
**CITY OF WASHINGTON,
MISSOURI**

FINANCIAL REPORT
(Audited)

Year Ended September 30, 2007

CITY OF WASHINGTON, MISSOURI
FINANCIAL REPORT

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	19
Statement of Net Assets - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Statement of Fiduciary Net Assets - Agency Funds	23
Notes to Financial Statements	24
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - General Fund	47
Notes to Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual	49
OTHER SUPPLEMENTAL INFORMATION	
Nonmajor Governmental Funds:	
Combining Balance Sheet	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	52
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Library Special Revenue Fund	53
Volunteer Fire Company Special Revenue Fund	54
Capital Improvements Sales Tax Capital Projects Fund	55
Transportation Sales Tax Capital Projects Fund	56
Vehicle and Equipment Capital Projects Fund	57
Fiduciary Funds:	
Combining Statement of Changes in Assets and Liabilities - Agency Funds	58
INTERNAL CONTROL AND COMPLIANCE	
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



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

INDEPENDENT AUDITORS' REPORT

April 4, 2008

Mayor and City Council
CITY OF WASHINGTON, MISSOURI

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF WASHINGTON, MISSOURI** (the City) as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 4, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

- 16100 Chesterfield Parkway West, Suite 125, Chesterfield, Missouri 63017-4829, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P.O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

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

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

Hochschild, Bloom + Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

This section of the City of Washington, Missouri's (the City) annual financial report presents our review of the City's financial performance during the fiscal year that ended on September 30, 2007. We encourage readers to consider the information presented here along with additional information in the notes to financial statements and supplemental information section presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

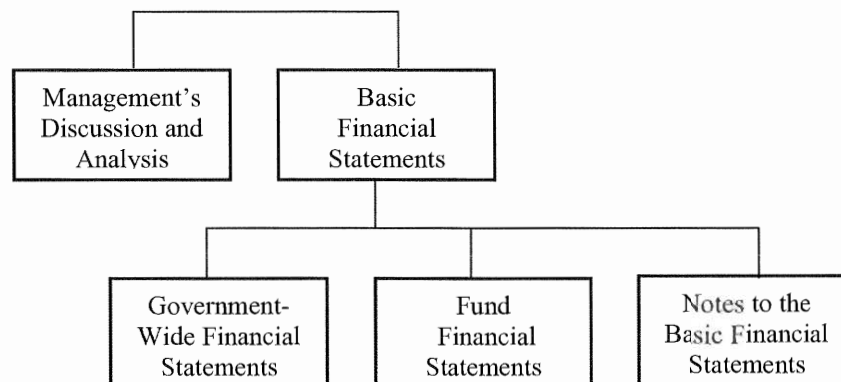
The City continues to see growth in its revenue sources. Although residential growth has slowed, the City continues to see steady commercial and industrial growth.

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$56 million (net assets). Of this amount, \$3.3 million (unrestricted net assets) may be used to meet its ongoing obligations to citizens and creditors.
- The City's total net assets decreased \$492,000 from "governmental activities", while the "business-type activities" decreased by \$233,000.
- In the General Fund, sales tax revenue met budgetary projections of \$3,968,125. The actual sales tax revenues of \$4,183,659 increased 11.7% over fiscal year 2006 revenues.
- Phoenix Center II, a new retail shopping center, opened its two anchor stores. Both Target and Kohls are drawing new retail sales to the area.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Required Components of Annual Financial Report



CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

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

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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.

CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

Due to similarity of purpose, the revenue and expenditures of the Storm Water Improvement Fund and the General Fund are combined and reported in the General Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Improvements Sales Tax Fund, and Transportation Sales Tax Fund, all of which are considered to be major funds. Data from the three other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplemental information section of this report.

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

Proprietary funds. The City maintains Enterprise Funds to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its water, sewage treatment, and solid waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary 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.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. These funds are the Industrial Development Bonds of 1977, Industrial G.O. Bonds of 1997, Series A&B, and Taxable Industrial Revenue Bonds, Series 2005.

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

Required supplemental information. In addition to the basic financial statements and accompanying notes, certain required supplemental information in this report includes the budget and actual schedule for the General Fund.

Other supplemental information. In addition to the basic financial statements and accompanying notes, this report contains certain supplementary information regarding budgetary information. Combin-

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

ing and individual statements for the nonmajor and capital projects governmental funds are presented immediately following the required supplemental information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - FINANCIAL ANALYSIS OF THE CITY
AS A WHOLE**

The City presents its financial statements as required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion - and Analysis - for State and Local Governments*. Therefore, a comparative analysis of government-wide data is also included in this report.

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. As of September 30, 2007, assets exceeded liabilities by \$56 million. The largest portion of the City's net assets, \$50.5 million (90%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure); less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Statement of net assets. The table below reflects the condensed statement of net assets as of September 30, 2007 and 2006.

Assets. Total assets for the City are \$73.7 million, an increase of 9.7% in comparison to the previous fiscal year. The largest portion of total assets reflects its investment in capital assets, \$55.5 million, and \$18.2 million represents cash and cash investments, receivables, and other prepaid items.

Liabilities. Total liabilities for the City are \$17.7 million, an increase of 69.1% in comparison to the previous fiscal year. Of these total liabilities, \$15.1 million is long-term liabilities and \$2.6 million represents other liabilities. The major reason for the increase in long-term liabilities is a loan with the Missouri Transportation Finance Corporation for the Route 100 widening project. Long-term liabilities increased in business-type activities because of closure and post-closure cost liabilities for the landfill operation.

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

City of Washington's Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 15,814,964	12,391,893	2,349,698	4,432,748	18,164,662	16,824,641
Capital assets, net	39,466,863	36,130,384	16,071,630	14,220,156	55,538,493	50,350,540
Total Assets	<u>55,281,827</u>	<u>48,522,277</u>	<u>18,421,328</u>	<u>18,652,904</u>	<u>73,703,155</u>	<u>67,175,181</u>
Liabilities						
Long-term liabilities	12,167,093	5,204,524	2,935,282	2,714,153	15,102,375	7,918,677
Other liabilities	2,207,965	1,919,098	432,633	652,689	2,640,598	2,571,787
Total Liabilities	<u>14,375,058</u>	<u>7,123,622</u>	<u>3,367,915</u>	<u>3,366,842</u>	<u>17,742,973</u>	<u>10,490,464</u>
Net Assets						
Invested in capital assets, net of related debt	34,824,279	32,150,021	15,680,130	13,746,355	50,504,409	45,896,376
Restricted	2,055,727	3,234,143	146,297	126,521	2,202,024	3,360,664
Unrestricted	4,026,763	6,014,491	(773,014)	1,413,186	3,253,749	7,427,677
Total Net Assets	<u>\$ 40,906,769</u>	<u>41,398,655</u>	<u>15,053,413</u>	<u>15,286,062</u>	<u>55,960,182</u>	<u>56,684,717</u>

Net assets. In 2007, the City's government-wide total net assets is \$56 million in comparison to \$56.7 million in fiscal year 2006, a decrease of 1%. Governmental activities reflect net assets of \$40.9 million and \$15.1 million for business-type activities.

At the end of 2007, the City had positive balances in all three of its categories of net assets as follows:

- \$50.5 million -- Invested in capital assets, net of related debt
- \$2.2 million -- Restricted
- \$3.3 million -- Unrestricted

Restricted net assets for governmental activities are \$2.1 million and business-type activities are \$146,297. Restricted net assets equal 3.9% of total net assets. These resources are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws/regulations or other governments, or restrictions imposed by law through constitutional provisions or legislation.

The remaining portion of the City's net assets represent unrestricted net assets, \$3.3 million (down 56.2% from 2006), and may be used to meet the City's ongoing obligations to citizens and creditors.

Changes in net assets. The following table reflects the revenues and expenses for the City's activities for the years ended September 30, 2007 and 2006:

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	City of Washington's Changes in Net Assets					
	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	\$ 2,562,370	1,489,026	4,104,449	3,874,818	6,666,819	5,363,844
Operating grants and contributions	771,566	662,219	-	-	771,566	662,219
Capital grants and contributions	37,328	1,661,422	-	-	37,328	1,661,422
General revenues:						
Property taxes	1,981,426	1,735,672	-	-	1,981,426	1,735,672
Sales taxes	7,681,616	6,959,132	-	-	7,681,616	6,959,132
Franchise taxes	1,828,544	1,527,221	-	-	1,828,544	1,527,221
Investment income	592,261	457,575	201,843	214,500	794,104	672,075
Miscellaneous	53,100	5,335	11,982	41,150	65,082	46,485
Total Revenues	<u>15,508,211</u>	<u>14,497,602</u>	<u>4,318,274</u>	<u>4,130,468</u>	<u>19,826,485</u>	<u>18,628,070</u>
Expenses						
General government	2,310,768	2,015,197	-	-	2,310,768	2,015,197
Public safety	3,821,556	3,423,303	-	-	3,821,556	3,423,303
Airport	327,757	308,987	-	-	327,757	308,987
Highways and streets	7,572,762	1,994,062	-	-	7,572,762	1,994,062
Culture and recreation	1,649,763	1,624,823	-	-	1,649,763	1,624,823
Interest on long-term debt	317,491	185,745	-	-	317,491	185,745
Water	-	-	1,465,602	1,401,617	1,465,602	1,401,617
Sewer	-	-	1,132,035	1,094,885	1,132,035	1,094,885
Solid waste	-	-	1,953,286	1,895,078	1,953,286	1,895,078
Total Expenses	<u>16,000,097</u>	<u>9,552,117</u>	<u>4,550,923</u>	<u>4,391,580</u>	<u>20,551,020</u>	<u>13,943,697</u>
Increase in net assets before transfers	(491,886)	4,945,485	(232,649)	(261,112)	(724,535)	4,684,373
Transfers	-	(212,812)	-	212,812	-	-
Change in net assets	(491,886)	4,732,673	(232,649)	(48,300)	(724,535)	4,684,373
Net Assets, October 1	41,398,655	36,665,982	15,286,062	15,334,362	56,684,717	52,000,344
Net Assets, September 30	<u>\$ 40,906,769</u>	<u>41,398,655</u>	<u>15,053,413</u>	<u>15,286,062</u>	<u>55,960,182</u>	<u>56,684,717</u>

Governmental activities. Governmental activities decreased the City's net assets by \$491,886. Sales taxes, the largest governmental category, generated \$7.7 million or 49% of governmental revenue. For the fiscal year ended September 30, 2007, revenues totaled \$19.8 million (governmental and business-type). Revenues from governmental activities totaled \$15.5 million or 78% of the total City revenues.

Governmental activities expenses increased \$6.4 million or 67.5% for the fiscal year ended September 30, 2007 compared to the fiscal year ended September 30, 2006. This increase is largely due to a shared project between the City and the Missouri Department of Transportation for the Route 100 widening to five lanes. Lesser costs include operating cost of the new public safety building, health benefits, and fuel costs.

Certain revenues are generated specific to governmental program activities. These direct revenues totaled \$3.4 million. The following table shows expenses for program activities and the effect of these direct revenues to program costs:

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Net Cost of Governmental Activities

	<u>Total Cost Of Service</u>		<u>Net Cost Of Service</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General government	\$ 2,310,768	2,015,197	(907,887)	(1,444,119)
Public safety	3,821,556	3,423,303	(3,128,824)	(2,896,269)
Airport	327,757	308,987	(253,359)	(224,059)
Highways and streets	7,572,762	1,994,062	(6,662,207)	401,390
Culture and recreation	1,649,763	1,624,823	(1,359,065)	(1,390,648)
Interest on long-term debt	317,491	185,745	(317,491)	(185,745)
Total	<u>\$ 16,000,097</u>	<u>9,552,117</u>	<u>(12,628,833)</u>	<u>(5,739,450)</u>

Expenses from governmental activities totaled \$16 million. However, net costs of these services were \$12.6 million. Taxes and other revenues of \$12.1 million were used to cover net costs; in addition to fund reserves of \$492,000.

Business-type activities. Business-type activities net assets decreased \$233,000 in the fiscal year ended September 30, 2007. Total revenues increased \$188,000 compared to the prior year. Cost of services increased \$159,000. Studies are being conducted for increases in water rates and refuse collection service fees. New sewer rates have been approved, effective October 1, 2007, to cover the operations cost and new debt service. Bonds will be issued in November 2007 for the financing of the new treatment plant.

Net Cost of Business-Type Activities

	<u>Total Cost Of Service</u>		<u>Net Cost Of Service</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Water	\$ 1,465,602	1,401,617	(255,235)	(186,703)
Sewer	1,132,035	1,094,885	(69,932)	(78,450)
Solid waste	1,953,286	1,895,078	(121,307)	(251,609)
Total	<u>\$ 4,550,923</u>	<u>4,391,580</u>	<u>(446,474)</u>	<u>(516,762)</u>

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

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

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

General Fund. The General Fund is the primary operating fund of the City. The fund balance of the General Fund at September 30, 2007 was \$4.5 million or 52.7% of actual expenditures. The net change in fund balance was an increase \$697,000. The City recognizes the need for a fund balance that can ab-

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

sorb an economic downturn or natural disaster to avoid changes and reductions in service levels. The City Council adopted a resolution committed to maintaining at a minimum, an amount equal to 15% of operating expenditures in the General Fund balance.

Capital improvement sales tax. At the end of the current fiscal year, the total fund balance of this Capital Projects Fund was \$2 million, a decrease of \$885,000. The decrease was the result of expenditures exceeding revenues for the debt service payments on the certificates of participation for the public safety building, completion of the Farmers Market Building, aerial ladder fire truck, and fire training center.

The certificates of participation are to be retired from future sales tax revenues. The present sales tax for capital improvements expires June 30, 2010.

Transportation sales tax. In April 2006, the voters passed a ½-cent sales tax for the purposes of transportation, including, but not limited to, payment of the local share of the cost of expanding Highway 100 from Interstate 44 to High Street from two lanes to four lanes. This is a 50/50 cost-sharing project with the Missouri Highways and Transportation Commission. The construction cost for the Highway 100 improvement project is estimated to cost \$47 million with the local share being \$23.5 million. In addition, the City has a ten-year plan for upgrading and improving local roadways. This tax was effective October 1, 2005 and expires June 30, 2030. The fund balance at September 30, 2007 was \$4.7 million.

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

A review of the operations of the proprietary funds indicates water, sewage treatment, and solid waste operations reflect operating losses totaling \$405,000. As noted earlier, studies are being performed to evaluate rate increase requirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget of the City's General Fund for expenditures is \$8,305,590, which differs from the prior year budget of \$8,676,090. No revisions were made to the initial budget. Actual expenditures exceeded the adopted budget by \$140,000. The appropriations are summarized as follows:

- \$2,429,385 -- allocated to support general government activities
 - \$2,738,245 -- allocated to support public safety
 - \$1,828,020 -- allocated to support highway and streets
 - \$116,155 -- allocated for airport operations
 - \$1,193,785 -- allocated for parks and recreation
- ❖ Revenues were estimated at \$8,691,315, prior year projections were \$9,177,105. No revisions were made to the revenue budget during the fiscal year. Actual revenues exceeded projections

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

by \$1.3 million. Those revenue sources contributing to the additional revenue were sales tax, franchise fees, charges for services, and investment income.

- ❖ The total budget for other financing uses was \$891,885 which subsidizes the operations of the Library Special Revenue Fund, Volunteer Fire Company Special Revenue Fund, and Vehicle and Equipment Capital Projects Fund.

The General Fund ended the year with actual revenues exceeding actual expenditures by \$1.6 million. However, after financing sources (uses), the net increase in fund balance was \$698,000.

CAPITAL ASSETS

The amount invested in capital assets for the City as of September 30, 2007, is \$55,538,493, net of accumulated depreciation. Capital assets increased \$5.2 million. The following chart breaks down the City's capital assets balance into the various categories of assets:

	City of Washington's Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 6,763,960	6,763,960	879,795	854,354	7,643,755	7,618,314
Infrastructure	8,773,440	8,395,179	-	-	8,773,440	8,395,179
Buildings	12,351,400	10,719,281	1,950,880	1,589,884	14,302,280	12,309,165
Improvements other than buildings	6,294,556	6,089,689	10,612,158	10,068,123	16,906,714	16,157,812
Machinery and equipment	3,556,234	2,871,226	1,405,678	811,316	4,961,912	3,682,542
Construction in progress	1,727,273	1,291,049	1,223,119	896,479	2,950,392	2,187,528
	<u>\$ 39,466,863</u>	<u>36,130,384</u>	<u>16,071,530</u>	<u>14,220,156</u>	<u>55,538,493</u>	<u>50,350,540</u>

Additional information on the City's capital assets can be found in Note D in the notes to the basic financial statements.

Major Capital Assets Events for the Fiscal Year 2007

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

- Completion of the fire burn center at the training facility totaling \$1,295,400
- Aerial ladder fire truck totaling \$750,700
- Four police vehicles, equipped totaling \$94,700
- Reverse 911 communications system totaling \$37,300
- Farmers Market Building totaling \$632,600
- 2007 Street Program - Ultrathin Bonded Wearing Surface totaling \$700,100
- Replacement of backhoe, line laser machine, post driver equipment, and a heavy duty truck in the street department totaling \$186,300
- Replacement of three trucks in the parks department fleet totaling \$96,900
- New restroom/concession stand at Barklage Field totaling \$72,200
- Various other park grounds and activity field improvements totaling \$364,600
- Jet fueling system at the airport totaling \$106,000
- Replacement landfill trash compactor totaling \$493,500

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

- Replacement of two forklifts at recycling center totaling \$43,700
- Two generators for emergency power failures at wells #10 & #11 totaling \$83,300
- High level water system controls totaling \$137,600
- New water line extensions to serve new developments totaling \$104,700
- New sewer line extensions serving new developments totaling \$818,000
- Manlift replacement at the Walnut Street pump station totaling \$106,800

DEBT ADMINISTRATION

The City's debt issues are discussed in the notes to the basic financial statements. A payment of \$80,000 for Sewer Revenue Bonds of 2001B Series, a principal balance of \$490,000 remains. The City issued \$5,000,000 in Certificates of Participation (COPs) for the Public Safety Complex in fiscal 2006. The City paid \$425,000 on those COPs in fiscal year 2007 leaving a balance of \$4,575,000. In fiscal year 2007, the City entered into a loan agreement with the Missouri Transportation Finance Corporation in the amount of \$7,364,451 for site improvements for Phoenix Center II and the Route 100 widening project. The City currently has a lease/purchase agreement for the purchase of communications equipment with a balance of \$82,582. Compensated absences payables was \$183,369, an increase of \$23,118.

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

Additional information on the City's long-term debt can be found in Note G in the notes to the basic financial statements.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The City continues to see development and growth. In 2007, the Wal-Mart Company opened a new 231,000 square foot center. A new retail shopping center, Phoenix Center II, has opened. A total of an estimated 681,000 square foot combined retail/office space. A Community Improvement District (CID) was approved for this project and at sales tax levy of 0.75% approved to retire debt. The Target store opened in July 2007, followed by Kohls in September 2007. By December 2007, Steak & Shake, Bob Evans, Qdobe, and Starbucks were opened.

In the first quarter 2007, a Downtown Improvement District was approved. The Bank of Washington project was the first Tax Increment Financing (TIF) project to be approved.

Phase I of the Route 100 widening project is near completion, estimated at \$8.9 million. The City is preparing to issue \$25,910,000 COPs to finance the City's share of the Route 100 project, in addition to some municipal complex enhancement projects. Revenues from the Transportation Sales Tax Fund and General Fund are planned to be used to retire the COPs.

Construction of the new sewage treatment plant started February 2008. In November 2006, the voters approved a \$20 million sewer revenue bond issue for this purpose. In November 2007, bonds were issued through the Missouri SRF Clean Water Loan Program for \$20,000,000.

**CITY OF WASHINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

For fiscal year 2008, the City is taking a conservative approach on the growth of sales tax with all the additional retail developments. The General Fund revenues are budgeted to be \$9.7 million, a \$500,000 increase in estimated revenues over the prior year.

The City has initiated efficiency measures of reducing overtime except in emergency conditions to control costs and limiting capital projects, also as a conservative measure until revenue growth can be documented. The General Fund expenditures are projected to be \$8.9 million. This represents an increase of \$200,000 compared to the \$8.7 million budgeted in fiscal year 2007.

Under personal services expenditures, a 2% C.P.I. index was applied to the performance compensation plan; two additional general administrative staff positions were added to the budget.

Health benefits are projected at an equivalent 10% increase over fiscal year 2008; the benefit renewal date is February 2008.

Below is a chart of retail sales for the last eleven years. In fiscal year 2007, retail sales increased 11.7%.

<u>Year</u>	<u>(Millions of Dollars)</u>
2007	\$ 418.4
2006	374.6
2005	355.4
2004	340.7
2003	325.4
2002	299.0
2001	286.9
2000	279.7
1999	255.2
1998	245.4
1997	216.8

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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, MO 63090.

CITY OF WASHINGTON, MISSOURI

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	Primary Government			Component Unit - Community Improvement District
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 8,472,026	2,278,712	10,750,738	-
Cash with agent	424,409	-	424,409	-
Receivables (net of allowance for uncollectibles)	3,009,293	490,247	3,499,540	62,261
Loans receivable	2,203,497	-	2,203,497	-
Inventory	273,713	175,791	449,504	-
Prepaid items	475,621	98,593	574,214	23,510
Internal balances	941,407	(941,407)	-	-
Bond issue costs	14,998	8,462	23,460	33,536
Cash and investments - restricted	-	239,300	239,300	-
Nondepreciable capital assets:				
Land	6,763,960	879,795	7,643,755	-
Construction in progress	1,727,273	1,223,119	2,950,392	-
Depreciable capital assets:				
Infrastructure	8,773,440	-	8,773,440	-
Buildings	12,351,400	1,950,880	14,302,280	-
Improvements other than buildings	6,294,556	10,612,158	16,906,714	-
Machinery and equipment	3,556,234	1,405,678	4,961,912	-
Total Assets	<u>55,281,827</u>	<u>18,421,328</u>	<u>73,703,155</u>	<u>119,307</u>
LIABILITIES				
Accounts payable	1,768,658	242,975	2,011,633	48
Accrued wages	149,865	40,570	190,435	-
Deposits	87,301	56,085	143,386	-
Accrued interest payable	170,103	-	170,103	365,475
Unearned revenue	32,038	-	32,038	-
Liabilities payable from restricted assets	-	93,003	93,003	-
Noncurrent liabilities:				
Due within one year	495,344	13,321	508,665	-
Due in more than one year	11,671,749	2,921,961	14,593,710	6,497,333
Total Liabilities	<u>14,375,058</u>	<u>3,367,915</u>	<u>17,742,973</u>	<u>6,862,856</u>
NET ASSETS				
Invested in capital assets, net of related debt	34,824,279	15,680,130	50,504,409	-
Restricted for:				
Capital projects	2,055,727	-	2,055,727	-
Debt service	-	146,297	146,297	-
Unrestricted	4,026,763	(773,014)	3,253,749	(6,743,549)
Total Net Assets	<u>\$ 40,906,769</u>	<u>15,053,413</u>	<u>55,960,182</u>	<u>(6,743,549)</u>

CITY OF WASHINGTON, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Primary Government			Component Unit - Community Improvement District
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities								
General government	\$ 2,310,768	1,350,504	52,377	-	(907,887)	-	(907,887)	-
Public safety	3,821,556	660,336	31,367	1,029	(3,128,824)	-	(3,128,824)	-
Airport	327,757	74,398	-	-	(253,359)	-	(253,359)	-
Highways and streets	7,572,762	243,061	631,195	36,299	(6,662,207)	-	(6,662,207)	-
Culture and recreation	1,649,763	234,071	56,627	-	(1,359,065)	-	(1,359,065)	-
Interest on long-term debt	317,491	-	-	-	(317,491)	-	(317,491)	-
Total Governmental Activities	<u>16,000,097</u>	<u>2,562,370</u>	<u>771,566</u>	<u>37,328</u>	<u>(12,628,833)</u>	<u>-</u>	<u>(12,628,833)</u>	<u>-</u>
Business-type Activities								
Water	1,465,602	1,210,367	-	-	-	(255,235)	(255,235)	-
Sewer	1,132,035	1,062,103	-	-	-	(69,932)	(69,932)	-
Solid waste	1,953,286	1,831,979	-	-	-	(121,307)	(121,307)	-
Total Business-type Activities	<u>4,550,923</u>	<u>4,104,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(446,474)</u>	<u>(446,474)</u>	<u>-</u>
Total Primary Government	<u>\$ 20,551,020</u>	<u>6,666,819</u>	<u>771,566</u>	<u>37,328</u>	<u>(12,628,833)</u>	<u>(446,474)</u>	<u>(13,075,307)</u>	<u>-</u>
Component Unit								
Community Improvement District	<u>\$ 6,880,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,880,810)</u>
General Revenues								
Taxes:								
Property					1,981,426	-	1,981,426	-
Sales					7,681,616	-	7,681,616	62,261
Franchise					1,828,544	-	1,828,544	-
Miscellaneous					-	11,982	11,982	75,000
Investment income					592,261	201,843	794,104	-
Gain on sale of capital assets					53,100	-	53,100	-
Total General Revenues					<u>12,136,947</u>	<u>213,825</u>	<u>12,350,772</u>	<u>137,261</u>
CHANGE IN NET ASSETS					(491,886)	(232,649)	(724,535)	(6,743,549)
NET ASSETS, OCTOBER 1					41,398,655	15,286,062	56,684,717	-
NET ASSETS, SEPTEMBER 30					<u>\$ 40,906,769</u>	<u>15,053,413</u>	<u>55,960,182</u>	<u>(6,743,549)</u>

See notes to financial statements

CITY OF WASHINGTON, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	<u>General</u>	<u>Capital Improvements Sales Tax</u>	<u>Transportation Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 1,307,560	424,680	5,391,128	1,348,658	8,472,026
Cash with agent	3,087	421,322	-	-	424,409
Accounts receivable, net of allowance	1,171,189	1,395,316	440,634	2,154	3,009,293
Loans receivable	2,203,497	-	-	-	2,203,497
Inventory	273,713	-	-	-	273,713
Prepaid items	399,388	-	-	76,233	475,621
Advance to other funds	400,000	-	-	1,100,000	1,500,000
Total Assets	<u>\$ 5,758,434</u>	<u>2,241,318</u>	<u>5,831,762</u>	<u>2,527,045</u>	<u>16,358,559</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 467,576	185,591	1,091,789	23,702	1,768,658
Accrued wages	141,517	-	-	8,348	149,865
Deposits	87,301	-	-	-	87,301
Advance from other funds	558,593	-	-	-	558,593
Deferred revenue	50,987	-	-	-	50,987
Total Liabilities	<u>1,305,974</u>	<u>185,591</u>	<u>1,091,789</u>	<u>32,050</u>	<u>2,615,404</u>
Fund Balances					
Reserved for:					
Prepays items	399,388	-	-	76,233	475,621
Inventory	273,713	-	-	-	273,713
Encumbrances	145,675	178,310	3,491,384	6,000	3,821,369
Advances	400,000	-	-	1,100,000	1,500,000
Loans	2,203,497	-	-	-	2,203,497
Unreserved:					
General Fund	1,030,187	-	-	-	1,030,187
Special Revenue Funds	-	-	-	894,740	894,740
Capital Projects Fund	-	1,877,417	1,248,589	418,022	3,544,028
Total Fund Balances	<u>4,452,460</u>	<u>2,055,727</u>	<u>4,739,973</u>	<u>2,494,995</u>	<u>13,743,155</u>
Total Liabilities And Fund Balances	<u>\$ 5,758,434</u>	<u>2,241,318</u>	<u>5,831,762</u>	<u>2,527,045</u>	<u>16,358,559</u>

CITY OF WASHINGTON, MISSOURI
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

Total Fund Balances - Governmental Funds \$ 13,743,155

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$51,853,284 and the accumulated depreciation is \$12,386,421. 39,466,863

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 18,949

Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Capital lease	(82,582)
Certificates of participation	(4,575,000)
MTFC loan	(7,364,451)
Accrued compensated absences payable	(145,060)
Accrued interest payable	(170,103)
Unamortized bond issue cost	14,998
	<hr/>

Total Net Assets Of Governmental Activities \$ 40,906,769

CITY OF WASHINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General	Capital Improvements Sales Tax	Transportation Sales Tax	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 1,825,922	-	-	155,504	1,981,426
Sales	4,183,659	1,751,990	1,745,967	-	7,681,616
Franchise	1,828,544	-	-	-	1,828,544
Licenses and permits	274,026	-	-	-	274,026
Fees and fines	313,502	-	-	54,336	367,838
Intergovernmental	121,022	451,100	568,762	19,223	1,160,107
Charges for services	1,120,786	5,110	695,862	997	1,822,755
Rents	81,243	-	-	21,653	102,896
Contributions and donations	50,774	-	-	7,903	58,677
Investment income	237,259	66,378	195,326	93,298	592,261
Total Revenues	<u>10,036,737</u>	<u>2,274,578</u>	<u>3,205,917</u>	<u>352,914</u>	<u>15,870,146</u>
EXPENDITURES					
Current:					
General government	2,081,732	9,276	-	-	2,091,008
Public safety	2,892,479	1,879	-	491,471	3,385,829
Highways and streets	1,673,717	8,476	5,358,311	-	7,040,504
Airport	162,082	1,596	-	-	163,678
Culture and recreation	1,120,310	2,274	-	349,142	1,471,726
Debt service:					
Principal	-	425,000	-	-	425,000
Interest and fiscal charges	28,345	178,789	-	-	207,134
Capital outlay:					
General government	46,883	581,961	-	-	628,844
Public safety	779	1,780,551	-	99,659	1,880,989
Highways and streets	144,617	12,618	1,452,314	124,719	1,734,268
Airport	967	89,416	-	-	90,383
Culture and recreation	293,571	118,247	-	96,920	508,738
Total Expenditures	<u>8,445,482</u>	<u>3,210,083</u>	<u>6,810,625</u>	<u>1,161,911</u>	<u>19,628,101</u>
REVENUES OVER (UNDER)	<u>1,591,255</u>	<u>(935,505)</u>	<u>(3,604,708)</u>	<u>(808,997)</u>	<u>(3,757,955)</u>
EXPENDITURES					
OTHER FINANCING SOURCES					
(USES)					
Capital-related debt issued	-	-	7,364,451	-	7,364,451
Transfers in	-	-	-	896,743	896,743
Transfers out	(896,743)	-	-	-	(896,743)
Sale of capital assets	3,000	50,100	-	-	53,100
Total Other Financing Sources (Uses)	<u>(893,743)</u>	<u>50,100</u>	<u>7,364,451</u>	<u>896,743</u>	<u>7,417,551</u>
NET CHANGE IN FUND					
BALANCES	697,512	(885,405)	3,759,743	87,746	3,659,596
FUND BALANCES, OCTOBER 1	<u>3,754,948</u>	<u>2,941,132</u>	<u>980,230</u>	<u>2,407,249</u>	<u>10,083,559</u>
FUND BALANCES, SEPTEMBER 30	<u>\$ 4,452,460</u>	<u>2,055,727</u>	<u>4,739,973</u>	<u>2,494,995</u>	<u>13,743,155</u>

CITY OF WASHINGTON, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Net Change In Fund Balances - Governmental Funds	\$ 3,659,596
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays over the capitalization threshold (\$4,878,711) exceeded depreciation (\$1,542,232) in the current period.</p>	3,336,479
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.</p>	(415,035)
<p>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 cost, 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.</p>	
<p>Proceeds:</p>	
MTFC loan	(7,364,451)
<p>Repayments:</p>	
Bonds payable	425,000
Amortization	(1,875)
Compensated absences	(23,118)
Net Adjustment	(6,964,444)
<p>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.</p>	
Accrued interest on bonds	(108,482)
Change In Net Assets Of Governmental Activities	\$ (491,886)

CITY OF WASHINGTON, MISSOURI
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2007

	<u>Water</u>	<u>Sewage Treatment</u>	<u>Solid Waste</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and investments	\$ 192,255	267,701	1,818,756	2,278,712
Accounts receivable (net of allowance)	168,977	131,067	190,203	490,247
Inventory	154,749	21,042	-	175,791
Advance to other funds	558,593	-	-	558,593
Prepaid items	31,191	32,353	35,049	98,593
Total Current Assets	<u>1,105,765</u>	<u>452,163</u>	<u>2,044,008</u>	<u>3,601,936</u>
Noncurrent Assets				
Cash and cash investments - restricted	-	239,300	-	239,300
Capital assets:				
Land	67,762	767,033	45,000	879,795
Buildings	2,322,174	3,406,750	122,011	5,850,935
Improvements nonbuilding	4,999,103	8,317,655	2,381,877	15,698,635
Machinery and equipment	1,177,078	356,835	1,640,282	3,174,195
Construction-in-progress	9,109	1,214,010	-	1,223,119
Less - Accumulated depreciation	(3,358,276)	(5,647,608)	(1,749,165)	(10,755,049)
Total Noncurrent Assets	<u>5,216,950</u>	<u>8,653,975</u>	<u>2,440,005</u>	<u>16,310,930</u>
Total Assets	<u>6,322,715</u>	<u>9,106,138</u>	<u>4,484,013</u>	<u>19,912,866</u>
LIABILITIES				
Current Liabilities				
Accounts payable	85,521	83,971	73,483	242,975
Accrued wages	15,330	7,709	17,531	40,570
	<u>100,851</u>	<u>91,680</u>	<u>91,014</u>	<u>283,545</u>
Payable from restricted assets:				
Accrued interest payable	-	8,003	-	8,003
Bonds payable - current installments	-	85,000	-	85,000
	<u>-</u>	<u>93,003</u>	<u>-</u>	<u>93,003</u>
Total Current Liabilities	<u>100,851</u>	<u>184,683</u>	<u>91,014</u>	<u>376,548</u>
Noncurrent Liabilities				
Revenue bonds payable	-	405,000	-	405,000
Less - Unamortized bond issuance costs	-	(8,462)	-	(8,462)
Less - Unamortized bond discount	-	(5,038)	-	(5,038)
Customer deposits	29,435	26,650	-	56,085
Advance from other funds	-	1,500,000	-	1,500,000
Landfill care liability	-	-	2,497,011	2,497,011
Compensated absences payable	16,691	7,525	14,093	38,309
Total Noncurrent Liabilities	<u>46,126</u>	<u>1,925,675</u>	<u>2,511,104</u>	<u>4,482,905</u>
Total Liabilities	<u>146,977</u>	<u>2,110,358</u>	<u>2,602,118</u>	<u>4,859,453</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,216,950	8,023,175	2,440,005	15,680,130
Restricted - debt service	-	146,297	-	146,297
Unrestricted	958,788	(1,173,692)	(558,110)	(773,014)
Total Net Assets	<u>\$ 6,175,738</u>	<u>6,995,780</u>	<u>1,881,895</u>	<u>15,053,413</u>

CITY OF WASHINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Water</u>	<u>Sewage Treatment</u>	<u>Solid Waste</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 1,210,367	1,062,103	1,831,979	4,104,449
OPERATING EXPENSES				
Personal services	584,709	296,005	639,421	1,520,135
Contractual services	368,654	404,431	1,023,459	1,796,544
Depreciation	199,012	223,675	188,864	611,551
Supplies	313,227	166,322	101,542	581,091
Total Operating Expenses	<u>1,465,602</u>	<u>1,090,433</u>	<u>1,953,286</u>	<u>4,509,321</u>
OPERATING LOSS	<u>(255,235)</u>	<u>(28,330)</u>	<u>(121,307)</u>	<u>(404,872)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	48,614	51,299	101,930	201,843
Miscellaneous	7,588	4,394	-	11,982
Interest and fiscal charges	-	(41,602)	-	(41,602)
Total Nonoperating Revenues (Expenses)	<u>56,202</u>	<u>14,091</u>	<u>101,930</u>	<u>172,223</u>
CHANGES IN NET ASSETS	(199,033)	(14,239)	(19,377)	(232,649)
NET ASSETS, OCTOBER 1	<u>6,374,771</u>	<u>7,010,019</u>	<u>1,901,272</u>	<u>15,286,062</u>
NET ASSETS, SEPTEMBER	<u><u>\$ 6,175,738</u></u>	<u><u>6,995,780</u></u>	<u><u>1,881,895</u></u>	<u><u>15,053,413</u></u>

CITY OF WASHINGTON, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Water</u>	<u>Sewage Treatment</u>	<u>Solid Waste</u>	<u>Total</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,211,245	1,056,034	1,825,296	4,092,575
Payments to suppliers	(680,421)	(782,264)	(829,104)	(2,291,789)
Payments for employees and benefits	(584,133)	(294,135)	(637,578)	(1,515,846)
Net Cash Provided By (Used In) Operating Activities	<u>(53,309)</u>	<u>(20,365)</u>	<u>358,614</u>	<u>284,940</u>
Cash flows provided by (used in) noncapital financing activities:				
Advances	<u>(62,382)</u>	<u>1,470,785</u>	<u>(32,277)</u>	<u>1,376,126</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(291,628)	(1,695,252)	(476,147)	(2,463,027)
Principal paid on capital debt	-	(80,000)	-	(80,000)
Interest paid on capital debt	-	(40,190)	-	(40,190)
Net Cash Used In Capital And Related Financing Activities	<u>(291,628)</u>	<u>(1,815,442)</u>	<u>(476,147)</u>	<u>(2,583,217)</u>
Cash flows from investing activities:				
Interest	48,614	51,299	101,930	201,843
Other receipts (payments)	7,588	4,394	-	11,982
Decrease in restricted assets	-	(23,487)	-	(23,487)
Net Cash Provided By Investing Activities	<u>56,202</u>	<u>32,206</u>	<u>101,930</u>	<u>190,338</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(351,117)	(332,816)	(47,880)	(731,813)
CASH AND CASH EQUIVALENTS, OCTOBER 1	<u>543,372</u>	<u>600,517</u>	<u>1,866,636</u>	<u>3,010,525</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u>\$ 192,255</u>	<u>267,701</u>	<u>1,818,756</u>	<u>2,278,712</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating loss	<u>\$ (255,235)</u>	<u>(28,330)</u>	<u>(121,307)</u>	<u>(404,872)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	199,012	223,675	188,864	611,551
(Increase) decrease in:				
Receivables (net)	1,368	(5,239)	(6,683)	(10,554)
Inventory	23,955	3,208	-	27,163
Prepays	(7,551)	(5,238)	(6,914)	(19,703)
Increase (decrease) in:				
Accounts payable	(14,944)	(209,481)	(2,311)	(226,736)
Landfill care liability	-	-	305,122	305,122
Customer deposits	(490)	(830)	-	(1,320)
Other liabilities	576	1,870	1,843	4,289
Total Adjustments	<u>201,926</u>	<u>7,965</u>	<u>479,921</u>	<u>689,812</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (53,309)</u>	<u>(20,365)</u>	<u>358,614</u>	<u>284,940</u>

CITY OF WASHINGTON, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS
SEPTEMBER 30, 2007

ASSETS

Cash and investments

\$ 168,359

LIABILITIES

Due to lessee

\$ 168,359

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

The City's basic financial statements include all funds, agencies, and boards controlled by or dependent on the City. Control by or dependence on the City was determined on the basis of status as a separate organization, financial accountability, ability to appoint the governing body, budget adoption, taxing authority, outstanding debt service secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City. Based on the criteria of the Governmental Accounting Standards Board (GASB) Statement 14, the Washington Missouri Redevelopment Corporation is excluded from the accompanying financial statements. The Industrial Development Authority (IDA) of the City is organized to develop and promote commercial, industrial, agricultural, and manufacturing facilities in the City. All of the directors of the IDA are appointed by the Mayor of the City and confirmed by the City Council. The IDA is a component unit of the City; however, the financial activity is insignificant in relation to the City and the component unit has been excluded from the accompanying basic financial statements. The Phoenix Center II Community Improvement District (the District) was incorporated in 2006. All directors of the District are appointed by the Mayor of the City and confirmed by the City Council. The District is organized to construct public infrastructure improvement projects to serve a new commercial redevelopment project in the City. The District is a component unit of the City and is discretely presented as such in the basic financial statements.

2. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods,

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

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

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

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 Projects 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 Fund.

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fiduciary fund type:

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Agency Funds -- Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, or other governmental units. Agency Funds are accounted for and reported similar to the governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of the Industrial General Obligation Bonds of 1997, Series A & B; Taxable Industrial Revenue Bonds, Series 2005; and Industrial Development Bonds of 1977.

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Cash and Cash Investments

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

5. Inventories and Prepaid Items

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

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

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

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

6. Capital Assets

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

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Capital Assets (Continued)

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

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

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

7. Restricted Assets

Assets restricted for debt service are segregated on the government-wide statement of net assets and the proprietary fund statement of net assets.

8. Receivables and Payables

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

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Interfund Transactions

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

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

10. Compensated Absences

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

11. Long-term Obligations

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Encumbrances

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

13. Fund Equity

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

14. Net Assets

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

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

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

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

15. Capital Contributions

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

16. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and li-

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Use of Estimates (Continued)

abilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

1. Deposits

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation.

As of September 30, 2007, the City's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

2. Investments

As of September 30, 2007, the City had the following investments:

<u>Investments</u>	<u>Fair Market Value</u>	<u>No Maturity</u>	<u>Less Than One Year</u>	<u>6 - 10 Years</u>	<u>10 Years</u>	<u>More Than Credit Risk</u>
Primary Government						
Money market fund	\$428,865	428,865	-	-	-	Not rated
Repurchase agreement	221,964	-	221,964	-	-	AAA
Guaranteed investment contracts	31,128	-	-	15,087	16,041	AAA
Certificates of deposit	<u>31,971</u>	<u>-</u>	<u>31,971</u>	<u>-</u>	<u>-</u>	Not rated
Total Primary Government	<u>\$713,828</u>	<u>428,865</u>	<u>253,935</u>	<u>15,087</u>	<u>16,041</u>	

Investments Policies

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

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

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

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

Custodial Credit Risk is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be fully able to recover collateral securities in the possession of an outside party. Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, or by a single collateral pool established by the financial institution.

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

NOTE C - RECEIVABLES

Receivables as of September 30, 2007, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - RECEIVABLES (Continued)

	<u>Governmental Activities</u>				<u>Business-type Activities</u>			<u>Total</u>	<u>Component Unit</u>
	<u>General</u>	<u>Capital Improvements Sales Tax</u>	<u>Transportation Sales Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Water</u>	<u>Sewage Treatment</u>	<u>Solid Waste</u>		
Receivables:									
Accrued interest	\$ 218	34	433	139	15	38	146	1,023	-
Taxes	970,794	231,669	311,130	3,130	-	-	-	1,516,723	-
Accounts	166,702	581,440	129,071	-	169,030	130,726	182,306	1,359,275	62,261
Intergovernmental	25,648	582,173	-	-	-	-	10,000	617,821	-
Special assessments	<u>17,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>303</u>	<u>-</u>	<u>18,109</u>	<u>-</u>
Gross receivables	1,181,168	1,395,316	440,634	3,269	169,045	131,067	192,452	3,512,951	62,261
Less - Allowance for uncollectibles	<u>9,979</u>	<u>-</u>	<u>-</u>	<u>1,115</u>	<u>68</u>	<u>-</u>	<u>2,249</u>	<u>13,411</u>	<u>-</u>
Total Receivables Net	<u>\$1,171,189</u>	<u>1,395,316</u>	<u>440,634</u>	<u>2,154</u>	<u>168,977</u>	<u>131,067</u>	<u>190,203</u>	<u>3,499,540</u>	<u>62,261</u>

NOTE D - CAPITAL ASSETS

Following is a summary of changes in capital assets - governmental activities for the year ended September 30, 2007:

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - CAPITAL ASSETS (Continued)

	<u>For The Year Ended September 30, 2007</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>September 30</u>	<u>Additions</u>	<u>Decreases</u>	<u>September 30</u>
	<u>2006</u>			<u>2007</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 6,763,960	-	-	6,763,960
Construction in progress	<u>1,291,049</u>	<u>839,605</u>	<u>403,381</u>	<u>1,727,273</u>
Total Capital Assets Not Being Depreciated	<u>8,055,009</u>	<u>839,605</u>	<u>403,381</u>	<u>8,491,233</u>
Capital assets being depreciated:				
Infrastructure	8,691,819	763,521	-	9,455,340
Buildings	16,010,659	2,000,158	18,000	17,992,817
Improvements other than buildings	7,730,488	485,871	7,063	8,209,296
Machinery and equipment	<u>6,931,176</u>	<u>1,206,266</u>	<u>432,844</u>	<u>7,704,598</u>
Total Capital Assets Being Depreciated	<u>39,364,142</u>	<u>4,455,816</u>	<u>457,907</u>	<u>43,362,051</u>
Less - Accumulated depreciation for:				
Infrastructure	296,640	385,260	-	681,900
Buildings	5,291,378	358,949	8,910	5,641,417
Improvements other than buildings	1,640,799	276,765	2,824	1,914,740
Machinery and equipment	<u>4,059,950</u>	<u>521,258</u>	<u>432,844</u>	<u>4,148,364</u>
Total Accumulated Depreciation	<u>11,288,767</u>	<u>1,542,232</u>	<u>444,578</u>	<u>12,386,421</u>
Total Capital Assets Being Depreciated, Net	<u>28,075,375</u>	<u>2,913,584</u>	<u>13,329</u>	<u>30,975,630</u>
Governmental Activities Capital Assets, Net	<u>\$36,130,384</u>	<u>3,753,189</u>	<u>416,710</u>	<u>39,466,863</u>
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 854,354	25,441	-	879,795
Construction in progress	<u>896,479</u>	<u>876,846</u>	<u>550,206</u>	<u>1,223,119</u>
Total Capital Assets Not Being Depreciated	<u>1,750,833</u>	<u>902,287</u>	<u>550,206</u>	<u>2,102,914</u>
Capital assets being depreciated:				
Buildings	5,423,716	477,143	49,924	5,850,935
Improvements other than buildings	14,775,889	922,746	-	15,698,635
Machinery and equipment	<u>2,636,768</u>	<u>739,659</u>	<u>202,232</u>	<u>3,174,195</u>
Total Capital Assets Being Depreciated	<u>22,836,373</u>	<u>2,139,548</u>	<u>252,156</u>	<u>24,723,765</u>
Less - Accumulated depreciation for:				
Buildings	3,833,832	87,543	21,320	3,900,055
Improvements other than buildings	4,707,766	378,711	-	5,086,477
Machinery and equipment	<u>1,825,452</u>	<u>145,297</u>	<u>202,232</u>	<u>1,768,517</u>
Total Accumulated Depreciation	<u>10,367,050</u>	<u>611,551</u>	<u>223,552</u>	<u>10,755,049</u>
Total Capital Assets Being Depreciated, Net	<u>12,469,323</u>	<u>1,527,997</u>	<u>28,604</u>	<u>13,968,716</u>
Business-type Activities Capital Assets, Net	<u>\$14,220,156</u>	<u>2,430,284</u>	<u>578,810</u>	<u>16,071,630</u>

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - CAPITAL ASSETS (Continued)

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

	For The Year Ended September 30 <u>2007</u>
Governmental activities:	
General government	\$ 213,545
Public safety	425,173
Airport	184,386
Highway and streets	527,938
Culture and recreation	<u>191,190</u>
Total Depreciation Expense - Governmental Activities	<u>\$1,542,232</u>
Business-type activities:	
Water	\$199,012
Sewage treatment	223,675
Solid waste	<u>188,864</u>
Total Depreciation Expense - Business-type Activities	<u>\$611,551</u>

NOTE E - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The individual interfund balances are as follows:

Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	September 30 <u>2007</u>
General Fund	Sewage Treatment Fund	\$ 400,000
Nonmajor fund - Vehicle and Equipment Fund	Sewage Treatment Fund	1,100,000
Water Fund	General Fund	<u>558,593</u>
		<u>\$2,058,593</u>

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

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

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

Individual interfund transfers are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>For The Year Ended September 30 2007</u>
General Fund	Nonmajor Fund - Library Fund	\$ 79,385
General Fund	Nonmajor Fund - Volunteer Fire Company Fund	519,123
General Fund	Nonmajor Fund - Vehicle and Equipment Fund	<u>298,235</u>
		<u>\$896,743</u>

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

NOTE F - LEASE

Capital Lease

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

Governmental Activities

	<u>September 30 2007</u>
Asset:	
Machinery and equipment	\$113,424
Less - Accumulated depreciation	<u>22,685</u>
Total	<u>\$ 90,739</u>

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

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - LEASE (Continued)

For The Years Ended September 30		
2008		\$20,645
2009		20,646
2010		20,646
2011		<u>20,645</u>
Total minimum lease payments		82,582
Less - Amounts representing interest		<u>-</u>
 Present Value Of Minimum Lease Payments		 <u>\$82,582</u>

NOTE G - LONG-TERM DEBT

Bonds Payable

Bonds payable were comprised of the following:

September 30
2007

Governmental Activities

\$5,000,000 certificates of participation (Series 2005), due in annual installments through December 1, 2015; interest payable at 3.35% to 4.05%. \$4,575,000

Business-type Activities

\$1,300,000 Sewage System Revenue Bonds, under the terms of the refinancing agreement Series 2001B, due in annual installments through July 1, 2012; interest payable at 3.75% to 6.55%. \$490,000

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

For The Years Ended September 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 450,000	162,998	85,000	32,010
2009	450,000	147,653	90,000	26,527
2010	475,000	131,575	100,000	20,633
2011	475,000	114,641	105,000	14,082
2012	500,000	96,792	110,000	7,205
2013 - 2016	<u>2,225,000</u>	<u>180,786</u>	<u>-</u>	<u>-</u>
	<u>\$4,575,000</u>	<u>834,445</u>	<u>490,000</u>	<u>100,457</u>

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT (Continued)

Missouri Transportation Finance Corporation (MTFC) Loan Payable

During the year ended September 30, 2007, the City entered into a direct loan agreement with MTFC in the amount of \$7,364,451 plus interest of 3.69% to finance site improvements for the development at the District. The loan is due in annual installments through April 30, 2009.

The annual debt service requirements for the loan are as follows:

For The Years Ended September 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	271,748	271,748
2009	<u>7,364,451</u>	<u>271,748</u>	<u>7,636,199</u>
	<u>\$7,364,451</u>	<u>543,496</u>	<u>7,907,947</u>

Changes in Long-term Liabilities

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

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT (Continued)

	For The Year Ended September 30, 2007			Balance September 30 2007	Amounts Due Within One Year
	Balance September 30 2006	Additions	Deletions		
Governmental activities:					
Certificates of participation	\$5,000,000		(425,000)	4,575,000	450,000
Capital lease	82,582	-	-	82,582	20,645
MTFC loan	-	7,364,451	-	7,364,451	-
Compensated absences payable	<u>121,942</u>	<u>23,118</u>	<u>-</u>	<u>145,060</u>	<u>24,699</u>
Total Governmental Activities Long-term Liabilities	<u>\$5,204,524</u>	<u>7,387,569</u>	<u>(425,000)</u>	<u>12,167,093</u>	<u>495,344</u>
Business-type activities:					
Revenue bonds payable	\$ 570,000	-	(80,000)	490,000	85,000
Less - Issuance and discounts	<u>(6,045)</u>	<u>-</u>	<u>1,007</u>	<u>(5,038)</u>	<u>-</u>
Total Revenue Bonds Payable	563,955	-	(78,993)	484,962	85,000
Compensated absences payable	38,309	-	-	38,309	13,321
Landfill care liability	<u>2,191,889</u>	<u>305,122</u>	<u>-</u>	<u>2,497,011</u>	<u>-</u>
Total Business-type Activities Long-term Liabilities	<u>\$2,794,153</u>	<u>305,122</u>	<u>(78,993)</u>	<u>3,020,282</u>	<u>98,321</u>

The amount due within one year above includes \$85,000, which is reported as part of liabilities payable from restricted assets in the statement of net assets.

Component Unit

	September 30, 2007
2006 sales tax revenue notes, interest at 6.75%, due November 1, 2026.	<u>\$6,497,333</u>

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

In November 2006, the District issued its sales tax revenue note, Series 2006, in a principal amount not to exceed \$17,997,000. The notes are payable from a 0.75% sales tax imposed by the District, from one-half of the sales tax revenue the City receives from within the District, and from one-half of the sales tax revenue the County receives from its general sales tax from within the District. The notes are

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT (Continued)

limited obligations of the District, and are generally payable solely from the City, County, and District sales tax revenues identified above. The notes do not constitute a general obligation of the City, County, District, or State of Missouri.

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

	For The Period From Inception (November 29, 2006) To September 30, 2007			Amount Due Within One Year	
	Balance November 29 2006	Additions	Deletions		Balance September 30 2007
	2006 sales tax revenue notes	\$ <u>-</u>	<u>6,497,333</u>		<u>-</u>

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

NOTE H - GENERAL FUND BALANCE

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

	September 30 2007
General Fund	\$3,000,949
Stormwater Management Improvement Fund	<u>1,451,511</u>
	<u>\$4,452,460</u>

NOTE I - EMPLOYEE RETIREMENT SYSTEMS

Deferred Compensation Plan

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

NOTE I - EMPLOYEE RETIREMENT SYSTEMS (Continued)

Missouri Local Government Employees Retirement System

1. Plan Description

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

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

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

2. Funding Policy

The City's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 12.3% (general) and 11.3% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

3. Annual Pension Cost

For 2007, the City's annual pension cost of \$556,431 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2005 and/or February 28, 2006 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually; b) projected salary increases of 4% per year, compounded annually, attributable to inflation; c) additional projected salary increases ranging from 0% to 6% per year, depending on age and division, attributable to seniority/merit; d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women; and e) post-retirement 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, 2007 was 15 years.

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE I - EMPLOYEE RETIREMENT SYSTEMS (Continued)

3. Annual Pension Cost (Continued)

Three -year trend information follows:

For The Plan Years Ended June 30	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2007	\$556,431	100%	\$ -
2006	489,504	100	-
2005	481,120	100	-

Schedule of funding progress follows:

For The Actuarial Valuation Years Ended February 28/29	Actuarial Value Of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)
2007	\$9,952,464	\$11,231,847	\$1,279,383
2006	8,826,258	10,100,180	1,273,922
2005	8,494,730	9,930,688	1,435,958

For The Actuarial Valuation Years Ended February 28/29	Funded Ratio	Annual Covered Payroll	Unfunded AAL As A Percentage Of Covered Payroll
2007	89%	\$4,636,619	28%
2006	87	4,214,820	30
2005	86	4,185,314	34

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS' office in Jefferson City, MO.

NOTE J - RISK MANAGEMENT

The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), which is a jointly self-funded insurance program consisting solely of Missouri municipalities. MIRMA assesses each participant in the program based upon past experience of the group. MIRMA purchases excess insurance coverage in the event of significant losses by participants in the program. The assessment for the coverage period July 1, 2007 through June 30, 2008 was \$459,062. There are no claims estimated to exceed policy limits as of September 30, 2007. The City has not recorded any liability for future potential losses in the accompanying financial statements based upon the above information provided by MIRMA.

NOTE K - CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its Steutermann and Struckhoff landfill sites when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,497,011 reported as landfill care liability at September 30, 2007, represents the post-closure care estimate for the Steutermann landfill closed in 1994 and the cumulative amount reported to date based on the use of 41% of the estimated capacity of the Struckhoff landfill. The landfill capacity was revised in fiscal 2002 to 1,767,900 cubic yards, an increase in capacity of 112,900 cubic yards because of improved compaction methods. The City will recognize the remaining estimated cost of closure and post-closure care of \$6.1 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2006. Actual cost may be higher due to inflation, changes in technology, and/or changes in regulations.

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

NOTE L - CONDUIT DEBT

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

\$30,000,000 Taxable Industrial Revenue Bonds (Series 2005), due in annual installments through December 1, 2015; interest payable at 5%.

September 30
2007

\$11,322,937

CITY OF WASHINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE L - CONDUIT DEBT (Continued)

September 30
2007

\$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%.	615,000
\$1,470,000 General Obligation Industrial Refunding Bonds (Series 1997 B), due in annual installments through June 1, 2009; interest payable at 4% to 5%.	<u>310,000</u>
	<u>\$12,247,937</u>

NOTE M - SUBSEQUENT EVENTS

In October 2007 the Council approved the issuance of Sewerage System Revenue Bonds (State Revolving Fund Program) Series 2007 for \$20,000,000. The City is also preparing to issue \$25,910,000 certificates of participation in April 2008.

NOTE N - COMMITMENTS

The City had commitments to purchase engineering services and water and sewer supplies totaling \$816,453 at September 30, 2007.

NOTE O - RESTRICTED NET ASSETS

The government-wide statement of net assets reports \$2,202,024 of restricted net assets, of which \$2,055,727 is restricted by enabling legislation.

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF WASHINGTON, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Taxes:			
Property	\$ 1,821,415	1,825,922	4,507
Sales	3,968,125	4,183,659	215,534
Franchise	1,443,255	1,828,544	385,289
Licenses and permits	199,000	274,026	75,026
Fees and fines	130,000	313,502	183,502
Intergovernmental	18,640	121,022	102,382
Charges for services	914,815	1,120,786	205,971
Rents	100,770	81,243	(19,527)
Contributions and donations	16,600	50,774	34,174
Investment income	78,695	237,259	158,564
Total Revenues	<u>8,691,315</u>	<u>10,036,737</u>	<u>1,345,422</u>
EXPENDITURES			
Current:			
General government:			
Executive	745,955	917,405	171,450
Financial administration	445,855	460,806	14,951
Technology support	322,640	277,534	(45,106)
Economic development	114,625	114,612	(13)
Maintenance-building and grounds	314,055	311,375	(2,680)
Total General Government	<u>1,943,130</u>	<u>2,081,732</u>	<u>138,602</u>
Public safety:			
Judicial	37,050	40,713	3,663
Police	2,024,965	2,251,022	226,057
Communications center	671,230	600,744	(70,486)
Total Public Safety	<u>2,733,245</u>	<u>2,892,479</u>	<u>159,234</u>
Highways and streets:			
Engineering, inspections, and planning	584,420	572,617	(11,803)
Streets	978,100	1,101,100	123,000
Total Highways And Streets	<u>1,562,520</u>	<u>1,673,717</u>	<u>111,197</u>

(Continued)

CITY OF WASHINGTON, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original And Final Budget	Actual	Over (Under) Budget
EXPENDITURES (Continued)			
Current (Continued):			
Airport	116,155	162,082	45,927
Culture and recreation:			
Parks	932,950	972,939	39,989
Aquatic center	196,035	147,371	(48,664)
Total Culture And Recreation	1,128,985	1,120,310	(8,675)
Debt service:			
Interest expense	-	28,345	28,345
Capital outlay:			
General government	486,255	46,883	(439,372)
Public safety	5,000	779	(4,221)
Highways and streets	265,500	144,617	(120,883)
Airport	-	967	967
Culture and recreation	64,800	293,571	228,771
Total Capital Outlay	821,555	486,817	(334,738)
Total Expenditures	8,305,590	8,445,482	139,892
REVENUES OVER (UNDER) EXPENDI- TURES	385,725	1,591,255	1,205,530
OTHER FINANCING SOURCES (USES)			
Transfers out	(891,885)	(896,743)	4,858
Sale of capital assets	-	3,000	3,000
Total Other Financing Sources (Uses)	(891,885)	(893,743)	1,858
NET CHANGE IN FUND BALANCE	\$ (506,160)	697,512	1,203,672
FUND BALANCE, OCTOBER 1		3,754,948	
FUND BALANCE, SEPTEMBER 30		\$ 4,452,460	

**CITY OF WASHINGTON, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Budgetary Information

The City follows these procedures in establishing the budgetary data:

- a. Prior to October 1, the City Finance Director submits to the City Council a proposed operating budget for the fiscal period. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings and open council meetings are held to obtain taxpayer comments.
- c. Prior to October 1, the budget is adopted by the City Council.
- d. Formal budgetary integration is employed as a management control device during the period for all fund types. The legal level of budgetary control defined as the budgeted appropriation amount at the fund level of expenditures.
- e. Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.
- f. Current period budget includes no amendments. Unencumbered appropriations at the end of the period are reconsidered for subsequent budgets.

Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the Library Fund, Volunteer Fire Fund, and Capital Improvement Sales Tax Fund. These over expenditures were funded by additional revenues.

OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF WASHINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<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 investments	\$ 101,788	828,881	417,989	1,348,658
Accounts receivable, net of allowance	2,091	30	33	2,154
Prepaid items	14,699	61,534	-	76,233
Advance to other funds	-	-	1,100,000	1,100,000
Total Assets	<u>\$ 118,578</u>	<u>890,445</u>	<u>1,518,022</u>	<u>2,527,045</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 15,632	8,070	-	23,702
Accrued wages	6,708	1,640	-	8,348
Total Liabilities	<u>22,340</u>	<u>9,710</u>	<u>-</u>	<u>32,050</u>
Fund Balances				
Reserved for:				
Prepaid items	14,699	61,534	-	76,233
Encumbrances	6,000	-	-	6,000
Advances	-	-	1,100,000	1,100,000
Unreserved:				
Special Revenue Funds	75,539	819,201	-	894,740
Capital Projects Fund	-	-	418,022	418,022
Total Fund Balances	<u>96,238</u>	<u>880,735</u>	<u>1,518,022</u>	<u>2,494,995</u>
Total Liabilities And Fund Balances	<u>\$ 118,578</u>	<u>890,445</u>	<u>1,518,022</u>	<u>2,527,045</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, 2007

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total</u>
	<u>Volunteer</u>		<u>Vehicle And</u>	
	<u>Library</u>	<u>Fire Company</u>	<u>Equipment</u>	
REVENUES				
Property taxes	\$ 155,504	-	-	155,504
Fees and fines	54,336	-	-	54,336
Intergovernmental	4,239	-	14,984	19,223
Charges for services	-	997	-	997
Rents	-	21,653	-	21,653
Contributions and donations	6,903	1,000	-	7,903
Investment income	7,471	31,700	54,127	93,298
Total Revenues	<u>228,453</u>	<u>55,350</u>	<u>69,111</u>	<u>352,914</u>
EXPENDITURES				
Current:				
Public safety:				
Fire	-	491,471	-	491,471
Culture and recreation:				
Library	349,142	-	-	349,142
Capital outlay:				
Public safety:				
Fire	-	-	99,659	99,659
Highways and streets	-	-	124,719	124,719
Culture and recreation:				
Parks	-	-	96,920	96,920
Total Expenditures	<u>349,142</u>	<u>491,471</u>	<u>321,298</u>	<u>1,161,911</u>
REVENUES UNDER EXPENDITURES	(120,689)	(436,121)	(252,187)	(808,997)
OTHER FINANCING SOURCES				
Transfers in	<u>79,385</u>	<u>519,123</u>	<u>298,235</u>	<u>896,743</u>
NET CHANGE IN FUND BALANCES	(41,304)	83,002	46,048	87,746
FUND BALANCE, OCTOBER 1	<u>137,542</u>	<u>797,733</u>	<u>1,471,974</u>	<u>2,407,249</u>
FUND BALANCES, SEPTEMBER 30	<u>\$ 96,238</u>	<u>880,735</u>	<u>1,518,022</u>	<u>2,494,995</u>

CITY OF WASHINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND
ACTUAL - LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Property taxes	\$ 155,245	155,504	259
Fees and fines	30,495	54,336	23,841
Intergovernmental	7,245	4,239	(3,006)
Contributions and donations	5,000	6,903	1,903
Investment income	4,130	7,471	3,341
Total Revenues	202,115	228,453	26,338
EXPENDITURES			
Current:			
Library	292,000	349,142	57,142
REVENUES UNDER EXPENDITURES	(89,885)	(120,689)	(30,804)
OTHER FINANCING SOURCES			
Transfers in	79,385	79,385	-
NET CHANGE IN FUND BALANCE	\$ (10,500)	(41,304)	(30,804)
FUND BALANCE, OCTOBER 1		137,542	
FUND BALANCE, SEPTEMBER 30		\$ 96,238	

CITY OF WASHINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND
ACTUAL - VOLUNTEER FIRE COMPANY SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Charges for services	\$ 7,330	997	(6,333)
Rents	5,445	21,653	16,208
Contributions and donations	-	1,000	1,000
Investment income	15,365	31,700	16,335
Total Revenues	28,140	55,350	27,210
EXPENDITURES			
Current:			
Volunteer Fire Company	485,960	491,471	5,511
REVENUES OVER (UNDER) EXPENDITURES	(457,820)	(436,121)	21,699
OTHER FINANCING SOURCES (USES)			
Transfers in	514,265	519,123	4,858
Transfers out	(600,000)	-	(600,000)
Total Other Financing Sources (Uses)	(85,735)	519,123	604,858
NET CHANGE IN FUND BALANCE	\$ (543,555)	83,002	626,557
FUND BALANCE, OCTOBER 1		797,733	
FUND BALANCE, SEPTEMBER 30		\$ 880,735	

CITY OF WASHINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND
ACTUAL - CAPITAL IMPROVEMENTS SALES TAX CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Taxes:			
Sales	\$ 1,824,775	1,751,990	(72,785)
Intergovernmental	-	451,100	451,100
Charges for services	-	5,110	5,110
Investment income	20,000	66,378	46,378
Total Revenues	1,844,775	2,274,578	429,803
EXPENDITURES			
Current:			
General government	-	9,276	9,276
Public safety:			
Communications	-	1,879	1,879
Highways and streets	-	8,476	8,476
Airport	-	1,596	1,596
Culture and recreation	-	2,274	2,274
Total Current	-	23,501	23,501
Debt service:			
Principal	425,000	425,000	-
Interest and fiscal charges	178,745	178,789	44
Total Debt Service	603,745	603,789	44
Capital outlay:			
General government	-	581,961	581,961
Public safety:			
Communications	20,645	-	(20,645)
Fire	700,000	1,780,551	1,080,551
Highways and streets	25,000	12,618	(12,382)
Airport	-	89,416	89,416
Culture and recreation	79,710	118,247	38,537
Total Capital Outlay	825,355	2,582,793	1,757,438
Total Expenditures	1,429,100	3,210,083	1,780,983
REVENUES OVER (UNDER) EXPENDITURES	415,675	(935,505)	(1,351,180)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	50,100	50,100
Transfers in	600,000	-	(600,000)
Total Other Financing Sources (Uses)	600,000	50,100	(549,900)
NET CHANGE IN FUND BALANCE	\$ 1,015,675	(885,405)	(1,901,080)
FUND BALANCE, OCTOBER 1		2,941,132	
FUND BALANCE, SEPTEMBER 30		\$ 2,055,727	

CITY OF WASHINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND
ACTUAL - TRANSPORTATION SALES TAX CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Taxes:			
Sales	\$ 1,824,775	1,745,967	(78,808)
Intergovernmental	1,924,130	568,762	(1,355,368)
Charges for services	10,000	695,862	685,862
Investment income	35,000	195,326	160,326
Total Revenues	3,793,905	3,205,917	(587,988)
EXPENDITURES			
Current:			
Highways and streets	625,000	5,358,311	4,733,311
Debt service:			
Interest and fiscal charges	214,090	-	(214,090)
Capital outlay:			
Highways and streets	11,196,200	1,452,314	(9,743,886)
Total Expenditures	12,035,290	6,810,625	(5,224,665)
REVENUES OVER (UNDER) EXPENDITURES	(8,241,385)	(3,604,708)	4,636,677
OTHER FINANCING SOURCES			
Capital-related debt issued	8,900,000	7,364,451	(1,535,549)
NET CHANGE IN FUND BALANCE	\$ 658,615	3,759,743	3,101,128
FUND BALANCE, OCTOBER 1		980,230	
FUND BALANCE, SEPTEMBER 30		\$ 4,739,973	

CITY OF WASHINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND
ACTUAL - VEHICLE AND EQUIPMENT CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Intergovernmental	\$ -	14,984	14,984
Investment income	40,000	54,127	14,127
Total Revenues	40,000	69,111	29,111
EXPENDITURES			
Capital outlay:			
Public safety	75,000	99,659	24,659
Highways and streets	210,000	124,719	(85,281)
Culture and recreation	96,800	96,920	120
Total Expenditures	381,800	321,298	(60,502)
REVENUES OVER (UNDER)			
EXPENDITURES	(341,800)	(252,187)	89,613
OTHER FINANCING SOURCES			
Transfers in	298,235	298,235	-
NET CHANGE IN FUND BALANCE	\$ (43,565)	46,048	89,613
FUND BALANCE, OCTOBER 1		1,471,974	
FUND BALANCE, SEPTEMBER 30		\$ 1,518,022	

CITY OF WASHINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING STATEMENT OF
CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Balance September 30 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30 2007</u>
INDUSTRIAL DEVELOPMENT				
BONDS OF 1977				
Assets - cash and cash investments	\$ 82,894	-	82,894	-
Liabilities - due to lessee	\$ 82,894	-	82,894	-
INDUSTRIAL G.O. BONDS OF 1997, SERIES A				
Assets - cash and cash investments	\$ 128,782	534,714	501,380	162,116
Liabilities - due to lessee	\$ 128,782	534,714	501,380	162,116
TAXABLE INDUSTRIAL REVENUE BONDS (HBAS MANUFACTUR- ING, INC. PROJECT), SERIES 2005				
Assets - cash and cash investments	\$ -	109,267	103,024	6,243
Liabilities - due to lessee	\$ -	109,267	103,024	6,243
ALL AGENCY FUNDS				
Assets - cash and cash investments	\$ 211,676	643,981	687,298	168,359
Liabilities - due to lessee	\$ 211,676	643,981	687,298	168,359

INTERNAL CONTROL AND COMPLIANCE SECTION



Hochschild, Bloom & Company LLP

Certified Public Accountants

Consultants and Advisors

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

April 4, 2008

Mayor and City Council
CITY OF WASHINGTON, MISSOURI

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF WASHINGTON, MISSOURI** (the City) as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 4, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated April 4, 2008.

This report is intended solely for the information and use of management and applicable regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS