXPENSES				
Personal services	490,600	260,344	535,818	1,286,762
Purchased services	355,024	322,370	966,736	1,644,130
Supplies	309,071	136,208	91,999	537,278
Depreciation	205,744	230,695	179,997	616,436
Total operating expenses	<u>1,360,439</u>	<u>949,617</u>	<u>1,774,550</u>	<u>4,084,606</u>
Operating income (loss)	<u>(203,998)</u>	<u>43,036</u>	<u>23,771</u>	<u>(137,191)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	34,143	49,770	43,228	127,141
Miscellaneous revenue	34,691	10,350	-	45,041
Interest and fiscal charges	-	(51,883)	-	(51,883)
Total nonoperating revenues (expenses)	<u>68,834</u>	<u>8,237</u>	<u>43,228</u>	<u>120,299</u>
Income (loss) before contributions and transfers	(135,164)	51,273	66,999	(16,892)
Capital contributions	323,321	272,240	-	595,561
Transfers in	-	-	129,730	129,730
Transfers out	(20,660)	(9,660)	-	(30,320)
Total contributions and transfers	<u>302,661</u>	<u>262,580</u>	<u>129,730</u>	<u>694,971</u>
Change in net assets	167,497	313,853	196,729	678,079
Net assets - beginning	<u>6,270,323</u>	<u>6,660,737</u>	<u>1,725,223</u>	<u>14,656,283</u>
Net assets - ending	<u>\$ 6,437,820</u>	<u>6,974,590</u>	<u>1,921,952</u>	<u>15,334,362</u>

CITY OF WASHINGTON, MISSOURI
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2005

	Business-type Activities - Enterprise Funds			
	Water	Sewage Treatment	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,138,137	989,689	1,811,580	3,939,406
Payments to suppliers	(720,908)	(464,540)	(794,286)	(1,979,734)
Payment for employees and benefits	(485,807)	(259,317)	(529,990)	(1,275,114)
Net cash provided by operating activities	<u>(68,578)</u>	<u>265,832</u>	<u>487,304</u>	<u>684,558</u>
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES				
Advances and transfers	297,443	(9,660)	129,730	417,513
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(230,037)	(239,076)	(149,380)	(618,493)
Principal paid on capital debt	-	(70,000)	(223,885)	(293,885)
Interest paid on capital debt	-	(50,312)	-	(50,312)
Net cash (used) by capital and related financing activities	<u>(230,037)</u>	<u>(359,388)</u>	<u>(373,265)</u>	<u>(962,690)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	34,143	49,770	43,228	127,141
Other receipts (payments)	35,647	10,350	-	45,997
Increase in restricted assets	-	82,970	-	82,970
Net cash provided by investing activities	<u>69,790</u>	<u>143,090</u>	<u>43,228</u>	<u>256,108</u>
Net increase (decrease) in cash and cash equivalents	68,618	39,874	286,997	395,489
Balances - beginning of the year	767,955	578,778	1,361,454	2,708,187
Balances - end of the year	<u>\$ 836,573</u>	<u>618,652</u>	<u>1,648,451</u>	<u>3,103,676</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (203,998)	43,036	23,771	(137,191)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	205,744	230,695	179,997	616,436
(Increase) decrease in:				
Receivables, net	(18,034)	(4,069)	13,259	(8,844)
Inventories	(23,534)	1,182	-	(22,352)
Prepays	(6,524)	(4,941)	(6,765)	(18,230)
Increase (decrease) in:				
Accounts payable	(26,755)	(2,203)	(9,468)	(38,426)
Landfill care liability	-	-	280,682	280,682
Customer deposits	(270)	1,105	-	835
Other liabilities	4,793	1,027	5,828	11,648
Net cash provided by operating activities	<u>\$ (68,578)</u>	<u>265,832</u>	<u>487,304</u>	<u>684,558</u>
Noncash capital financing activities:				
Contributions of capital assets	\$ 323,321	272,240	-	595,561

CITY OF WASHINGTON
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and cash investments	\$ 208,702
Total Assets	<u>\$ 208,702</u>
LIABILITIES	
Due to lessee	\$ 208,702
Total liabilities	<u>\$ 208,702</u>

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

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

B. Government-Wide and Fund Financial Accounting

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

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

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

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

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

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

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

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

Governmental Funds

The City reports the following major governmental funds:

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

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

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

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

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

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

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	5-12
Utility systems	50
Infrastructure	20-40

7. Compensated Absences

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

8. Long-term Obligations

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

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

9. Encumbrances

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

10. Fund Equity

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

11. Net Assets

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

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

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

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

12. Capital Contributions

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

E. Use of Estimates

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

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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 \$7,961,714 and the bank balance was \$8,780,840. \$275,693 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 \$8,504,986 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, 2005, the City had the following investments:

	Fair Market Value	No Maturity	6-10 Years	More Than 10 Years	Credit Risk
Money Market Accounts	\$ 476,780	476,780	-	-	Not Rated
Repurchase Agreements	860,032	860,032	-	-	AAA
Guaranteed Investment Contracts	<u>33,691</u>	<u>-</u>	<u>18,750</u>	<u>14,941</u>	Not Rated
Total Investments	<u>\$1,370,503</u>	<u>\$1,336,812</u>	<u>\$ 18,750</u>	<u>\$ 14,941</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	\$9,332,217	\$ -
Investments:		
Money Market Accounts	(476,780)	476,780
Repurchase Agreements	(860,032)	860,032
Collateralized Investments	<u>(33,691)</u>	<u>33,691</u>
GASB Statement 3	<u>\$7,961,714</u>	<u>\$1,370,503</u>

B. Receivables

Receivables as of September 30, 2005, for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

	Governmental Activities					Business-type Activities			Total
	General	Parks and Recreation	Airport	Capital Improvements Sales Tax	Nonmajor Governmental Funds	Water	Sewage Treatment	Solid Waste	
Receivables:									
Accrued interest	\$ 9,955	969	267	3,619	2,065	2,204	2,347	5,433	26,859
Taxes	848,443	-	-	212,102	2,759	-	-	-	1,063,304
Accounts	53,538	19,975	2	-	30	162,736	119,220	161,980	517,481
Intergovernmental	49,681	-	589,954	1,679,151	2,599	-	-	-	2,321,385
Special assessments	16,936	-	-	-	-	-	-	-	16,936
Gross receivables	978,553	20,944	590,223	1,894,872	7,453	164,940	121,567	167,413	3,945,965
Less: Allowance for uncollectibles	(10,925)	(63)	-	-	(1,077)	(68)	-	(6,557)	(18,690)
Total receivables, net	<u>\$ 967,628</u>	<u>20,881</u>	<u>590,223</u>	<u>1,894,872</u>	<u>6,376</u>	<u>164,872</u>	<u>121,567</u>	<u>160,856</u>	<u>3,927,275</u>

Capital Assets

Following is a summary of changes in capital assets – governmental activities for the year ended September 30, 2005:

	Balance at October 1, 2004	Increases	Decreases	Balance at September 30, 2005
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,868,611	1,728,490	-	6,597,101
Construction in progress	4,542,649	1,853,535	(3,759,039)	2,637,145
Total capital assets, not being depreciated	<u>9,411,260</u>	<u>3,582,025</u>	<u>(3,759,039)</u>	<u>9,234,246</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	3,150,213	1,608,294	-	4,758,507
Buildings	10,556,517	1,159,025	(163,542)	11,552,000
Improvements other than buildings	2,516,584	5,099,491	(60,002)	7,556,073
Machinery and equipment	5,834,085	402,975	(242,395)	5,994,665
Total capital assets being depreciated	<u>22,057,399</u>	<u>8,269,785</u>	<u>(465,939)</u>	<u>29,861,245</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	(47,461)	(93,915)	-	(141,376)
Buildings	(4,924,613)	(226,129)	127,513	(5,023,229)
Improvements other than buildings	(1,326,517)	(95,170)	45,152	(1,376,535)
Machinery and equipment	(3,767,804)	(382,680)	203,838	(3,946,646)
Total accumulated depreciation	<u>(10,066,395)</u>	<u>(797,894)</u>	<u>376,503</u>	<u>(10,487,786)</u>
Total capital assets, net	<u>\$ 21,402,264</u>	<u>11,053,916</u>	<u>(3,848,475)</u>	<u>28,607,705</u>

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance at October 1, 2004	<u>Increases</u>	<u>Decreases</u>	Balance at September 30, 2005
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 638,547	215,807	-	854,354
Construction in progress	<u>80,516</u>	<u>185,480</u>	<u>(46,808)</u>	<u>219,188</u>
Total capital assets, not being depreciated	<u>719,063</u>	<u>401,287</u>	<u>(46,808)</u>	<u>1,073,542</u>
<i>Capital assets being depreciated:</i>				
Buildings	5,363,407	-	-	5,363,407
Improvements other than buildings	13,807,154	679,792	(1,912)	14,485,034
Machinery and equipment	<u>2,171,348</u>	<u>179,783</u>	<u>-</u>	<u>2,351,131</u>
Total capital assets being depreciated	<u>21,341,909</u>	<u>859,575</u>	<u>(1,912)</u>	<u>22,199,572</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(3,658,559)	(89,523)	-	(3,748,082)
Improvements other than buildings	(3,968,527)	(366,242)	956	(4,333,813)
Machinery and equipment	<u>(1,568,046)</u>	<u>(160,671)</u>	<u>-</u>	<u>(1,728,717)</u>
Total accumulated depreciation	<u>(9,195,132)</u>	<u>(616,436)</u>	<u>956</u>	<u>(9,810,612)</u>
Total capital assets, net	<u>\$ 12,865,840</u>	<u>644,426</u>	<u>(47,764)</u>	<u>13,462,502</u>

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

Governmental activities:	
General government	\$ 157,935
Public safety	258,399
Airport	15,965
Highway and streets	225,788
Culture and recreation	<u>139,807</u>
Total depreciation expense - governmental activities	<u>\$ 797,894</u>
Business-type activities:	
Water	205,744
Sewerage Treatment	230,695
Solid Waste	<u>179,997</u>
Total depreciation expense - business-type activities	<u>\$ 616,436</u>

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

D. Interfund Receivables, Payables, and Transfers

The individual interfund balances as of September 30, 2005, are as follows:

Advances from/to other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Water	General	\$ 509,233
Water	Airport	90,000
Capital Improvements Sales Tax	Airport	217,260
Capital Improvements Sales Tax	Solid Waste	<u>56,696</u>
Total		<u><u>873,189</u></u>

Individual interfund transfers for fiscal year-ended September 30, 2005, are as follows:

	Transfer In:						
	<u>General Fund</u>	<u>Parks and Recreation</u>	<u>Airport</u>	<u>Leasehold Revenue Bonds Debt Service</u>	<u>Solid Waste</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Transfer out:							
General Fund	\$ -	\$ 947,280	\$ 55,545	\$ -	\$ 129,730	\$ 759,902	\$ 1,892,457
Capital Improvements Sales Tax	-	-	218,210	586,810	-	-	805,020
Water	20,660	-	-	-	-	-	20,660
Sewage Treatment	9,660	-	-	-	-	-	9,660
Total transfers out	<u>\$ 30,320</u>	<u>\$ 947,280</u>	<u>\$ 273,755</u>	<u>\$ 586,810</u>	<u>\$ 129,730</u>	<u>\$ 759,902</u>	<u>\$ 2,727,797</u>

E. Long-term Debt

Bonds Payable

Bonds payable were comprised of the following:

Governmental activities:

September 30, 2005

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

\$565,000

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%

\$645,000

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

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

<u>For the Years Ended</u> <u>September 30</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 565,000	21,187	75,000	42,008
2007	-	-	80,000	37,170
2008	-	-	85,000	32,010
2009	-	-	90,000	26,527
2010	-	-	100,000	20,633
2011-2012	-	-	215,000	21,287
Total	<u>\$ 565,000</u>	<u>21,187</u>	<u>645,000</u>	<u>179,635</u>

Changes in Long-term Liabilities

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

	<u>Balance at</u> <u>October 1</u> <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>September 30</u> <u>2005</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
L.R. Bonds payable	\$1,110,000	-	(545,000)	565,000	565,000
Compensated absences payable	<u>128,115</u>	<u>-</u>	<u>(7,581)</u>	<u>120,534</u>	<u>22,493</u>
Governmental activities - long-term liabilities	<u>\$1,238,115</u>	<u>-</u>	<u>(552,581)</u>	<u>685,534</u>	<u>587,493</u>
Business-type activities:					
Revenue Bonds payable	\$ 715,000	-	(70,000)	645,000	75,000
Less: issuance and discounts	<u>(7,808)</u>	<u>-</u>	<u>1,007</u>	<u>(6,801)</u>	<u>-</u>
Total bonds payable	<u>707,192</u>	<u>-</u>	<u>(68,993)</u>	<u>638,199</u>	<u>75,000</u>
Compensated absences payable	29,313	3,485	-	32,798	10,253
Landfill care liability	<u>1,573,746</u>	<u>280,682</u>	<u>-</u>	<u>1,854,428</u>	<u>-</u>
Business-type activities - long-term liabilities	<u>\$2,310,251</u>	<u>284,167</u>	<u>(68,993)</u>	<u>2,525,425</u>	<u>85,253</u>

The amount due within one year above includes \$75,000 which is reported as part of liabilities payable from restricted assets in the Statement of Net Assets.

F. Fund Equity – General Fund

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

	<u>September 30, 2005</u>
General Fund	\$3,334,096
Washington Industrial Development Fund	(1,282,360)
Stormwater Management Improvement Fund	809,496
Self-Insurance Contingency Fund	<u>106,407</u>
	<u>\$2,967,639</u>

IV. OTHER INFORMATION

A. Employee Retirement Systems and Pension Plans

Deferred Compensation Plan

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

Pension Plan

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

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

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

1. Funding Policy

The City of Washington’s full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 11.6% (general) and 10.2% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

2. Annual Pension Cost

For 2005, the City's annual pension cost of \$481,120 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2003 and/or February 29, 2004 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit; (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2005 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
2005	\$481,120	100%	\$ -
2004	445,109	100	-
2003	418,562	100	-

Schedule of Funding Progress follows:

For The Actuarial Valuation Years Ended February 28/29	Actuarial Value Of Assets	Entry Age Actuarial Accrued Liability	Excess Of Assets Over (Unfunded) AAL
2005	\$8,494,730	\$9,930,688	(\$1,435,958)
2004	8,772,658	9,848,921	(1,076,263)
2003	8,284,200	9,319,883	(1,035,683)

For The Actuarial Valuation Years Ended February 28/29	Funded Ratio	Annual Covered Payroll	Excess Of Assets Over (Unfunded) AAL As A Percentage Of Covered Payroll
2005	86%	\$4,185,314	(34)%
2004	89	3,846,357	(28)
2003	89	3,803,155	(27)

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

B. Risk Management

The City is a member of the Missouri Intergovernmental Risk Management Association, which is a jointly self-funded insurance program consisting solely of Missouri municipalities. The MIRMA assesses each participant in the program based upon past experience of the group. The MIRMA purchases excess insurance coverage in the event of significant losses by participants in the program. The assessment for the coverage period July 1, 2005 through June 30, 2006 was \$450,459. There are no claims estimated to exceed policy limits as of September 30, 2005. The City has not recorded any liability for future potential losses in the accompanying financial statements based upon the above information provided by MIRMA. The City has set up a Self-Insurance Contingency Fund to cover any future losses. The fund balance in the fund at September 30, 2004 was \$106,407.

C. Closure and Post-Closure Care Cost

State and Federal laws and regulations required the City to place a final cover on its Steutermann and Struckhoff landfill sites when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,854,428 reported as landfill care liability at September 30, 2005, 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 26 percent of the estimated capacity of the Struckhoff landfill. The landfill capacity was revised in fiscal 2002 to 1,767,900 cubic yards, an increase in capacity of 112,900 cubic yards because of improved compaction methods. The City will recognize the remaining estimated cost of closure and post-closure care of \$6.1 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2004. Actual cost may be higher due to inflation, changes in technology and/or changes in regulations.

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

D. Conduit Debt

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

September 30, 2005

\$2,910,000 General Obligation Industrial Refunding Bonds (Series 1997 A), due in annual installments through June 1, 2009; interest payable at 4.7% to 5.5%.	\$1,170,000
\$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>590,000</u>
	<u>\$1,760,000</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.

CITY OF WASHINGTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

In December 2005, the City Council authorized and issued Certificates of Participation, Series 2005, principal amount of \$5,000,000 for the purpose of providing funds to pay the costs of developing, constructing and equipping a Public Safety Complex for the City of Washington. They mature serially on each December 1 from December 1, 2006 through December 1, 2015.

Budgetary Information

The City follows these procedures in establishing the budgetary data:

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

Excess Expenditures Over Appropriations

The following departments and/or funds exceeded budgeted expenditures.

	For The Year Ended September 30, 2005		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Executive department	\$ 684,905	693,236	8,331
Engineering, Inspection, Planning	511,415	554,298	42,883
Library department	275,380	285,060	9,680
Volunteer Fire Co. department	462,710	553,615	90,905

**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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property taxes	\$ 1,388,860	1,400,460	1,401,073	613
Sales taxes	3,593,245	3,588,245	3,554,411	(33,834)
Franchise tax	1,386,490	1,405,700	1,423,277	17,577
Licenses and permits	199,000	216,000	222,720	6,720
Fees and fines	110,000	110,000	150,953	40,953
Intergovernmental	578,300	607,300	608,187	887
Charges for services	723,885	723,885	741,767	17,882
Rents	31,100	26,100	26,242	142
Contributions and donations	1,520	31,520	38,251	6,731
Investment income	84,055	108,455	152,436	43,981
Total Revenues	<u>8,096,455</u>	<u>8,217,665</u>	<u>8,319,317</u>	<u>101,652</u>
EXPENDITURES				
Current:				
General Government				
Executive	620,355	684,905	693,236	(8,331)
Financial Administration	417,525	417,525	400,562	16,963
Technology Support	343,520	343,520	264,927	78,593
Economic Development	107,945	116,945	114,887	2,058
Maintenance-Bldg. & Grnds	248,760	248,760	209,868	38,892
	<u>1,738,105</u>	<u>1,811,655</u>	<u>1,683,480</u>	<u>128,175</u>
Public Safety				
Judicial	39,465	39,465	34,157	5,308
Police	1,830,945	1,932,645	1,924,224	8,421
Communications Center	596,635	596,635	584,917	11,718
	<u>2,467,045</u>	<u>2,568,745</u>	<u>2,543,298</u>	<u>25,447</u>
Highways and Streets				
Engineering, Inspections, Planning	510,015	511,415	554,298	(42,883)
Streets	1,293,775	1,294,025	1,287,840	6,185
	<u>1,803,790</u>	<u>1,805,440</u>	<u>1,842,138</u>	<u>(36,698)</u>
Debt service:				
Interest expense	22,875	22,875	27,100	(4,225)

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay:				
General Government	16,400	39,500	40,261	(761)
Public Safety	168,100	120,100	91,807	28,293
Highways and Streets	284,500	502,350	141,493	360,857
	<u>469,000</u>	<u>661,950</u>	<u>273,561</u>	<u>388,389</u>
Total Expenditures	<u>6,500,815</u>	<u>6,870,665</u>	<u>6,369,577</u>	<u>501,088</u>
Excess (deficiency) of revenues over (under) expenditures	1,595,640	1,347,000	1,949,740	602,740
OTHER FINANCING SOURCES				
(USES)				
Transfers in	21,320	30,320	30,320	-
Transfers out	(1,710,230)	(1,892,730)	(1,892,457)	273
Sale of capital assets	-	-	5,493	5,493
Total Other Financing Sources (Uses)	<u>(1,688,910)</u>	<u>(1,862,410)</u>	<u>(1,856,644)</u>	<u>5,766</u>
Net change in fund balances	<u>\$ (93,270)</u>	<u>(515,410)</u>	93,096	<u>608,506</u>
Fund balances - beginning			<u>5,216,703</u>	
Fund balances - ending			<u>\$ 5,309,799</u>	

City of Washington, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Parks and Recreation Fund
For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 216,780	216,780	198,802	(17,978)
Rents	3,200	3,200	4,400	1,200
Contributions and donations	18,875	18,875	17,075	(1,800)
Investment income	5,000	5,000	5,345	345
Total Revenues	<u>243,855</u>	<u>243,855</u>	<u>225,622</u>	<u>(18,233)</u>
EXPENDITURES				
Current:				
Culture and recreation				
Parks	928,710	928,710	904,811	23,899
Aquatic center	199,175	199,175	169,945	29,230
	<u>1,127,885</u>	<u>1,127,885</u>	<u>1,074,756</u>	<u>53,129</u>
Capital outlay:				
Parks	63,250	63,250	-	63,250
Total Expenditures	<u>1,191,135</u>	<u>1,191,135</u>	<u>1,074,756</u>	<u>116,379</u>
Excess (deficiency) of revenues over (under) expenditures	(947,280)	(947,280)	(849,134)	98,146
OTHER FINANCING SOURCES (USES)				
Transfers in	947,280	947,280	947,280	-
Net change in fund balances	<u>\$ -</u>	<u>-</u>	98,146	<u>98,146</u>
Fund balances - beginning			150,673	
Fund balances - ending			<u>\$ 248,819</u>	

City of Washington, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Airport Fund
For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 4,145,990	4,145,990	3,442,948	(703,042)
Charges for services	4,385	4,385	3,362	(1,023)
Rents	51,780	51,780	66,656	14,876
Investment income	1,500	1,500	2,594	1,094
Total Revenues	<u>4,203,655</u>	<u>4,203,655</u>	<u>3,515,560</u>	<u>(688,095)</u>
EXPENDITURES				
Current:				
Airport	113,210	113,210	87,802	25,408
Capital outlay:				
Airport	4,364,200	4,364,200	3,635,239	728,961
Total Expenditures	<u>4,477,410</u>	<u>4,477,410</u>	<u>3,723,041</u>	<u>754,369</u>
Excess (deficiency) of revenues over (under) expenditures	(273,755)	(273,755)	(207,481)	66,274
OTHER FINANCING SOURCES (USES)				
Transfers in	273,755	273,755	273,755	-
Net change in fund balances	<u>\$ -</u>	<u>-</u>	66,274	<u>66,274</u>
Fund balances - beginning			(657)	
Fund balances - ending			<u>\$ 65,617</u>	

**OTHER SUPPLEMENTAL
INFORMATION SECTION**

City of Washington, Missouri
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2005

	<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	\$ 103,081	626,315	155,000	884,396
Accounts receivable, net of allowance	4,542	1,834	-	6,376
Prepaid items	14,982	57,477	-	72,459
Total Assets	<u>\$ 122,605</u>	<u>685,626</u>	<u>155,000</u>	<u>963,231</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,713	21,324	-	24,037
Accrued wages	6,480	1,589	-	8,069
Total Liabilities	<u>9,193</u>	<u>22,913</u>	<u>-</u>	<u>32,106</u>
Fund Balances				
Reserved for:				
Prepaid items	14,982	57,477	-	72,459
Encumbrances	-	2,343	55,700	58,043
Unreserved, reported in:				
Special revenue funds	98,430	602,893	-	701,323
Capital projects fund	-	-	99,300	99,300
Total Fund Balances	<u>113,412</u>	<u>662,713</u>	<u>155,000</u>	<u>931,125</u>
Total Liabilities and Fund Balances	<u>\$ 122,605</u>	<u>685,626</u>	<u>155,000</u>	<u>963,231</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, 2005

	<u>Special Revenue Funds</u>		<u>Capital Projects</u>	<u>Total</u>
	<u>Library</u>	<u>Volunteer Fire Company</u>	<u>Fund</u> <u>Vehicle And Equipment</u>	
REVENUES				
Property taxes	\$ 137,402	-	-	137,402
Fees and fines	31,132	-	-	31,132
Intergovernmental	9,491	256,553	-	266,044
Charges for services	-	8,041	-	8,041
Rents	-	6,364	-	6,364
Contributions and donations	29,994	22	-	30,016
Investment income	4,115	17,762	-	21,877
Total Revenues	<u>212,134</u>	<u>288,742</u>	<u>-</u>	<u>500,876</u>
EXPENDITURES				
Current:				
Public Safety				
Fire	-	553,615	-	553,615
Culture and Recreation				
Library	285,060	-	-	285,060
Capital outlay:				
Public Safety				
Fire	-	104,036	-	104,036
Total Expenditures	<u>285,060</u>	<u>657,651</u>	<u>-</u>	<u>942,711</u>
Excess (deficiency) of revenues over (under) expenditures	(72,926)	(368,909)	-	(441,835)
OTHER FINANCING SOURCES (USES)				
Transfers in	88,400	516,502	155,000	759,902
Net change in fund balances	15,474	147,593	155,000	318,067
Fund balances - beginning	97,938	515,120	-	613,058
Fund balances - ending	<u>\$ 113,412</u>	<u>662,713</u>	<u>155,000</u>	<u>931,125</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 137,225	137,225	137,402	177
Fees and fines	23,745	23,745	31,132	7,387
Intergovernmental	6,910	6,910	9,491	2,581
Contributions and donations	3,600	29,600	29,994	394
Investment income	3,500	3,500	4,115	615
Total Revenues	<u>174,980</u>	<u>200,980</u>	<u>212,134</u>	<u>11,154</u>
EXPENDITURES				
Current:				
Library	<u>263,380</u>	<u>275,380</u>	<u>285,060</u>	<u>(9,680)</u>
Excess (deficiency) of revenues over (under) expenditures	(88,400)	(74,400)	(72,926)	1,474
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>88,400</u>	<u>88,400</u>	<u>88,400</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>14,000</u>	<u>15,474</u>	<u>1,474</u>
Fund balances - beginning			<u>97,938</u>	
Fund balances - ending			<u>\$ 113,412</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	193,200	256,553	63,353
Charges for services	3,140	3,140	8,041	4,901
Rents	5,445	5,445	6,364	919
Contributions and donations	-	-	22	22
Investment income	8,000	8,000	17,762	9,762
Total Revenues	<u>16,585</u>	<u>209,785</u>	<u>288,742</u>	<u>78,957</u>
EXPENDITURES				
Current:				
Volunteer Fire Company	440,210	462,710	553,615	(90,905)
Capital outlay:				
Volunteer Fire Company	45,000	298,000	104,036	193,964
Total Expenditures	<u>485,210</u>	<u>760,710</u>	<u>657,651</u>	<u>103,059</u>
Excess (deficiency) of revenues over (under) expenditures	(468,625)	(550,925)	(368,909)	182,016
OTHER FINANCING SOURCES (USES)				
Transfers in	489,275	516,775	516,502	(273)
Net change in fund balances	<u>\$ 20,650</u>	<u>(34,150)</u>	147,593	<u>181,743</u>
Fund balances - beginning			515,120	
Fund balances - ending			<u>\$ 662,713</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales taxes	\$ 1,642,770	1,642,770	1,615,479	(27,291)
Intergovernmental	1,177,000	1,948,400	879,293	(1,069,107)
Contributions and donations	-	628,700	110,000	(518,700)
Investment income	65,000	65,000	47,893	(17,107)
Total Revenues	<u>2,884,770</u>	<u>4,284,870</u>	<u>2,652,665</u>	<u>(1,632,205)</u>
EXPENDITURES				
Current:				
General government	-	-	15,692	(15,692)
Highways and streets	-	7,500	712,203	(704,703)
	<u>-</u>	<u>7,500</u>	<u>727,895</u>	<u>(720,395)</u>
Capital outlay:				
General government	3,910,000	4,924,600	1,449,487	3,475,113
Highways and streets	1,705,000	3,372,300	1,152,261	2,220,039
Culture and recreation	714,495	906,995	595,653	311,342
Water systems	-	-	13,500	(13,500)
Sanitary sewer systems	300,000	300,000	132,839	167,161
	<u>6,629,495</u>	<u>9,503,895</u>	<u>3,343,740</u>	<u>6,160,155</u>
Total Expenditures	<u>6,629,495</u>	<u>9,511,395</u>	<u>4,071,635</u>	<u>5,439,760</u>
Excess (deficiency) of revenues over (under) expenditures	(3,744,725)	(5,226,525)	(1,418,970)	3,807,555
OTHER FINANCING SOURCES (USES)				
Transfers out	(800,020)	(805,020)	(805,020)	-
Net change in fund balances	<u>\$ (4,544,745)</u>	<u>(6,031,545)</u>	<u>(2,223,990)</u>	<u>3,807,555</u>
Fund balances - beginning			3,720,887	
Fund balances - ending			<u>\$ 1,496,897</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment income	\$ 5,000	5,000	5,577	577
EXPENDITURES				
Debt service:				
Principal	545,000	545,000	545,000	-
Interest expense and fiscal charges	41,810	41,810	42,383	(573)
Total Expenditures	<u>586,810</u>	<u>586,810</u>	<u>587,383</u>	<u>(573)</u>
Excess (deficiency) of revenues over (under) expenditures	(581,810)	(581,810)	(581,806)	4
OTHER FINANCING SOURCES (USES)				
Transfers in	581,810	586,810	586,810	-
Net change in fund balances	<u>\$ -</u>	<u>5,000</u>	5,004	<u>4</u>
Fund balances - beginning			<u>264,992</u>	
Fund balances - ending			<u>\$ 269,996</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Capital outlay:				
General Government	-	155,000	-	155,000
Excess (deficiency) of revenues over (under) expenditures	-	(155,000)	-	155,000
OTHER FINANCING SOURCES (USES)				
Transfers in	-	155,000	155,000	-
Net change in fund balances	\$ -	-	155,000	155,000
Fund balances - beginning			-	
Fund balances - ending			\$ 155,000	

CITY OF WASHINGTON
Other Supplemental Information
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2005

	Agency Funds			
	Industrial Development Bonds			Total
	1977	1997 A	1997 B	
ASSETS				
Cash and cash investments	\$ 82,894	125,808	-	208,702
Total Assets	<u>\$ 82,894</u>	<u>125,808</u>	<u>-</u>	<u>208,702</u>
LIABILITIES				
Due to lessee	\$ 82,894	125,808	-	208,702
Total liabilities	<u>\$ 82,894</u>	<u>125,808</u>	<u>-</u>	<u>208,702</u>

CITY OF WASHINGTON
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended September 30, 2005

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2005</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	\$ 125,252	497,231	496,675	125,808
<u>Liabilities</u>				
Due to lessee	\$ 125,252	497,231	496,675	125,808
<u>Total - All Agency Funds</u>				
<u>ASSETS</u>				
Cash and cash investments	\$ 208,146	497,231	496,675	208,702
Total Assets	\$ 208,146	497,231	496,675	208,702
<u>LIABILITIES</u>				
Due to lessee	\$ 208,146	497,231	496,675	208,702
Total Liabilities	\$ 208,146	497,231	496,675	208,702

**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>
9/30/05	\$ 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
9/30/95	4,083,503	166,453	1,125,316	188,021	82,616	108,537	5,754,446

SUMMARY OF EXPENDITURES

<u>Period Ending</u>	<u>Administration Department</u>	<u>Building and Maintenance Department</u>	<u>Police Department</u>	<u>Street Department</u>	<u>Engineering Department</u>	<u>Total</u>
9/30/05	\$ 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
9/30/95	1,118,213	121,167	1,332,497	1,524,989	260,610	4,357,476

**CITY OF WASHINGTON
OTHER SUPPLEMENTAL INFORMATION**

	For the Fiscal Year Ended				
	2005	2004	2003	2002	2001
TAX RATE (per \$100 assessed valuation)	\$ 0.6335	0.6335	0.5672	0.6296	0.6967
ASSESSED VALUATION	237,452,759	228,169,605	217,809,847	212,891,878	193,807,900
PROPERTY TAXES LEVIED	1,409,752	1,354,690	1,120,421	1,225,867	1,242,798
PROPERTY TAXES COLLECTED	1,410,290	1,339,079	1,121,436	1,236,578	1,261,937
GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUATION	0.8%	0.9%	1.2%	1.3	1.6

CITY OF WASHINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION

**Surety Bond Coverage For
Principal City Officials**

September 30, 2005

Treasurer

\$ 50,000

Insurance Coverage

At September 30, 2005, 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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated March 31, 2006.

Compliance and Other Matters

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

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

March 31, 2006

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SINGLE AUDIT REPORTS SECTION

CITY OF WASHINGTON, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Expenditures</u>
U.S. Department of Transportation			
Passed through Missouri Department of Transportation			
Highway Planning and Construction	20.205	STP-6400(615)	\$150,000
Highway Planning and Construction	20.205	STP-6400(616)	341,950
Highway Planning and Construction	20.205	STP-6403(605)	9,177
Highway Planning and Construction	20.205	J6P1937	415,000
 Airport Grant	 20.106	 AIRE 035-54A	 3,453,477
Passed through Central Missouri State University			
2005 STEP	20.600	NA	1,065
STEP	20.600	NA	1,208
Passed through Missouri Department of Public Safety and Local Highway Safety			
Hazardous Moving Violations	20.600	05-PT-02-107	7,806
DWI Enforcement	20.601	05-J7-03-69	5,232
Youth Alcohol Enforcement	20.601	05-164-AL-17	4,399
U.S. Department of Housing and Urban Development			
Passed through Missouri Department of Economic Development			
Community Development Block Grant	14.228	2004-ED-09	250,000
U.S. Department of Homeland Security			
Passed through Missouri Emergency Management Agency			
Firefighters	97.044	EMW-2004-F6-11617	203,653
SEMA Firefighters	97.044	97.044	50,500
U.S. Department of Justice			
COPS In School	16.710	2002-SHWX-0644	41,037
Passed through Missouri Department of Public Safety and Local Highway Safety			
Local Law Enforcement Block Grants	16.592	2004-LB6-093	<u>1,442</u>
Total Awards Expended			<u>\$4,935,946</u>

CITY OF WASHINGTON, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

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 each of its major federal programs for the year ended September 30, 2005. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

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

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

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

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

March 31, 2006

CITY OF WASHINGTON, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. Summary of the auditors' results:

- A. The type of report issued on the general purpose financial statements of the auditee: Unqualified opinion.
- B. The audit of the general purpose financial statements did not disclose any reportable conditions in internal control.
- C. The audit did not disclose any noncompliance which is material to the general purpose financial statements of the auditee.
- D. No reportable conditions in internal control over major programs were disclosed by the audit.
- E. The type of report the auditors issued on compliance for major programs: Unqualified opinion.
- F. The audit disclosed no audit findings which the auditors are required to report under **§.510(a)**.
- G. Identification of major programs: Airport Grant – CFDA # 20.106
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 general purpose financial statements which are required to be reported in accordance with GAGAS: None

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None