

CITY OF OSAGE BEACH, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
JANUARY 1, 2011 - DECEMBER 31, 2011



CITY OF OSAGE BEACH, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

Prepared by:

Karri Bell
City Treasurer

CITY OF OSAGE BEACH, MISSOURI
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2011

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INTRODUCTORY SECTION



1000 City Parkway • Osage Beach, MO 65065
City Hall [573] 302-2000 • Fax [573] 302-0528

April 20, 2012

To the Honorable Mayor, Board of Aldermen and the Citizens of the City of Osage Beach:

The Comprehensive Annual Financial Report (CAFR) of the City of Osage Beach, Missouri, for the fiscal year ended December 31, 2011, is herewith submitted. The information presented in the CAFR is the responsibility of the City's management. The report was prepared by the City Treasurer Department in close cooperation with the external auditors. The CAFR conforms to the standards of financial reporting as set forth by the Governmental Accounting Standards Board (GASB) and the guidelines as recommended by the Government Finance Officers Association (GFOA). The City Treasurer Department believes that the financial statements, supporting schedules, and statistical information fairly present the financial condition of the City. We further believe that all presented data is accurate in all aspects and that all necessary disclosures have been included to enable the reader to gain a reasonable understanding of the City's financial affairs.

The City's financial statements have been audited by Williams Keepers LLC, a firm of licensed certified public accountants. The purpose of the audit conducted by Williams Keepers was to review and provide reasonable assurance that the City's financial statements for the fiscal year ended December 31, 2011, are free of material misstatements. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the government-wide and fund financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditors gave an unqualified opinion for the year ended December 31, 2011, which can be found in the first report on the financial section of this document.

The City of Osage Beach is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 and related amendments and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*. Information related to this Single Audit, including a schedule of federal financial assistance, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued Single Audit report.

Generally Accepted Accounting Principles require that management provide a narrative, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read with it. The City of Osage Beach's MD&A can be found immediately following the report of the independent auditors.

The Reporting Entity and Its Services

The City of Osage Beach, organized in 1959, is a fourth-class city and political subdivision created and existing under the laws of the State of Missouri. The City is approximately 10 square miles in area and is located in Camden and Miller Counties, Missouri. The City lies along the shores of the Lake of the Ozarks, one of the largest man-made lakes in the world. The City has an estimated permanent population of 4,351; however, it is estimated that there are in excess of 100,000 people during the peak seasonal periods. The governing body consists of an elected six-member Board of Aldermen and a Mayor who, in turn, appoints a City Administrator, City Clerk, Police Chief, Building Official, City Treasurer, City Planner, City Engineer and City Attorney. Aldermen serve two-year terms, with three members elected every year. The Mayor is elected for a two-year term.

Although legally separate from the City, the financial statements include its component unit. The component unit is the Tax Increment Financing District responsible for encouraging development of commercial enterprises in the District. The District is fiscally dependent upon the City because the City must approve any debt issuances.

The City provides a full range of municipal services including sewer, water, airports, public safety, and general administration.

The City offers its residents and visitors two City parks. Peanick Park is a five acre park with two ball fields, pavilions, basketball courts, a walking trail and playground facilities. It is located on the northeast side of town on Highway 42. The Osage Beach City Park is a 92 acre park surrounded by the Lake of the Ozarks and the Lake of the Ozarks State Park; it is located off of Hatchery Road adjacent to the outlet mall. The park has lake access, a fully stocked fishing pond, a newly constructed Sports Complex complete with three 300' baseball/softball fields, press box, concession facilities, three soccer fields, two pavilions and a playground.

Accounting System and Budgetary Control

The diversity of governmental operations and the necessity for legal compliance preclude recording and summation of all financial transactions in a single accounting entity. The City's accounting system is, therefore, organized and operated on a fund basis, wherein each fund or account group is a distinct and separate self-balancing entity.

The City's financial records utilize two basis of accounting. The modified accrual basis is followed by the governmental funds. Under this basis, revenues are recognized when measurable and available, and expenditures are recorded when the fund liability is incurred, except for interest on long-term debt. The accrual basis of accounting is utilized by proprietary funds. Consideration is given to the adequacy of internal accounting controls governing the financial transactions and records of the City. Internal controls are designed and developed to provide reasonable assurance that assets are safeguarded and that transactions are properly executed and recorded in line with management's policy and generally accepted accounting principles.

Budgetary control is maintained at the fund level.

Local Economy

The City of Osage Beach, along with the rest of the country, has felt the affects of the recession; unemployment rates remained unchanged for the year, at an average of 11%. Sales tax revenue saw an increase, after three years of declining sales tax revenue.

The City of Osage Beach is primarily a tourist/visitor destination. Conveniently located in the heart of Missouri, the Lake of the Ozarks is the Midwest's premier lake resort destination. While both population and local economic activity continue to peak in the summer season, the increasing number of second homeowners, the expansion in retail goods and the promotion of non-peak activities is smoothing out the sharpness of the peaks.

The City approved a Tax Increment Financing (TIF) Redevelopment Plan for Dierbergs; the opening of the Dierbergs Market is scheduled to occur the spring of 2013.

Long-term financial planning and policies

The City currently does not have a formal long-term financial plan or fund balance/reserve policy. The Board during the 2011 Budget process directed staff to maintain a six month cash reserve to operate the City at its current level for the General Fund. The City prepares its budget for a one year period. Police cars are on rotation plan and are replaced on a systematic basis before they are completely devalued. This process allows for level spending occurring on an annual basis. Capital expansion projects that are not funded through debt service but are high on the priority list are in the current year's budget. If the project lacks sufficient funds, the project will be carried into the next budget with funds added until sufficient funds are available to complete the project.

Reporting Standards and Formats

The standards used to formulate and present the content of this Comprehensive Annual Financial Report were set forth by the Governmental Accounting Standards Board (GASB), which incorporates the statements and interpretations of the National Council on Governmental Accounting (NCGA) until modification is deemed necessary. The GASB has also promulgated acceptance of certain standards as set by the American Institute of Certified Public Accountants (AICPA) in the guide for "Audits of State and Local Governmental Units." Guidance for illustrative interpretation was obtained by use of the 2005 "Governmental Accounting, Auditing and Financial Reporting" (GAAFR), published by the Government Finance Officers Association (GFOA).

Future Major Initiatives

The Missouri Department of Transportation (MoDOT) completed the Highway 54 expressway in 2011. This expressway allows for alternative routes in and outside the City limits. With the completion of this \$130,000,000 project, and once all contractual issues have been agreed upon by MoDOT and the City, the City will take over the original highway 54 through the City limits. The increases in operating costs associated with the take over of the old highway, currently known as the Osage Beach Parkway, will be offset by a one-time payment, previously received, from MoDOT of \$2,000,000. Two new employees will be hired during the first year of taking over Osage Beach Parkway. The City has purchased a street sweeper and a skid loader in previous fiscal years in preparation of this event.

The City Engineer, as authorized by the Board of Aldermen, will apply for a Traffic Engineering Assistance Program grant to study Nichols Road between Osage Beach Parkway and the Expressway.

Street improvement projects, including engineering, land purchases, and streetlights totaling \$3,347,725, which includes Passover Road Phase 2, Cabana and Palisades, Zebra Connector, Ozark Meadows road improvements, Highway 54 sidewalk improvements and Malibu sidewalk improvements, plus \$394,000 for seal, asphalt overlay and striping in several areas.

Water projects, including land purchases, totaling \$677,160, which includes the Highway 42 parallel lines, Woodland Cove line replacement, load transfers at wells, and miscellaneous water construction projects.

Sewer projects, including engineering and land purchases totaling \$1,920,617, which includes several lift station improvements, Passover Road upgrade, Highway 42 parallel lines, Mace Road sewer, Spring Valley service, plus several MoDOT mandated projects and connecting sewer projects.

\$144,700 was budgeted to pave the parking lots at the Osage Beach City Park and to pave the walking trail at Peanick Park. Funds were also budgeted to purchase concession equipment as the City intends to operate the concession stand itself.

Lee C. Fine Airport will complete a pavement maintenance project. \$450,000 was budgeted, of which the City's portion is 5% to 10%, with the remainder paid by grant funding. In addition, the budget includes \$15,000 for electronic gate openers and \$20,000 in building repairs.

Lee C. Fine Airport land development for the land lease project previously completed is set to begin January 1, 2012. Construction of new hangars should begin in the spring or summer of 2012; with the addition of these new hangars, both the airport and local economy should be bolstered.

Grand Glaize Airport will complete a tree clearing and fence project. \$200,000 was budgeted, of which the City's portion is 5% to 10%, with the remainder paid by grant funding. An additional \$100,000 was budgeted to purchase land around the airport, in the event the Board of Aldermen desires to do so in the future.

The City held a public forum and collected surveys to solicit input on a possible smoking ban in the City of Osage Beach. Many businesses in the City have taken this step on their own and to date, the City has not taken any further action.

Under the Greater Osage Beach Water and Sewer Master plan, the city is working on an agreement with the Kaiser Industrial Park Property Owners' Association, Inc., to provide sewer services outside the City's border.

Independent Audit

Bond ordinances require an annual audit by independent certified public accountants. The City of Osage Beach selected the firm of Williams Keepers LLC. Generally accepted auditing standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Osage Beach for its comprehensive annual financial report for the fiscal year ended December 31, 2010. This was the twelfth year that the City of Osage Beach has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of many City employees. I want to especially express my appreciation to the City Treasurer Department staff for assisting and contributing to its preparation.

Finally, I would like to acknowledge the Mayor, Board of Aldermen and the City Administrator for their support in planning and conducting the financial operations of the City in a professional and progressive manner.

Respectfully submitted,



Karri Bell
City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Osage Beach
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



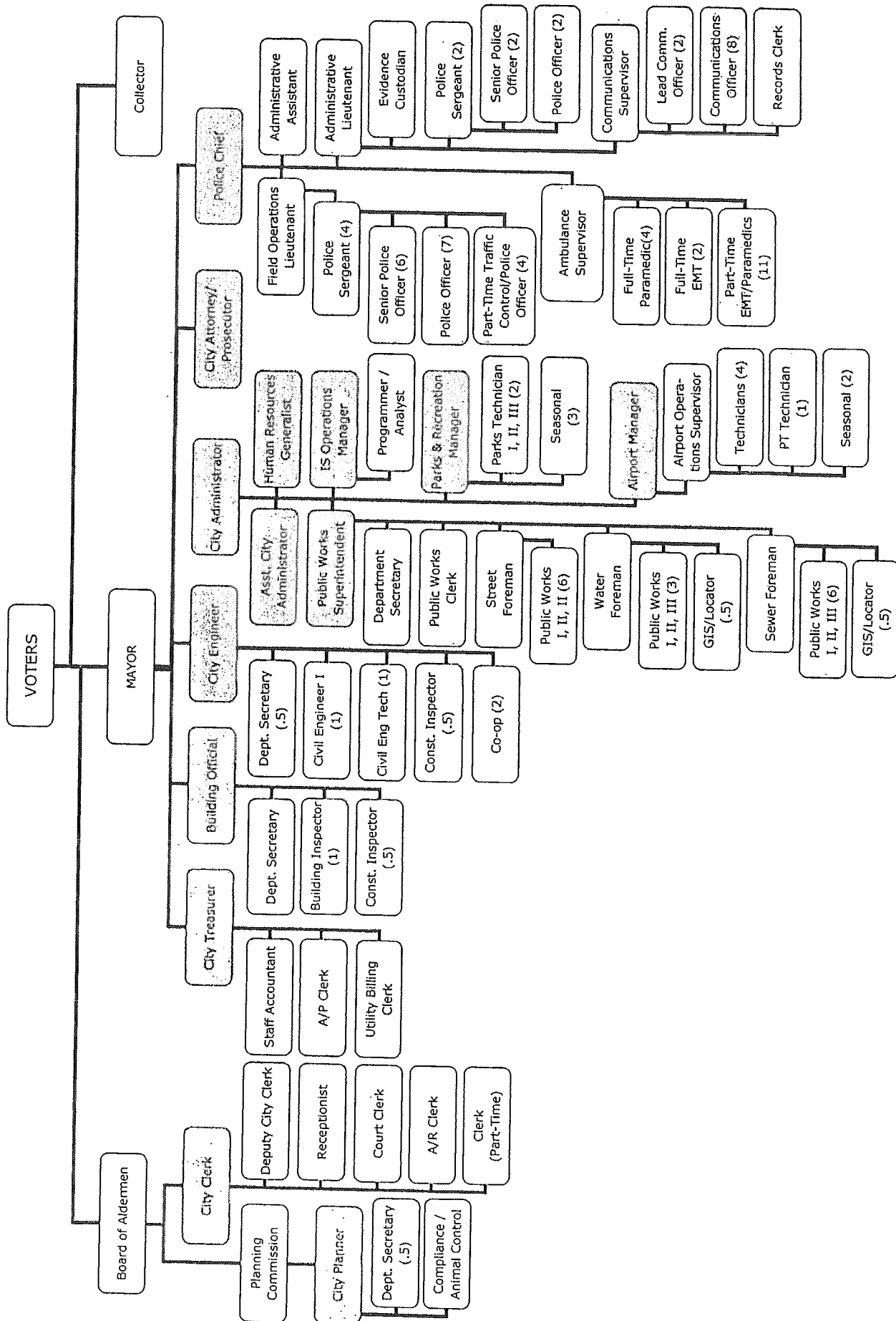
Linda C. Danison

President

Jeffrey R. Enen

Executive Director

City of Osage Beach — Organizational Chart



CITY OF OSAGE BEACH

Elected Officials

Mayor.....	Penny Lyons
Ward One.....	Kevin Rucker
.....	Ron Schmitt
Ward Two	Lois Farmer
.....	Steven Kahrs
Ward Three	John Olivarri
.....	Fred Catcott
City Collector	John M. Berry

Management Team

City Administrator.....	Nancy Viselli
City Clerk.....	Diann Warner
Chief of Police	Todd Davis
City Attorney	Ed Rucker
City Treasurer	Karri Bell
Building Official.....	Ron White
City Planner	Cary Patterson
City Engineer.....	Nick Edelman
Assistant City Administrator	Jeana Albertson
Human Resources Generalist	Cindy Leigh
Information Systems Operations Manager.....	James Davis
Public Works Superintendent.....	Rick King
Airport Manager	Budd Hyde
Park Manager.....	Brian Willey

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Williams-Keepers LLC

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Osage Beach, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund for the City of Osage Beach, Missouri (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the accompanying 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Osage Beach, Missouri as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require the management's discussion and analysis and the budgetary comparison schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Osage Beach's financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as

required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with Government Auditing Standards, we have also issued our report dated June 14, 2012, 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. 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.

Williams Keepers LLC

June 14, 2012

City of Osage Beach, Missouri
Management Discussion and Analysis
December 31, 2011

This section of the City of Osage Beach's annual financial report presents a review of the City's financial activities for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Osage Beach exceeded its liabilities at the close of the fiscal year by \$79,882,892 (net assets). Of this amount, \$9,268,078 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased \$1,127,438. This is a total decrease of \$698,288 from the City's governmental activities and a decrease of \$429,150 from the business-type activities. The decrease in governmental activities is a reflection of decreased grants and increased operating costs. The decrease in business-type activities reflects a combination of reduced capital grants and reduced transfers from governmental activities.
- The City did not issue any new debt in 2011; its debt decreased by \$2,145,000 (7 percent) during the fiscal year.
- The City entered into a Tax Increment Financing Agreement with Dierbergs. The project calls for the construction of approximately 142,000 square feet of retail space. Dierbergs Market will be the anchor tenant and a separate building will be occupied by one primary and one junior anchor tenant. The project's estimated completion date is spring 2013. This project is located on the northeast side of Highway 54, previously occupied by Wal-Mart. The developer will receive up to a \$5,100,000 TIF reimbursement, of the estimated \$34,234,400 total project cost.
- The City entered into a cost sharing agreement with the Missouri Highways and Transportation Commission for the construction of a ramp at the Nichols Road-Highway 54 Expressway interchange. The total cost of the project was \$590,912 with the City's share being \$295,456. The Special Road District also participated by reimbursing the City in the amount of \$100,000.
- Through the FEMA program, the City received \$17,090 to reimburse the City for damages caused by a heavy snow storm.
- The City received \$57,021 from a State Block Grant program. These funds were primarily used to assist the City in an airport layout plan and runway sealing/stripping for the Grand Glaize Airport.
- With its continued focus on safety, the City maintained its workers' compensation experience modification rating of .77. In 2002, the City paid \$188,827 for workers compensation. In 2011, this expense was reduced to \$79,309.
- The City's health insurance changed to a high-deductible plan with a health savings account; this will generate an estimated \$109,000 in savings annually.
- The City replaced one full-time position in Ambulance with part-time staff, reflecting a savings of \$17,744.
- After three years of declining sales tax revenue, the City gross sales tax (on a cash basis) increased 5%, from \$4,204,070 in fiscal year 2010 in the General Fund compared to \$4,417,555 in fiscal year 2011.
- To maintain the City's infrastructure, \$94,500 was spent on inspection, washing and painting of the Parkview Bay water tower.

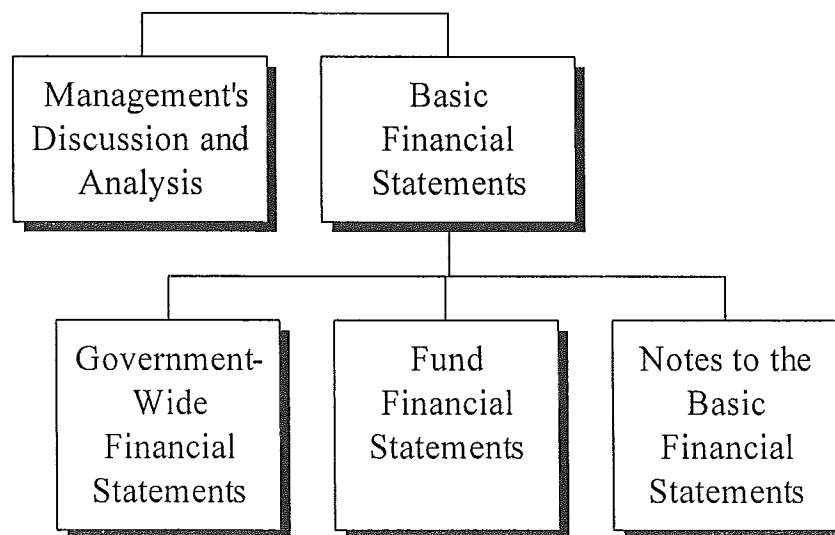
- The City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for the City's 2011 fiscal year. The objective of this Statement was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In addition, it also established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The fund balance section of the governmental fund financial statements now reflects non-spendable, restricted, committed, assigned, or unassigned fund balance for each fund, depending on its spending constraints.

OVERVIEW OF FINANCIAL STATEMENTS

The implementation of GASB Statement No. 34 has changed the presentation and content of the financial statements. The financial reports consist of the management's discussion and analysis, the basic financial statements, required supplementary information and additional supplementary information.

The primary focus of local government's financial statements prior to GASB Statement No. 34 had been to summarize fund type information on a current financial resource basis. The new basic financial statements include two kinds of statements that present different views of the City. The first statements are government-wide financials that provide both long-term and short-term information about the City's overall financial status. These statements are prepared on a full accrual basis of accounting to present information in a more corporate-like presentation on individual parts of the government. The remaining statements are the fund financials that focus on individual parts of the City government and report more detail.

Required Components of Annual Financial Report



Basic Financial Statements

The first two statements in the basic financial statements are the government-wide financial statements (Statement of Net Assets and the Statement of Activities). The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The next statements are the fund financial statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements; and 2) the proprietary funds statements.

The next section of the basic financial statements is the notes to the basic financial statements. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, required supplemental information is provided to show details about the City's performance relative to the budget.

Government-Wide Financial Statements

The government-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. The statements present governmental activities and business type activities separately. These statements include certain infrastructure as well as all known liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement with regard to inter-fund activity, payables and receivables.

The statement of net assets and statement of activities report the City's net assets and the resulting changes. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors to consider are changes in the City's sales tax base and the condition of the City's capital assets (roads, buildings, and water and sewer lines) to assess the overall health of the City.

The statement of activities distinguishes the City's functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities).

Governmental activities – Most of the City's basic services are reported in this category, including General Administration, Finance, Public Safety, Transportation and Parks. Sales taxes, franchise fees, user fees, interest income, and grants finance these activities.

Business-type activities – The City charges a fee to customers to cover most of the cost of services it provides. The Combined Water and Sewer Fund, Ambulance Fund, Lee C. Fine Airport Fund and Grand Glaize Airport Fund are reported in this activity.

Fund Financial Statements

The City uses two types of funds to manage its resources: governmental funds and proprietary funds. A fund is a fiscal entity with a set of self-balancing accounts recording financial resources, together with all related current liabilities and residual equities and balances, and the changes therein. These accounting entities are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions or limitations.

Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationships or differences of activities reported in the Governmental Fund Financial Statement versus that reported in the Government-Wide Financial Statements are explained in the reconciliation schedules following the Governmental Fund Financial Statements.

Proprietary Funds – When the City charges customers for the services it provides to cover the cost of operations, these activities are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of revenues, expenses, and changes in fund net assets. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Basic Financial Statements – The notes provide additional information essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning budgetary comparison schedules for the major governmental funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. At the close of December 31, 2011, the City of Osage Beach's assets exceeded its liabilities by \$79,882,892. The largest portion of the City's net assets, \$62,496,906 (78%), reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Osage Beach uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Osage Beach's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets

The following table reflects the condensed Statement of Net Assets as of December 31, 2010 and December 31, 2011:

City of Osage Beach Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	9,896,614	11,190,102	9,918,241	11,808,792	19,814,855	22,998,894
Capital assets	28,345,590	28,174,023	63,215,684	63,831,064	91,561,274	92,005,087
Total assets	38,242,204	39,364,125	73,133,925	75,639,856	111,376,129	115,003,981
Liabilities:						
Long-term liabilities outstanding	80,327	62,072	27,678,250	29,566,370	27,758,577	29,628,442
Other liabilities	608,433	1,050,321	3,126,227	3,314,888	3,796,732	4,365,209
Total liabilities	688,760	1,112,393	30,804,477	32,881,258	31,493,237	33,993,651
Net assets:						
Invested in capital assets net of related debt	28,345,590	27,894,023	34,151,316	33,970,840	62,496,906	61,864,863
Restricted	5,420,281	6,760,655	2,697,627	2,586,902	8,117,908	9,347,557
Unrestricted	3,787,573	3,597,054	5,480,505	6,200,856	9,268,078	9,797,910
Total net assets	37,553,444	38,251,732	42,329,448	42,758,598	79,882,892	81,010,330

Total assets decreased about \$3.6 million while total liabilities decreased about \$2.5 million. Much of the decrease is attributable to payment of debt and the current year decrease in net assets. At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets for the government both per fund and as a whole. The City's combined net assets decreased to \$79,882,892 from \$81,010,330. This decrease of 14% is a result of decreased grants and increased operating costs in the governmental activities and is a result of reduced capital grants and reduced transfers in the business-type activities. The City's unrestricted net assets for governmental activities were \$3,787,573. Total unrestricted net assets were \$9,268,078 including business-type activities. Unrestricted net assets decreased \$529,832 due to investing available cash into capital projects.

Total net assets of \$79,882,892 is comprised of \$62,496,906 invested in capital assets, net of related debt; \$8,117,908 is restricted for capital projects, debt service and other purposes; \$3,787,573 is unrestricted and available for general governmental purposes, and \$5,480,505 is unrestricted and available for the City's business-type activities.

Changes in Net Assets

The following table reflects the revenues and expenses from the City's activities for the years ended December 31, 2010 and December 31, 2011:

City of Osage Beach Statement of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	430,731	471,672	4,688,113	4,525,209	5,118,844	4,996,881
Operating grants and contributions	28,289	27,658	808,004	862,516	840,193	890,174
Capital grant and contributions	191,983	848,628	57,020	624,873	249,003	1,473,501
General Revenues:						
Sales taxes	8,553,918	8,388,738			8,553,918	8,388,738
Franchise taxes	848,634	832,706			848,634	832,706
Other taxes	206,649	207,949			206,649	207,949
Unrestricted investment earnings	69,197	72,809	55,486	56,534	120,783	129,343
Other revenues	598,445	509,187	10,824	(24,980)	609,269	484,207
Gain (loss) on sale of assets	9,632	16,840		7,367	9,632	24,207
Total revenues	10,937,478	11,376,187	6,619,447	6,051,519	16,556,925	17,427,706
Expenses:						
General Government	2,728,699	2,836,549			2,728,699	2,836,549
Public Safety	3,057,360	3,122,315			3,057,360	3,122,315
Streets and Highways	3,018,295	2,705,865			3,018,295	2,705,865
Park and recreation	456,627	420,349			456,627	420,349
Information Technology	262,973	255,380			262,973	255,380
Water and Sewer			4,920,198	4,690,754	4,920,198	4,690,754
Ambulance			508,179	530,342	508,179	530,342
Airports			1,298,290	1,222,842	1,298,290	1,222,842
Interest – Long Term Debt	175	15,360	1,433,717	1,511,165	1,433,717	1,526,525
Total expenses	9,524,099	9,355,818	8,160,384	7,955,103	17,684,483	17,310,921
Increase (Decrease) in net assets before transfers	1,413,379	2,020,369	(2,540,817)	(1,903,584)	(1,127,438)	116,785
Transfers	(2,111,667)	(2,643,001)	2,111,667	2,643,001		
Increase (Decrease) in net assets after transfers	(698,288)	(622,632)	(429,150)	739,417	(1,127,438)	116,785
Net Assets, beginning of year	38,251,732	38,874,364	42,758,598	42,019,181	81,010,330	80,893,544
Net Assets, end of year	37,533,444	38,251,732	42,329,448	42,758,598	79,882,892	81,010,330

Governmental Activities

Governmental activities decreased the City's net assets by \$698,288. This decrease is primarily a result of less capital grants and contributions. This category varies greatly from year to year. This year's \$191,983 received is primarily contributions received from the Special Road District. The Special Road District works as a partner with the City on many projects. Sales tax revenue, the largest governmental category, was \$8,553,918 or 78% of governmental activities revenue. Sales tax revenue was 2% more than the total of \$8,388,738 in 2010. Interest revenue decreased slightly from \$72,809 in 2010 to \$69,197 in 2011. Interest rates of the City's certificates of deposits remained low at an average of .75%. Other revenues increased 18% from \$509,187 in 2010 to \$598,445 in 2011. This increase is result of a one-time additional payment by AT&T to make a rental contract current. For the fiscal year ended December 31, 2011, revenues totaled \$16,556,925 (governmental and business-type). Revenues from governmental activities totaled \$10,937,478 or 66% of the total City revenues.

Governmental activities expenses increased \$168,281 for the fiscal year ended December 31, 2011 compared to the fiscal year ended December 31, 2010. General Government and Public Safety were reduced for the year, but increases in Transportation generated the net increase of 2%. Increases in Transportation are a reflection of increases in operating costs and in transportation projects. The Streets and Highways category of expenses were \$3,018,295 in 2011 compared to \$2,705,865 in 2010, a \$309,107 increase.

The following table shows expenses and program revenues of the governmental activities for the year ending December 31, 2011. The purpose of this statement is to measure gross expenses against charges for services and grants and other funding.

Net Cost of Osage Beach's Governmental Activities

	Total costs of services	Net costs of services
General Government	2,728,669	(2,534,750)
Public Safety	3,057,360	(2,809,349)
Parks & Recreation	456,627	(456,627)
Information Technology	262,973	(262,973)
Streets and Highways	3,018,295	(2,809,222)
Interest on Long-Term Debt	175	(175)
Total	9,524,099	(8,873,096)

As previously noted, expenses from governmental activities totaled \$9,524,099. However, net costs of these services were \$8,873,096. The difference represents direct revenues received from charges for services of \$430,731, operating grants of \$28,289, and capital grants and contributions of \$191,983. Operating grants include overtime reimbursements associated with DWI programs, waste grant and FEMA reimbursements. Net costs of services increased \$865,236 primarily in Streets and Highways because of reductions in capital grants. Taxes and other revenues of \$8,170,908 were collected and reserves were used to cover the net costs.

Business-Type Activities

Business-type activities net assets decreased by \$429,150. Revenues decreased \$432,072 or 7% and expenses increased \$205,281 or 3% compared to the prior year. Capital grants and contributions were reduced greatly due to a slowing of private infrastructure being given to the City in the water and sewer system. Charges for services increased \$162,904 or 4% from \$4,525,209 in 2010 to \$4,688,113 in 2011. Water tap fees and miscellaneous revenue were down, but the full year of increased rates off set the reduction, resulting in a net increase of 4%. Total expenses increased from \$7,955,103 in 2010 to \$8,160,384 in 2011. Operating expenses were reduced in Ambulance, but increased in Water and Sewer, Lee C. Fine and Grand Glaize Airports.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

As noted earlier, the City of Osage Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Osage Beach's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Osage Beach's financial requirements.

General Fund. The General Fund is the chief operating fund of the City of Osage Beach. The General Fund includes legislative expenses, General Administration, City Attorney, Engineering, City Treasurer, City Clerk, Building Official, Police, Communications, Parks, Economic Development, and planning activities of the City. All of these activities are provided to, and benefit all of the citizens equally and equitably. This area tends to work on the quality of life and the protection of the citizens and assets of the citizens as a group. At the end of the current fiscal year, total fund balance of the General Fund was \$3,967,259, an increase of \$216,968 over the beginning balance of \$3,750,291. The fund balance increase was due to increased sales tax revenue and decreases in transfers to other funds. The unassigned General Fund fund balance at year-end was \$3,967,259.

Transportation Fund. This Fund is established pursuant to the Missouri Constitution Article IV, Section 30(a)(2) [State Gas Tax], Revised Missouri Statutes 94.745 (City ½ cent sales tax). It is used for Transportation purposes within the City of Osage Beach. This Fund provides for the maintenance and expansion of transportation needs of our citizens. Included in this Fund are repair and maintenance of the existing public road system, and upgrades to the local transportation system. At the end of the current fiscal year, total fund balance of the Transportation Fund was \$4,291,944, a decrease of \$1,436,199 from the beginning balance of \$5,728,143. All of the Transportation Fund fund balance was restricted for highways and streets at year-end. The fund balance decrease was due to an investment in City streets above revenue. The City invested \$2,658,650 in transportation projects across the City in fiscal year 2011.

Capital Improvements Tax Fund. This Fund is established as required under the Revised Missouri Statutes 94.577. The monies collected here are from a ½ cent general sales tax. The Mayor and Board of Aldermen, by ordinance, have committed these funds to help offset the bond costs of the water and sewer systems. As of the close of the current fiscal year, the City of Osage Beach's Capital Improvement Fund reported an ending fund balance of \$1,128,337, an increase of \$95,825 from the beginning balance of \$1,032,512. All of the Capital Improvements Tax Fund fund balance was restricted for capital improvements/debt service at year-end. The fund balance increase was due to an increase in sales tax revenue from prior year.

Proprietary Funds

Combined Water and Sewer Fund – The addition of the water revenue and expenses to this fund was established in 1998. This Fund was established under the Bond Ordinances to segment the operations of the Combined Water and Sewer Fund from other activities of the City. The Combined Water and Sewer Fund is based on a User Fee system where the individuals and businesses utilizing the service pay a fee based upon a portion of the estimated cost of operation of the water and sewer utilities. This fee is subsidized by revenue transferred in from the Capital Improvements Tax Fund to offset debt service costs. At the end of the current fiscal year, total net assets of the Water and Sewer Fund were \$38,801,268, a decrease of \$217,458 from the beginning balance of \$39,018,726. The unrestricted net assets in the Water and Sewer Fund at year-end were \$5,095,660. This small decrease in net assets is primarily due to a reduction of grants and contributions of infrastructure.

Ambulance Fund – This Fund was established by Board directive in order to track the costs of ambulance service to the citizens of Osage Beach. The City of Osage Beach began operating an ambulance service in 1984. The Fund receives its revenue from user fees. Fees are not sufficient to cover the cash flow of operation, nor do they cover the non-cash cost (depreciation). The differences in cash payouts are made up by transfers from the General Fund. At the end of the current fiscal year, total net assets of the Ambulance Fund were \$154,417. The unrestricted Ambulance Fund net assets at year-end were \$79,137. The decrease in net assets of \$823 is the result of transfers from General Fund maintaining this balance.

Lee C. Fine Airport Fund – This Fund was established in 1999 by Board directive in order to track the costs of airport service to the public. The Fund receives its revenue from user fees and grants. The differences in cash payouts are made up by transfers from the General Fund. At the end of the current fiscal year, the total net asset balance of the Lee C. Fine Airport Fund was \$2,673,692, a decrease of \$90,894 from the beginning balance of \$2,764,586. The unrestricted net assets of the Lee C. Fine Airport Fund at year-end were \$246,222. The decrease in net assets is primarily a result of \$0 in transfers from General Fund, compared to \$140,000 transferred the year before.

Grand Glaize Airport Fund – This Fund was established in 1999 by Board directive in order to track the costs of airport service to the public. The Fund receives its revenue from user fees and grants. The differences in cash payouts are made up by transfers from the General Fund. At the end of the current fiscal year, total net assets of the Grand Glaize Airport Fund were \$700,071, a decrease of \$119,975 from the beginning balance of \$820,046. The unrestricted net assets of Grand Glaize Fund were \$59,486. The decrease in net assets is primarily a result of \$0 in transfers from General Fund, compared to \$202,000 transferred the year before.

GENERAL FUND BUDGET HIGHLIGHTS

Each fiscal year, the City formally adopts its budget prior to the beginning of the fiscal year. If necessary, the original budget is amended to re-appropriate unspent funds before the current fiscal year ends. The total original expenditure budget of \$5,804,669 was amended during the fiscal year. The amended amount was an increase of \$101,950. Of this increase, \$92,243 was needed to provide sufficient funding for a lump-sum merit and \$9,707 was needed to provide sufficient funding of a fiber optic project. On a budgetary basis, which can be found in the Required Supplementary Information, the revenues and other sources compared to expenditures and other uses resulted in an increase of \$216,968 in fund balance over the budgeted increase. Actual revenue was more than budgeted revenue by \$371,213, due mainly to an increase in sales tax. Actual expenditures were under the budgeted amount by \$202,334. Most of the reduced expenses were in the area of public safety.

This is the third year the Board of Aldermen is meeting quarterly to review the status of the Budget.

In the 2011 Budget, merit increases were originally removed but were replaced with a lump-sum merit before the year ended. Changes to the pay plan as recommended by the consultant were not implemented. Moving from a traditional health insurance plan to a high deductible plan was approved by the Board of Aldermen.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The amount invested in capital assets for the City as of December 31, 2011 is \$91,561,274, net of accumulated depreciation. This amount includes all infrastructure assets acquired during 2011 and prior years (construction in progress) for water, sewer, and street infrastructure. Capital assets decreased \$443,813 or .5% during the year. This change reflects a gain of net assets in governmental activities and a reduction of net assets in the business-type activities. The City is investing in water and sewer projects, but not at a pace that equals depreciation at this time. The following chart breaks down the City's capital asset balance into the various categories of assets. Additional information regarding the City's capital assets can be found in Note 6.

**City of Osage Beach's Capital Assets
(Net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	1,607,117	1,607,117	552,250	548,950	2,159,367	2,156,067
Construction in Progress	1,117,748	1,299,850	311,178	1,043,981	1,428,926	2,343,831
Buildings and Improvements	7,254,159	7,224,452	4,231,275	4,215,943	11,485,434	11,440,395
Equipment	3,273,449	3,227,307	1,532,056	1,504,630	4,805,505	4,731,937
Infrastructure	34,951,366	32,613,151	0	0	34,951,366	32,613,151
Water System			34,730,350	34,338,292	34,730,350	34,338,292
Sewer System			56,362,841	54,250,176	56,362,841	54,250,176
Sub-Total	48,203,839	45,971,877	97,719,950	95,901,972	145,923,789	141,873,849
Less accumulated depreciation	(19,858,249)	(17,797,854)	(34,504,266)	(32,070,908)	(54,362,515)	(49,868,762)
Capital assets net of depreciation	28,345,590	28,174,023	63,215,684	63,831,064	91,561,274	92,005,087

Major capital asset transactions during the year include the following:

- The City received \$17,090 in disaster assistance funds from the Federal Emergency Management Agency for damages resulting from the severe winter snow storm that occurred during the first week of February 2011.
- The City spent \$29,706 connecting the Public Works building to City Hall with fiber optic cable allowing for high speed network, video, and internet access between the two locations.
- The Transportation Department purchased a 60" brush hog attachment for \$19,397.
- The Water Department purchased a new service truck and accessories for \$20,910.
- The Ambulance Department purchased a new power cot for \$11,316.
- The Cove Road Reconstruction Project was completed at a cost of \$471,191.
- The Mariner Circle, Swiss Village Road, and Summit Circle Road improvement project was completed at a cost of \$92,232. The Special Road District reimbursed the City \$82,278 for this project.
- The Ozark Meadows Road improvement project was completed at a cost of \$52,581.
- The Stonecrest Circle improvement project was completed at a cost of \$67,688.
- The Connecting Water and Sewer project, which moved City utilities out of the way of the new Highway 54 between Case Road and KK Highway, was completed at a cost of \$1,507,457. The majority of these project costs were reimbursed by MoDOT.
- The new Rockway lift station was completed at a cost of \$109,000.
- Other capital projects completed for sewer included the rotation of pumps and panels in City owned grinder and lift stations at a cost of \$411,781.

Debt Administration

The gross debt at December 31, 2011 was \$29,895,000, a decrease of \$2,145,000. The debt consists of Sewerage and Waterworks Revenue Bonds. The City's last principal payment of \$280,000 on its general

obligation bonds was paid on January 1, 2011 instead of waiting until the due date in October 2011. This early payment saved the City \$6,645 of interest expense for the year.

City of Osage Beach Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds		280,000				280,000
Revenue bonds			29,895,000	31,760,000	29,895,000	31,760,000
Total		280,000	29,895,000	31,760,000	29,895,000	32,040,000

Missouri statutes limit the amount of general obligation debt that a unit of government can issue to twenty percent of the total assessed value of taxable property located within the City's boundaries. The legal debt limit for the City of Osage Beach was \$55,111,829. Additional information regarding the City's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Osage Beach is experiencing reduced growth compared to past years. At the end of 2011, the City issued 613 business licenses to various businesses; 310 contractor's licenses, 96 liquor licenses and 41 dog licenses. The Building Department issued 97 commercial permits and 57 residential permits, representing investment in our community of \$8,859,539.

The City depends greatly on sales tax revenue. The City of Osage Beach is recognized as both a retail center and a tourist destination, and retail sales exceed the norm for cities of comparable size. Osage Beach is the home of the Osage Beach Premium Outlet center with over 100 stores, numerous national chains and locally owned specialty retail. The City is looking forward to the opening of Ross Dress for Less and Jo-Ann Fabrics during the spring of 2012. The permanent and second homeowner population of Osage Beach continues to grow. This growth in turn will increase retail sales in the future. The length of the tourist season is growing with expansion of conference and convention business.

The above factors were considered in preparing the City of Osage Beach's budget for the 2012 fiscal year.

The City of Osage Beach has appropriated \$6,952,315 for spending in the General Fund 2012 fiscal year budget. Compared to the 2011 actual of \$6,016,052, budgeted expenses will increase 16%. Of the total appropriated in General Fund, \$641,609 is budgeted for capital expenditures. The budget includes a 3% decrease in sales tax revenue during the 2012 fiscal year compared to actual revenue in 2011. Merit increases will be granted to employees in 2012, based on the Matrix Plan and employee job performance. The City will reduce its full-time staff by one and add a part-time person, thereby eliminating the cost of benefits in General Fund.

The Transportation Department will add two full-time employees to begin July 1, 2012, due to the takeover of existing Highway 54.

The City's water and sewer rates increased January 1, 2012; depending on the type of service the increase was an estimated 4%. The next rate increase that is approved by the Mayor and Board of Aldermen is scheduled to take effect January 1, 2014.

Requests for Information

This financial report is designed to provide the reader a general overview of the City's finances. Questions or requests for more information concerning any of the information provided in this report should be directed to Karri Bell, City Treasurer, City of Osage Beach, 1000 City Parkway, Osage Beach, MO 65065.

City of Osage Beach
Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-type Activities	Total	Tax Increment Financing District
ASSETS				
Cash and cash equivalents	\$ 8,019,665	\$ 5,410,256	\$ 13,429,921	\$ 556
Receivables, net	1,180,106	335,551	1,515,657	724,471
Due from other governments	2,188	-	2,188	-
Inventories	-	197,586	197,586	-
Restricted assets:				
Cash and cash equivalents	693,276	2,073,313	2,766,589	2,488,630
Investments	1,379	1,431,847	1,433,226	859,596
Deferred charges, net of accumulated amortization of \$0, \$359,375, and \$420,105, respectively	-	469,688	469,688	499,555
Capital assets:				
Non-depreciable	2,724,865	863,428	3,588,293	-
Depreciable, net	25,620,725	62,352,256	87,972,981	-
Total assets	38,242,204	73,133,925	111,376,129	4,572,808
LIABILITIES				
Accounts payable	333,666	362,333	695,999	7,424
Accrued liabilities	127,552	37,576	165,128	-
Accrued interest	-	748,754	748,754	178,192
Restricted customer deposits	20,334	-	20,334	-
Funds held for others	27,522	-	27,522	-
Long-term liabilities				
Due within one year				
Bonds payable	-	1,945,000	1,945,000	860,000
Compensated absences	99,359	32,564	131,923	-
Due in more than one year				
Bonds payable	-	27,589,059	27,589,059	19,085,000
Other post employment benefits obligation	80,327	28,895	109,222	-
Arbitrage rebate payable	-	60,296	60,296	-
Total liabilities	688,760	30,804,477	31,493,237	20,130,616
NET ASSETS				
Invested in capital assets, net of related debt	28,345,590	34,151,316	62,496,906	-
Restricted for:				
Highways and streets	4,291,944	-	4,291,944	-
Debt service	661,799	900,092	1,561,891	3,348,226
Depreciation and replacement	-	1,797,535	1,797,535	-
Capital improvements	466,538	-	466,538	-
Unrestricted	3,787,573	5,480,505	9,268,078	(18,906,034)
Total net assets	\$ 37,553,444	\$ 42,329,448	\$ 79,882,892	\$ (15,557,808)

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Activities
For the Year Ended December 31, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government				Component Units
	Governmental Activities	Business-type Activities	Total		
Primary government	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 2,728,669	\$ 182,720	\$ 11,199	\$ -	\$ (2,534,750)
Public safety	3,057,360	248,011	-	-	(2,809,349)
Parks and recreation	456,627	-	-	-	(456,627)
Information technology	262,973	-	-	-	(262,973)
Streets and highways	3,018,295	-	17,090	191,983	(2,809,222)
Interest expense	175	-	-	-	(175)
Total governmental activities	9,524,099	430,731	28,289	191,983	(8,873,096)
Business-type activities					
Water/Sewer	6,353,915	3,462,061	808,004	-	(2,083,850)
Ambulance	508,179	195,689	-	-	(312,490)
Airports	1,298,290	1,030,363	-	57,020	(210,907)
Total business-type activities	8,160,384	4,688,113	808,004	57,020	(2,607,247)
Total primary government	\$ 17,684,483	\$ 5,118,844	\$ 836,293	\$ 249,003	(11,480,343)
Component Units					\$ (1,184,135)
Tax Increment Financing District	\$ 1,184,135	\$ -	\$ -	\$ -	
General revenues:					
Taxes					
County road taxes					67,859
Property taxes					-
Sales taxes					8,553,918
Franchise taxes					848,634
Motor vehicle fuel and license taxes					138,790
Payments from enterprise funds					390,300
Unrestricted investment earnings					-
Other income					55,486
Gain on sale of capital assets					10,944
Transfers					9,632
					2,111,667
Total general revenues, special items, and transfers					-
					8,174,808
					2,178,097
					10,352,905
					2,107,988
Change in net assets					
Net assets - beginning					(1,127,438)
					923,853
					(16,481,661)
Net assets - ending					81,010,330
					\$ 79,882,892
					\$ (15,557,808)

See accompanying notes to the basic financial statements.

**City of Osage Beach
Balance Sheet
Governmental Funds
December 31, 2011**

	<u>General</u>	<u>Transportation</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,616,724	\$ 4,194,440	\$ 208,501	\$ 8,019,665
Restricted cash and cash equivalents	32,856	-	660,420	693,276
Restricted investments	-	-	1,379	1,379
Receivables				
Taxes	613,640	280,094	280,094	1,173,828
Interest	1,124	1,301	-	2,425
Receivable from other governments	177	2,011	-	2,188
Other	3,853	-	-	3,853
Total assets	<u>\$ 4,268,374</u>	<u>\$ 4,477,846</u>	<u>\$ 1,150,394</u>	<u>\$ 9,896,614</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 136,967	\$ 174,642	\$ 22,057	\$ 333,666
Accrued payroll	116,292	11,260	-	127,552
Payable from restricted assets:				
Due to others	27,522	-	-	27,522
Bail bond deposits	12,334	-	-	12,334
Building deposits	8,000	-	-	8,000
Total liabilities	<u>301,115</u>	<u>185,902</u>	<u>22,057</u>	<u>509,074</u>
Fund balances:				
Restricted for:				
Debt service	-	-	661,799	661,799
Highways and streets	-	4,291,944	-	4,291,944
Capital improvements	-	-	466,538	466,538
Unassigned	3,967,259	-	-	3,967,259
Total fund balances	<u>3,967,259</u>	<u>4,291,944</u>	<u>1,128,337</u>	<u>9,387,540</u>
Total liabilities and fund balances	<u>\$ 4,268,374</u>	<u>\$ 4,477,846</u>	<u>\$ 1,150,394</u>	<u>\$ 9,896,614</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2011

Funds balances - total governmental funds	\$ 9,387,540
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not
current financial resources and, therefore, are not reported
in the governmental funds:

Governmental capital assets	48,203,839	
Less accumulated depreciation	<u>(19,858,249)</u>	
		28,345,590

Long-term liabilities, including interest payable, bonds
payable, accrued compensated absences, and other post
employment benefits obligation, are not due and payable
in the current period, and, therefore, are not reported as
liabilities in the governmental funds:

Accrued compensated absences	(99,359)
Other post employment benefits obligation	<u>(80,327)</u>

Net assets of governmental activities	<u><u>\$ 37,553,444</u></u>
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See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	Transportation	Capital Improvement	Total Governmental Funds
REVENUES				
Taxes				
Sales	\$ 4,307,336	\$ 2,123,291	\$ 2,123,291	\$ 8,553,918
Franchise	848,634	-	-	848,634
Motor vehicle fuel and license	-	138,790	-	138,790
County road taxes	-	67,859	-	67,859
Licenses, fines, permits and fees	430,731	-	-	430,731
Intergovernmental	11,199	201,323	-	212,522
Interest	26,943	38,354	3,900	69,197
Payments from enterprise funds	390,300	-	-	390,300
Miscellaneous	208,145	-	-	208,145
Total revenues	<u>6,223,288</u>	<u>2,569,617</u>	<u>2,127,191</u>	<u>10,920,096</u>
EXPENDITURES				
Current:				
General government	2,271,804	-	-	2,271,804
Public safety	2,898,977	-	-	2,898,977
Park and recreation	211,405	-	-	211,405
Information technology	258,651	-	-	258,651
Streets and highways	-	1,064,677	-	1,064,677
Capital improvements	-	-	231,366	231,366
Capital outlay				
Projects and equipment	63,448	-	-	63,448
Streets and highways	-	2,658,650	-	2,658,650
Debt service:				
Principal	-	280,000	-	280,000
Interest and other charges	-	2,489	-	2,489
Total expenditures	<u>5,704,285</u>	<u>4,005,816</u>	<u>231,366</u>	<u>9,941,467</u>
Excess (deficiency) of revenues over expenditures	<u>519,003</u>	<u>(1,436,199)</u>	<u>1,895,825</u>	<u>978,629</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(311,667)	-	(1,800,000)	(2,111,667)
Sale of capital assets	9,632	-	-	9,632
Total other financing sources and uses	<u>(302,035)</u>	<u>-</u>	<u>(1,800,000)</u>	<u>(2,102,035)</u>
Net change in fund balances	216,968	(1,436,199)	95,825	(1,123,406)
Fund balances - beginning	3,750,291	5,728,143	1,032,512	10,510,946
Fund balances - ending	<u>\$ 3,967,259</u>	<u>\$ 4,291,944</u>	<u>\$ 1,128,337</u>	<u>\$ 9,387,540</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended December 31, 2011

Net change in fund balances - total governmental funds: \$ (1,123,406)

Amounts reported for Governmental Activities in the Statement of Activities
are different because:

Governmental funds report outlays for capital assets as expenditures.
However, in the statement of activities, the cost of those assets is allocated
over their estimated useful lives and reported as depreciation expense. The
following is the detail of the amount by which capital outlays were more than
the depreciation in the current period.

Depreciation expense	(2,060,395)	
Capital outlay capitalized as assets	2,224,212	
		163,817

Revenues in the statements of activities that do not provide current financial
resources are not reported as revenues in the funds.

Amount of donated assets	7,750
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The issuance of long-term debt (e.g., bonds, loans, and 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. Also, governmental funds report the effect of issuance
costs, premiums, discounts, and similar items when debt is first issued,
whereas these amounts are deferred and amortized in the statement of
activities. In the statement of activities, interest is accrued on outstanding
bonds, whereas in the governmental funds, an interest expenditure is reported
when due. The following is the detail of the net effect of these differences in
the treatment of long-term debt and related items.

Repayments of principal	280,000
Change in interest payable	2,313

Some expenses reported in the statement of activities do not require the use
of current financial resources and these are not reported as expenditures in
governmental funds:

Compensated absences	(8,278)
Amortization of issuance costs	(2,229)
Other post employment benefits obligation	(18,255)
Change in net assets of governmental activities	\$ (698,288)

**City of Osage Beach
Statement of Net Assets
Proprietary Funds
December 31, 2011**

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 5,043,411	\$ 60,087	\$ 227,825	\$ 78,933	\$ 5,410,256
Receivables (net of allowances for uncollectibles)					
Accounts	284,291	41,213	3,722	4,805	334,031
Interest	1,520	-	-	-	1,520
Inventories	128,068	-	45,655	23,863	197,586
Total current assets	<u>5,457,290</u>	<u>101,300</u>	<u>277,202</u>	<u>107,601</u>	<u>5,943,393</u>
Non-current assets:					
Restricted cash and cash equivalents	2,073,313	-	-	-	2,073,313
Restricted investments	1,431,847	-	-	-	1,431,847
Deferred charges, net of accumulated amortization of \$359,375	469,688	-	-	-	469,688
Capital assets:					
Non-depreciable	863,428	-	-	-	863,428
Depreciable, net	<u>59,208,921</u>	<u>75,280</u>	<u>2,427,470</u>	<u>640,585</u>	<u>62,352,256</u>
Total non-current assets	<u>64,047,197</u>	<u>75,280</u>	<u>2,427,470</u>	<u>640,585</u>	<u>67,190,532</u>
Total assets	<u>69,504,487</u>	<u>176,580</u>	<u>2,704,672</u>	<u>748,186</u>	<u>73,133,925</u>
LIABILITIES					
Current liabilities:					
Accounts payable	302,992	4,672	18,829	35,840	362,333
Accrued payroll	18,557	8,330	4,421	3,223	34,531
Accrued interest payable	748,754	-	-	-	748,754
Other accrued expenses	3,045	-	-	-	3,045
Compensated absences	20,394	5,485	2,526	4,159	32,564
Bonds, notes and loans payable	<u>1,945,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,945,000</u>
Total current liabilities	<u>3,038,742</u>	<u>18,487</u>	<u>25,776</u>	<u>43,222</u>	<u>3,126,227</u>
Non-current liabilities:					
Bonds, notes and loans payable	27,589,059	-	-	-	27,589,059
Other post employment benefits payable	15,122	3,676	5,204	4,893	28,895
Arbitrage rebate payable	<u>60,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,296</u>
Total non-current liabilities	<u>27,664,477</u>	<u>3,676</u>	<u>5,204</u>	<u>4,893</u>	<u>27,678,250</u>
Total liabilities	<u>30,703,219</u>	<u>22,163</u>	<u>30,980</u>	<u>48,115</u>	<u>30,804,477</u>
NET ASSETS					
Invested in capital assets, net of related debt	31,007,981	75,280	2,427,470	640,585	34,151,316
Restricted for:					
Debt service	900,092	-	-	-	900,092
Depreciation and replacement	1,797,535	-	-	-	1,797,535
Unrestricted	<u>5,095,660</u>	<u>79,137</u>	<u>246,222</u>	<u>59,486</u>	<u>5,480,505</u>
Total net assets	<u>\$ 38,801,268</u>	<u>\$ 154,417</u>	<u>\$ 2,673,692</u>	<u>\$ 700,071</u>	<u>\$ 42,329,448</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
REVENUES					
Charges for services	\$ 3,462,061	\$ 195,689	\$ 764,763	\$ 126,847	\$ 4,549,360
Rental income	-	-	85,691	53,062	138,753
Operating grants and contributions	808,004	-	-	-	808,004
Total operating revenues	<u>4,270,065</u>	<u>195,689</u>	<u>850,454</u>	<u>179,909</u>	<u>5,496,117</u>
OPERATING EXPENSES					
Cost of sales and services	829,823	30,644	599,227	142,660	1,602,354
Administration	123,873	32,077	4,364	9,561	169,875
Personnel services	726,926	385,628	188,220	142,610	1,443,384
Repairs and maintenance	577,156	12,400	12,770	14,554	616,880
Other supplies and expenses	1,757	-	-	-	1,757
Insurance	72,542	25,613	19,142	12,129	129,426
Depreciation and amortization	2,415,226	21,817	117,606	35,327	2,589,976
Miscellaneous expenses	-	-	45	75	120
Total operating expenses	<u>4,747,303</u>	<u>508,179</u>	<u>941,374</u>	<u>356,916</u>	<u>6,553,772</u>
Operating loss	<u>(477,238)</u>	<u>(312,490)</u>	<u>(90,920)</u>	<u>(177,007)</u>	<u>(1,057,655)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	55,486	-	-	-	55,486
Interest expense	(1,433,717)	-	-	-	(1,433,717)
Miscellaneous revenue	10,906	-	26	12	10,944
Bond and financial services fees	(172,895)	-	-	-	(172,895)
Total non-operating revenue (expenses)	<u>(1,540,220)</u>	<u>-</u>	<u>26</u>	<u>12</u>	<u>(1,540,182)</u>
Loss before contributions and transfers	(2,017,458)	(312,490)	(90,894)	(176,995)	(2,597,837)
Capital grants and contributions	-	-	-	57,020	57,020
Transfers in	<u>1,800,000</u>	<u>311,667</u>	<u>-</u>	<u>-</u>	<u>2,111,667</u>
Change in net assets	(217,458)	(823)	(90,894)	(119,975)	(429,150)
Total net assets - beginning	<u>39,018,726</u>	<u>155,240</u>	<u>2,764,586</u>	<u>820,046</u>	<u>42,758,598</u>
Total net assets - ending	<u>\$ 38,801,268</u>	<u>\$ 154,417</u>	<u>\$ 2,673,692</u>	<u>\$ 700,071</u>	<u>\$ 42,329,448</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Cash Flows
For the Year Ended December 31, 2011

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Collections from customers and users	\$ 3,469,284	\$ 220,821	\$ 846,063	\$ 286,368	\$ 4,822,536
Payments for goods and services	(1,817,784)	(88,406)	(621,278)	(149,050)	(2,676,518)
Payments on behalf of employees for services	(725,557)	(382,798)	(186,698)	(139,106)	(1,434,159)
Payments for interfunds services used	(102,900)	(14,200)	-	-	(117,100)
Other operating revenues	646,015	-	-	-	646,015
Net cash provided (used) by operating activities	1,469,058	(264,583)	38,087	(1,788)	1,240,774
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund transfers	1,800,000	311,667	-	-	2,111,667
Net cash provided by noncapital financing activities	1,800,000	311,667	-	-	2,111,667
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(1,796,131)	(11,316)	-	(15,332)	(1,822,779)
Capital grants and contributions	-	-	-	57,020	57,020
Principal paid on capital debt	(1,865,000)	-	-	-	(1,865,000)
Interest paid on capital debt	(1,505,830)	-	-	-	(1,505,830)
Net cash provided (used) by capital and related financing activities	(5,166,961)	(11,316)	-	41,688	(5,136,589)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	55,486	-	-	-	55,486
Net change in short-term money market mutual funds	684,880	-	-	-	684,880
Proceeds from maturity of guaranteed investment contracts	240,934	-	-	-	240,934
Purchase of guaranteed investment contracts	(48,380)	-	-	-	(48,380)
Reinvestment of investment income	1,378	-	-	-	1,378
Net cash provided by investing activities	934,298	-	-	-	934,298
Net increase (decrease) in cash and cash equivalents	(963,605)	35,768	38,087	39,900	(849,850)
Cash and cash equivalents-beginning of year	8,080,329	24,319	189,738	39,033	8,333,419
Cash and cash equivalents-end of year	\$ 7,116,724	\$ 60,087	\$ 227,825	\$ 78,933	\$ 7,483,569
Reconciliation of operating loss to net cash provided by operating activities:					
Operating loss	\$ (477,238)	\$ (312,490)	\$ (90,920)	\$ (177,007)	\$ (1,057,655)
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Miscellaneous revenue	(161,989)	-	(19)	(59)	(162,067)
Depreciation and amortization	2,415,226	21,817	117,606	35,327	2,589,976
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(6,583)	25,132	(4,391)	106,459	120,617
(Increase) decrease in inventory	(16,901)	-	20,515	(4,991)	(1,377)
Increase (decrease) in accounts payable and accrued liabilities	(283,457)	958	(4,704)	38,483	(248,720)
Total adjustments	1,946,296	47,907	129,007	175,219	2,298,429
Net cash provided (used) by operating activities	\$ 1,469,058	\$ (264,583)	\$ 38,087	\$ (1,788)	\$ 1,240,774

See accompanying notes to the basic financial statements.

CITY OF OSAGE BEACH
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies employed in the preparation of the accompanying financial statements, as presented on the basis set forth in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments*.

A. Reporting Entity

The City of Osage Beach, Missouri (City) was incorporated in 1959 and covers an area of approximately ten square miles in Camden and Miller Counties, Missouri. The City is governed by an elected mayor and an elected six-member Board of Aldermen, who in turn appoint a City Administrator, City Clerk, Police Chief, Building Official, City Treasurer, City Planner, City Engineer and City Attorney. The City provides services to its more than four thousand residents in many areas including: law enforcement, water and sewer services, ambulance, airports, and economic development. These services do not include education, which is provided by separate governmental entities.

The basic financial statements of the City include all of the funds relevant to the operations of the City of Osage Beach. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Osage Beach that have been determined not to be component units as defined by Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" (GASB 14).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is able to impose its will or the component unit may provide financial benefits or impose a burden on the primary government. In addition, component units can be other organizations for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As required by generally accepted accounting principles, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The Tax Increment Financing (TIF) District is responsible for encouraging development of commercial enterprises in the District. The members of the District's governing board are appointed by various political subdivisions which levy taxes in the District. The City appoints a voting majority to the District's board. In addition, the District is fiscally dependent upon the City because the City must approve any debt issuances.

The District is presented as a discretely presented component unit in the basic financial statements. The District maintains only one fund, a governmental fund type, and does not issue separately prepared financial statements.

B. Fund Accounting

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the City. The effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues,

and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

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

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Each individual fund of the City is considered to be a major fund.

The City uses funds to report its financial position and results of its operations in the fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. The City has no fiduciary funds.

The City reports the following major governmental funds:

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

Transportation Fund – This special revenue fund was established to account for the ongoing maintenance and construction of streets and receives revenue generated by a one-half of one percent sales tax.

Capital Improvement Sales Tax Fund – This special revenue fund was established to subsidize debt service for the water and sewer systems and receives revenue generated by a one-half of one percent sales tax. In addition, this fund may be used in the future for other capital projects, as voter approved.

The City reports the following major proprietary funds:

Water and Sewer Fund – This enterprise fund accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and collection.

Ambulance Fund – This enterprise fund accounts for the operation of the City's ambulance response service.

Lee C. Fine and Grand Glaize Funds – These enterprise funds account for the operation of the City's two airports.

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

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related

cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected 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, interest and principal on general long-term debt is recognized when due.

Sales tax, franchise tax, interest, and revenues from other governmental units 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City's general spending prioritization policy is to consider restricted resources to have been used first, followed by committed, assigned, and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The City does not apply FASB Statements and Interpretations issued after November 30, 1989.

D. Budgets

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental fund types on the modified accrual basis. All annual appropriations lapse at fiscal year end.

E. Pooled Cash and Cash Equivalents

The City maintains a cash money-market pool that is used by all funds. Interest income is allocated to each fund in proportion to each fund's ownership of the pool each month.

Investments are stated at fair value, determined by quoted market prices. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, collateralized certificates of deposit and the State Treasurer's Investment Pool.

For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents. Because a statement of cash flows is prepared only for proprietary funds under generally accepted accounting principles, cash and cash equivalents are distinguished only for those funds.

F. Receivables

Receivables consist primarily of taxes, franchise fees, interest, and water and sewer charges. They are shown net of an allowance for estimated collectible amounts.

G. Inventories

Inventories, which consist of airport fuel and materials and supplies, are stated at cost using the first-in, first-out method.

H. Deferred Bond Sale Discounts and Premiums

Deferred bond sale discounts and premiums relate to the issuance of the Series 2001 through Series 2007 Clean Water and Drinking Water Revenue Bonds. The deferred costs/premiums are being amortized over the life of the bonds.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased and capitalized in the proprietary fund statements. All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Capital assets are defined by the City as assets with an initial individual cost of \$2,000 or more, and an estimated useful life in excess of five years. Additions or improvements and other capital outlays that significantly extend the useful life of an asset or that significantly increase the efficiency or capacity of an asset are capitalized. Other costs, such as capital outlays incurred for repairs and maintenance, are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 – 40 years
Office furniture, fixture, and equipment	5 – 10 years
Transportation equipment	5 years
Sewage collection systems	20 – 40 years
Treatment plant	40 years
Water systems	40 years

It is the City's policy to capitalize interest incurred on debt during the construction of Enterprise Fund capital assets, when appropriate. Interest incurred in the construction or acquisition of governmental capital assets is not capitalized, in accordance with the provisions of GASB Statement No. 37.

The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement and any resulting gain or loss is reflected in the basic financial statements.

Fully depreciated capital assets are included in the capital assets accounts until their disposal.

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and personal pay benefits. All unused vacation must be used within one year. There is no liability for unpaid accumulated personal leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of an employee resignation or retirements.

K. 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 using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 the debt issued is reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, and principal repayments are reported as debt service expenditures.

K. Equity

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended December 31, 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

In the governmental fund financial statements, equity is displayed in five components as follows:

Nonspendable - This consists of amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are constrained to specific purposes by their providers, through constitutional or contractual provisions or by enabling legislation.

Committed - This consists of amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (the Board of Aldermen) by the end of the fiscal year.

Assigned - This consists of amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned – This consists of amounts that are available for any purpose and can only be reported in the General Fund.

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”.

M. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

2. LEGAL COMPLIANCE - BUDGET

The City’s policy is to prepare the operating budgets in accordance with U.S. generally accepted accounting principles. The City prepared budgets for all governmental fund types for the year ended December 31, 2011.

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

- 1) Prior to January 1, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal period commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) The City utilizes multiple public budget workshops that the public is invited to attend and make comments. The proposed budget is available for public inspection prior to the budget workshops.
- 3) Prior to December 31, the budget is legally enacted through passage of an ordinance.
- 4) The City Administrator is authorized to transfer budgeted amounts within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board.
- 5) All appropriations lapse at year end.

The reported budgetary data represents the final approved budget after amendments as adopted by the Board of Aldermen. The budget was amended during the year.

3. CASH AND INVESTMENTS

Deposits

Missouri State Statutes authorize the City to deposit funds in obligations of the U.S Treasury, federal agencies and instrumentalities; certificates of deposit; and repurchase agreements. Custodial credit risk for deposits is the risk that, in event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy for custodial credit risk is set by statute. Statutes require that collateral pledged must have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities, which are the same type as authorized for investment by the City, are limited to the following as prescribed by state statutes:

- Bonds of the State of Missouri, of the United States, or of any wholly owned corporation of the United States.
- Other short term obligations of the United States.

The City of Osage Beach maintains a cash and investment pool which is available for use by all funds for the purpose of increasing income through investment activities. Interest is allocated to the various funds based on average cash or investment balances. The pool includes money market funds and certificates of deposit. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" under each fund's caption.

The City's deposits are categorized to give an indication of the level of custodial risk assumed by the City at December 31, 2011. Deposits, categorized by level of custodial risk, were as follows as of December 31, 2011:

	Cash and Cash Equivalents	Certificates of Deposit	Petty Cash	Total
Bank balance				
Insured by the FDIC	\$ 258,965	\$ -	\$ -	\$ 258,965
Collateralized with securities pledged by the financial institution in the entity's name	437,809	14,971,000	-	15,408,809
Collateralized by securities held by the pledging financial institutions' trust department or agent but not in the depositor government's name	275,778	3,149,050	-	3,424,828
Uncollateralized	-	-	-	-
	<u>\$ 972,552</u>	<u>\$ 18,120,050</u>	<u>\$ -</u>	<u>\$ 19,092,602</u>
Carrying value	<u>\$ 563,321</u>	<u>\$ 18,120,050</u>	<u>\$ 2,325</u>	<u>\$ 18,685,696</u>

A reconciliation of cash and cash equivalents as shown on the government-wide statement of net assets is as follows:

Government-Wide Statement of Net Assets			
	Primary Government	Component Unit	Total
Cash and cash equivalents	\$ 13,429,921	\$ 556	\$ 13,430,477
Restricted assets:			
Cash and cash equivalents	2,766,589	2,488,630	5,255,219
Total	\$ 16,196,510	\$ 2,489,186	\$ 18,685,696

Investments

The City had the following investments as of December 31:

	Investment Maturities (in years)			Fair Value	Carrying Value
	Less than 1	1-5	Over 5		
Money market mutual funds					
Restricted	\$ 1,353,117	\$ -	\$ -	\$ 1,353,117	\$ 1,353,117
Guaranteed investment contracts					
Restricted	-	-	939,705	939,705	939,705
Total investments	\$ 1,353,117	\$ -	\$ 939,705	\$ 2,292,822	\$ 2,292,822

A reconciliation of investments as shown on the government-wide statement of net assets is as follows:

Government-Wide Statement of Net Assets			
	Primary Government	Component Unit	Total
Investments	\$ 1,433,226	\$ 859,596	\$ 2,292,822

Interest rate risk – Interest rate risk is the risk that the fair values of investments will be adversely affected by a change in interest rates. The City does not have a formal interest rate risk policy.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. State statutes authorize the City to invest in obligations of the U.S. Treasury, and federal agencies and instrumentalities; certificates of deposit issued by Missouri banks; and repurchase agreements. The City has no investment policy that would further limit its investment choice. Of the total guaranteed investment contracts balance of \$939,705, \$0 is rated AA1 and \$939,705 is rated Aa3 by Moody's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer. Of the City's total investments, 41% are money market mutual funds and 59% are guaranteed investment contracts (substantially issued by Natixis Global Asset Management).

Custodial credit risk – investments – For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. The City does not have any custodial risk in investments.

4. RESTRICTED CASH AND INVESTMENTS

At December 31, 2011, cash and investments were restricted for various uses as follows:

General Fund	
Restricted for bail bond deposits	\$ 12,334
Restricted for building permit deposits	8,000
Amounts held for others	12,522
Capital Improvement Fund	
Reserved for bond requirements	661,799
Water and Sewer Fund	
Restricted for bond requirements	3,505,160
TIF Fund	
Restricted for bond requirements	3,348,226

5. RECEIVABLES

Receivables are composed of the following at December 31, 2011:

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Taxes receivable	\$ 1,173,828	\$ -	\$ 1,173,828	\$ 760,318
Accounts receivable	-	386,296	386,296	-
Other receivable	3,853	-	3,853	-
Interest	2,425	1,520	3,945	-
	1,180,106	387,816	1,567,922	760,318
Allowance for uncollectible accounts	-	(52,265)	(52,265)	(35,847)
Accounts receivable	\$ 1,180,106	\$ 335,551	\$ 1,515,657	\$ 724,471

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance December 31, 2010	Additions	Retirements	Transfers	Balance December 31, 2011
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,607,117	\$ -	\$ -	\$ -	\$ 1,607,117
Construction in progress	1,299,850	780,397	-	(962,499)	1,117,748
Total capital assets, not being depreciated	2,906,967	780,397	-	(962,499)	2,724,865
Capital assets, being depreciated:					
Buildings and improvements	7,224,452	29,707	-	-	7,254,159
Machinery and equipment	3,227,307	46,142	-	-	3,273,449
Infrastructure	32,613,151	1,375,716	-	962,499	34,951,366
Total capital assets, being depreciated	43,064,910	1,451,565	-	962,499	45,478,974
Less accumulated depreciation for:					
Buildings and improvements	2,714,103	199,480	-	-	2,913,583
Machinery and equipment	2,462,916	288,460	-	-	2,751,376
Infrastructure	12,620,835	1,572,455	-	-	14,193,290
Total accumulated depreciation	17,797,854	2,060,395	-	-	19,858,249
Total capital assets being depreciated, net	25,267,056	(608,830)	-	962,499	25,620,725
Total capital assets, net	\$ 28,174,023	\$ 171,567	\$ -	\$ -	\$ 28,345,590

	Balance December 31, 2010	Additions	Retirements	Transfers	Balance December 31, 2011
Business-type activities:					
Capital assets, not being depreciated:					
Land and easements	\$ 548,950	\$ 3,300	\$ -	\$ -	\$ 552,250
Construction in progress	1,043,981	311,178	-	(1,043,981)	311,178
Total capital assets, not being depreciated	1,592,931	314,478	-	(1,043,981)	863,428
Capital assets, being depreciated:					
Buildings and improvements	4,215,943	15,332	-	-	4,231,275
Equipment	1,504,630	32,226	4,800	-	1,532,056
Water system, tower and lines	34,338,292	283,366	-	108,692	34,730,350
Sewage collection system and treatment plant	54,250,176	1,177,376	-	935,289	56,362,841
Total capital assets, being depreciated	94,309,041	1,508,300	4,800	1,043,981	96,856,522
Less accumulated depreciation for:					
Buildings and improvements	913,774	157,960	-	-	1,071,734
Equipment	1,065,164	76,648	4,800	-	1,137,012
Water system, tower and lines	6,946,497	880,143	-	-	7,826,640
Sewage collection system and treatment plant	23,145,473	1,323,407	-	-	24,468,880
Total accumulated depreciation	32,070,908	2,438,158	4,800	-	34,504,266
Total capital assets being depreciated, net	62,238,133	(929,858)	-	1,043,981	62,352,256
Business-type activities capital assets, net	\$ 63,831,064	\$ (615,380)	\$ -	\$ -	\$ 63,215,684

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

Governmental activities:	
General administration	198,029
Public safety	153,786
Streets and highways	1,467,434
Parks and recreation	241,146
Total depreciation expense - governmental activities:	<u>\$ 2,060,395</u>
Business-type activities:	
Water/Sewer	2,263,408
Ambulance	21,817
Airports	152,933
Total depreciation expense - business-type activities:	<u>\$ 2,438,158</u>

7. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2011:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in one year
Primary Government:					
General Long-Term Debt					
General obligation bonds	\$ 280,000	\$ -	\$ 280,000	\$ -	\$ -
Compensated absences	91,079	188,037	179,757	99,359	99,359
Enterprise Funds					
Revenue bonds	31,760,000	-	1,865,000	29,895,000	1,945,000
Compensated absences	26,856	60,869	55,161	32,564	32,564
	<u>\$ 32,157,935</u>	<u>\$ 248,906</u>	<u>\$ 2,379,918</u>	<u>\$ 30,026,923</u>	<u>\$ 2,076,923</u>
Component Unit:					
Revenue bonds	<u>\$ 21,055,000</u>	<u>\$ -</u>	<u>\$ 1,110,000</u>	<u>\$ 19,945,000</u>	<u>\$ 860,000</u>

Accrued compensated absences are generally liquidated by the General fund.

The State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for "city purposes" not to exceed 10% of the assessed value of taxable tangible property and to incur additional general obligation indebtedness not to exceed, in the aggregate, an additional 10% of the assessed value of taxable tangible property, for the purpose of acquiring rights-of-way, construction, extending and improving streets and avenues and/or sanitary or storm wastewater systems, and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed 20% of the assessed valuation of taxable property.

Based on the assessed valuation as of January 1, 2012, of \$275,559,144, the constitutional total general obligation debt limit was \$55,111,829, which provides a general obligation debt margin of \$55,111,829.

State Revolving Loans

In 2001, 2002, 2003, 2005, and 2007 the City issued \$5,000,000 (Series 2001A), \$24,585,000 (Series 2002B), \$6,075,000 (Series 2003B), \$4,950,000 (Series 2005C), and \$2,550,000 (Series 2007A) in State Environmental Improvement and Energy Resources Authority Water Pollution Revenue Bonds and Public Drinking Water Bonds for the purpose of financing construction of certain wastewater treatment, sanitary sewerage or water facilities and costs associated with the issuance of the bonds. In connection with the issuance of these bonds, the City participates in a revolving loan program established by the Missouri Department of Natural Resources (DNR). The State of Missouri manages and invests the bond proceeds on behalf of the City. As the City incurs approved expenditures, DNR reimburses the City for the expenditures from the construction escrow fund. Additionally, an amount (83.33% of which is federal funding) representing 70% of the construction costs is deposited into a bond reserve fund in the City's name and is held as a guarantee against the outstanding bond obligation. Interest earned from this reserve fund can be used by the City to fund interest payments on the revenue bonds. A portion of the reserve fund is transferred back to the State as principal payments are made on the revenue bonds. The costs of operation and maintenance of the wastewater treatment and sewerage facilities and the debt service is payable from operating revenues.

The City has pledged future utility customer revenues and capital improvement sales tax collections, net of current specified operating expenses, to repay \$29.9 million in revenue bonds. Proceeds from the bonds

provided financing for the construction of a new water system and expansion of sewerage facilities. The bonds are payable from utility customer net revenues and capital improvement sales tax net collections and are payable through 2026. Net revenues available for debt service are not to be less than 110% of the amount required to be paid annually of principal and interest. Net revenues for 2011 are over 118% of the annual principal and interest payments made in 2011. The total principal and interest remaining to be paid on the bonds is \$39,292,514. Principal and interest paid for the current year and total net revenues were \$3,298,717 and \$3,885,399, respectively.

Revenue bonds payable are comprised of the following individual issues:

	Original Amount	Interest Rate	Final Maturity Date	Balance December 31, 2011
2001A, Clean Water	\$ 5,000,000	4.0%-5.0%	1/1/2022	\$ 2,955,000
2002B, Drinking Water	24,585,000	3.25%-5.5%	7/1/2022	16,190,000
2003B, Drinking Water	6,075,000	2.5%-5.125%	1/1/2024	4,930,000
2005C, Clean Water	4,950,000	3.0%-5.25%	7/1/2025	3,710,000
2007A, Drinking Water	2,550,000	4.0%-4.75%	1/1/2027	2,110,000
				<u>\$ 29,895,000</u>

The following is a summary of net revenue bonds payable for December 31, 2011:

Bonds payable at December 31, 2011	\$ 29,895,000
Advanced refunding (net of accumulated amortization of \$109,898)	(1,163,114)
Unamortized premiums/discounts	802,173
	<u>29,534,059</u>
Less amount due within one year	(1,945,000)
Net revenue bonds payable December 31, 2011	<u>\$ 27,589,059</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2012	\$ 1,945,000	\$ 1,486,003	\$ 3,431,003
2013	2,030,000	1,391,400	3,421,400
2014	2,110,000	1,289,351	3,399,351
2015	2,200,000	181,323	2,381,323
2016	2,300,000	1,069,765	3,369,765
2017-2021	13,140,000	3,459,863	16,599,863
2022-2026	6,170,000	519,809	6,689,809
Total	<u>\$ 29,895,000</u>	<u>\$ 9,397,514</u>	<u>\$ 39,292,514</u>

Tax Increment Financing

On February 28, 2002, the City issued Tax Increment Bonds Series 2002 in the aggregate principal amount of \$7,775,000 to finance roads, water and sewer infrastructure in the Prewitt's Point redevelopment area. These bonds were issued for the City's component unit, the Tax Increment Financing District. These bonds are limited obligations of the City, payable solely from bond proceeds, payments in lieu of taxes, economic activity tax revenue and monies on deposit in a debt service reserve fund. The application of economic activity tax revenues to the payment of the Series 2002 bonds is subject to annual appropriation by the City. These bonds do not have a required redemption schedule, although the City has made annual payments, but mature on May 1, 2023. The amount of bonds outstanding as of December 31, 2011 is \$4,680,000.

On December 31, 2006, the City issued Tax Increment Bonds Series 2006 in the aggregate principal amount of \$18,590,000 to finance roads, water and sewer infrastructure in the Prewitt's Point redevelopment area. These bonds were issued for the City's component unit, the Tax Increment Financing District. These bonds are limited obligations of the City, payable solely from bond proceeds, payments in lieu of taxes, economic activity tax revenue and monies on deposit in a debt service reserve fund. The application of economic activity tax revenues to the payment of the Series 2006 bonds is subject to annual appropriation by the City. The amount of the bonds outstanding as of December 31, 2011, is \$15,265,000.

The bond issues are structured so that bonds are redeemed as funds become available; accordingly, debt coverage will not exceed 100% over the life of the bonds. Principal and interest payments on the bonds are due semiannually. Debt service on principal and interest cannot exceed the life of the redevelopment area of May 1, 2023. For the current year, principal and interest paid and total incremental tax revenues for the TIF bonds are \$2,216,709 and \$2,092,379, respectively.

The annual requirements to amortize debt outstanding in the as of December 31, 2011, including interest payments, are as follows:

Year Ending December 31	Series 2002		Series 2006		Total
	Principal	Interest	Principal	Interest	
2012	\$ -	\$ 311,887	\$ 860,000	\$ 732,610	\$ 1,904,497
2013	-	311,887	925,000	689,770	1,926,657
2014	-	311,887	1,010,000	643,330	1,965,217
2015	-	311,887	1,080,000	593,170	1,985,057
2016	-	311,887	1,125,000	540,250	1,977,137
2017-2021	-	1,559,435	6,315,000	1,821,125	9,695,560
2022-2023	4,680,000	623,774	3,950,000	218,250	9,472,024
Total	\$ 4,680,000	\$ 3,742,644	\$ 15,265,000	\$ 5,238,505	\$ 28,926,149

The Series 2002 bonds do not have a required redemption schedule, but mature on May 1, 2023. Interest payments are made on May 1 and November 1 each year. The City will pay interest at approximately 6.75% on the outstanding loan balance annually over the life of the loan.

Arbitrage Liability

The arbitrage liability is established as the Arbitrage Rebate Payable on the balance sheet to set aside funds for the future potential interest rebate due the Internal Revenue Service (IRS). Separate trust accounts have been established for the Series 2001A, Series 2005C, and Series 2007A bonds. Pursuant to certain Internal Revenue Code requirements, the City is required to expend funds for designated purposes within time frames established by the IRS. In the event the "spend-down" schedule is not met, a rebate of excess interest earnings must be made. Excess interest earnings accrue if the interest rate on invested bond proceeds exceeds the interest rate paid to investors. The liability is estimated by the City's bond counsel.

8. INTERFUND TRANSACTIONS

Interfund balances and transfers between governmental funds are not included in the government-wide statement of net assets or the government-wide statement of activities.

A summary of interfund transfers for the year ended December 31, 2011, follows:

	TRANSFERRED TO Enterprise Funds		
	Water/Sewer Fund	Ambulance Fund	Total
TRANSFERRED FROM			
Governmental Funds:			
General Fund	\$ -	\$ 311,667	\$ 311,667
Capital Improvement Fund	1,800,000	-	1,800,000
	<u>\$ 1,800,000</u>	<u>\$ 311,667</u>	<u>\$ 2,111,667</u>

The purpose of the transfers from the General Fund to the Ambulance Fund was to subsidize the operations of this fund. The purpose of the transfer from the Capital Improvement Fund to the Water/Sewer Fund is to subsidize the payment of the Water/Sewer Revenue Bonds.

Interfund Charges for Support Services

Interfund charges for support services paid to the General Fund were as follows:

Transportation Fund	\$ 234,900
Water/Sewer Fund	131,700
Ambulance Fund	14,200
Lee C. Fine Airport Fund	6,100
Grand Glaize Airport Fund	3,400
	<u>\$ 390,300</u>

9. COMMITMENTS AND CONTINGENCIES

A Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workman's compensation; liability, crime, and employee errors and omissions; and natural disasters. The City purchases commercial insurance to provide coverage for general liability, property damage, and workers' compensation. Settled claims have not exceeded this commercial insurance coverage in any of the past four years.

B. Litigation

The City is involved in lawsuits arising in the ordinary course of activities, including claims regarding construction contract issues, personal injury and discriminatory personnel practices, property condemnation proceedings, and suits contesting the legality of certain taxes. While these cases may have future financial effect, management, based on advice of counsel, believes that their ultimate outcome will not be material to the basic financial statements.

C. Contracts for Construction

The City has entered into agreements with contractors for various projects for street construction, park improvements, construction of water and sewer facilities, and airport construction. As of December 31, 2011, commitments under contracts were as follows:

Project	Spent-to-Date	Commitment
General Fund- Park	\$ -	\$ 19,142
Transportation	1,114,623	1,639,940
Water/Sewer	316,143	375,950
Grand Glaize Airport	32,335	3,165
Lee C Fine Airport	-	18,050
	<u>\$ 1,463,101</u>	<u>\$ 2,056,247</u>

D. Pending Tax Increment Financing

On November 1, 2007, the Board of Aldermen approved the Marina View Tax Increment Financing Plan. This plan consists of the construction of a hotel on approximately 28 acres and includes a future bond issuance of approximately \$3.7 million plus interest and other miscellaneous costs. No activity occurred for this project during 2011.

On December 16, 2010, the Board of Aldermen approved the Dierbergs Osage Beach Tax Increment Financing Plan. This plan consists of a Dierbergs Market and 60,000 square feet of additional retail space. The estimated cost of the project is \$34,400,000 with tax increment financing reimbursements to the developer of \$5,100,000 plus interest and other miscellaneous costs. The City does not intend to issue bonds but fund the project through loans from the City. No activity occurred for this project during 2011.

10. INTERGOVERNMENTAL REVENUE

The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants. Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or the individual fund-types included herein or on the overall financial position of the City as of December 31, 2011.

11. PENSION PLAN

Plan Description

The City, by a Board of Aldermen resolution, created a defined contribution, single employer, retirement plan under Internal Revenue Code Section 401 for the employees of the City. The Board of Aldermen can amend the plan at their discretion. The City appointed ICMA Retirement Corporation to administer the plan. The plan is available to all full-time employees of the City. Employees are fully vested in contributions made on their behalf after 5 years.

Plan Funding

The City contributes 6% of eligible employee wages, while employees do not contribute to the plan. The City contributed \$266,288 to the plan for the year ended December 31, 2011, of which \$31,689 was funded by forfeitures used to offset the City's expense.

12. POST EMPLOYMENT BENEFITS

Effective January 1, 2008, the City adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)" (GASB 45). As a result, the financial statements reflect a long-term liability of \$80,357 and \$28,894 and related expenses of \$18,255 and \$5,639 in governmental and business-type activities, respectively, as of and for the year ended December 31, 2011. The governmental OPEB liability is generally liquidated by the General Fund.

Plan Description

In addition to providing the pension benefits described above, the City provides full time employees that retire after 10 year of service the opportunity for continuation of medical and dental insurance coverage offered through the Mid-America Regional Council Insurance Trust (MARCIT). The City provides retiree healthcare benefits through MARCIT, which is an insurance pool comprised of about 59 entity members. MARCIT functions as an agent multiple-employer plan.

Retirees who elect to continue coverage in the medical and dental plans offered through MARCIT are required to pay a contribution until the employee becomes eligible for Medicare. Since the retirees pay the same premium as active employees each year, the City share of any premium cost is determined on the basis of a blended rate or implicit rate subsidy calculation. The implicit rate subsidy is the difference between what the retiree actually pays and the age adjusted amount he or she would have paid for the full cost of the benefit. The benefits and benefit levels are governed by City policy and the MARCIT trust agreement.

The City maintains a trust arrangement with MARCIT to collect premiums and pay claims/administrative costs. This trust arrangement does not qualify as an "OPEB Plan" and is not treated as holding assets in order to offset GASB 45 liabilities. However, GASB does require that the "Plan" determine the valuation interest rate (or discount rate) based on expected return of the MARCIT Health and Dental Fund since it is used to pay retiree claims. The Plan is not accounted for as a trust fund since an irrevocable trust has not been established. There is no stand alone financial report for the Plan.

Funding Policy

The City does not pay retiree benefits directly; they are paid implicitly over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group.

Annual OPEB Costs and Net OPEB Obligation

The OPEB cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For the year ended December 31, 2011, the annual OPEB costs and changes in the net obligation are as follows:

Annual accrued liability	\$ 182,405
OPEB plan assets	-
Unfunded actuarial accrued liability	<u>\$ 182,405</u>
Amortization factor (Based on 30-year closed-level dollar)	<u>14.9541</u>
Amortization of unfunded liability	\$ 13,281
Normal costs	16,413
Annual required contribution (ARC)	<u>29,694</u>
Interest to end of the year	4,906
Adjustment to the ARC	<u>(5,706)</u>
Annual OPEB cost	28,894
Net OPEB obligation, beginning of year	85,327
Expected employer contributions for 2011	<u>(5,000)</u>
Net OPEB obligation, end of year	<u>\$ 109,221</u>

Schedule of Employer Contributions

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Estimated Retiree Benefits for the Year	Percentage Contributed	Net OPEB Obligation
12/31/2009	\$ 29,432	\$ 4,000	13.6%	\$ 56,112
12/31/2010	29,215	-	0.0%	85,327
12/31/2011	28,894	5,000	17.3%	109,221

Schedule of Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to revision as actual results are compared with past expectations and new estimates are made about the future.

The following summarizes the funding progress for the year ended December 31, 2011:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2009	-	182,405	182,405	0%	3,944,434	4.6%

Because the City is only required to have a full actuarial valuation every two years, the *Schedule of Funding Progress* presented above will not be updated until the new valuation is completed in 2012.

Actuarial Methods and Assumptions

The population valued is based on a closed group. Only current employees and retirees at a valuation date are considered; no provision is made for future new hires.

As of the July 1, 2009,0 actuarial valuation, the liabilities were computed using the projected unit credit method with a 30-year level closed dollar amortization of the unfunded actuarial accrued liability. The actuarial assumption utilized a 5.75% discount rate. Actuarial assumptions also included annual healthcare cost trend rates of 10% initially, reduced by decrements to an ultimate rate of 5.5% after 7 years. Dental healthcare cost trend rates were included at 5%. Both rates included a 3% percent inflation factor.

13. JOINT VENTURE

On August 5, 1981, the City agreed to a joint partnership with City of Lake Ozark of a Sewage Treatment Plant (STP). The Board administering the STP consists of eight members, four from each city. Amounts to be billed to each city are based upon usage billed at identical rate structures. Costs of operation and maintenance are split proportionately between the two cities. For the year ended December 31, 2011, the City paid \$398,993 for its share of STP expenses. A separate audit is performed on this entity, and a copy may be reviewed at the Board office.

14. ASSESSED VALUE OF PROPERTY

Assessed valuation is established by the County Assessor. The City does not levy property taxes. A property tax is levied by Miller County for property located within the Prewitt's Point Project, part of the component unit. The Tax Increment Financing Fund receives 75% of incremental property tax collected. This revenue is pledged toward the repayment of the Tax Increment Bonds pursuant to bond indenture.

Assessed valuation and tax levy for the property located in the Tax Increment Financing District as of September 10, 2011, was as follows:

	For the 2011 Calendar Year
Assessed valuation for Miller County:	
Tax Increment Financing	\$ 11,610,950
Tax rates per \$100 assessed valuation:	
General Fund	\$ 0.0426

15. BUDGETS

The Capital Improvement Fund, a governmental fund, had expenditures that exceeded its budgeted expenditures by \$10,366 due to the actual transfer of funds to the TIF District being greater than originally budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

City of Osage Beach
Budget and Actual (with Variances)
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES				
Taxes				
Sales	\$ 4,100,000	\$ 4,100,000	\$ 4,307,336	\$ 207,336
Franchise	802,800	802,800	848,634	45,834
Licenses, fines, permits and fees	434,992	434,992	430,731	(4,261)
Intergovernmental	10,580	10,580	11,199	619
Interest	56,000	56,000	26,943	(29,057)
Payments from enterprise funds	391,562	391,562	390,300	(1,262)
Miscellaneous	56,141	56,141	208,145	152,004
Total revenues	5,852,075	5,852,075	6,223,288	371,213
EXPENDITURES				
Current:				
General government	2,246,470	2,274,890	2,271,804	3,086
Public safety	2,991,692	3,048,617	2,898,977	149,640
Park and recreation	216,041	218,991	211,405	7,586
Information technology	270,466	274,414	258,651	15,763
Capital outlay				
Projects and equipment	80,000	89,707	63,448	26,259
Total expenditures	5,804,669	5,906,619	5,704,285	202,334
Excess (deficiency) of revenues over expenditures	47,406	(54,544)	519,003	573,547
OTHER FINANCING SOURCES (USES)				
Transfers out	(340,000)	(340,000)	(311,667)	28,333
Sale of capital assets	3,000	3,000	9,632	6,632
Total other financing sources	(337,000)	(337,000)	(302,035)	34,965
Net change in fund balance	(289,594)	(391,544)	216,968	608,512
Fund balance - beginning	3,750,291	3,750,291	3,750,291	-
Fund balance - ending	\$ 3,460,697	\$ 3,358,747	\$ 3,967,259	\$ 608,512

City of Osage Beach
Budget and Actual (with Variances)
Transportation Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
REVENUES				
Taxes				
Sales	\$ 2,050,000	\$ 2,050,000	\$ 2,123,291	\$ 73,291
Motor vehicle fuel and license	140,000	140,000	138,790	(1,210)
County road taxes	62,800	62,800	67,859	5,059
Licenses, fines, permits and fees	1,000	1,000	-	(1,000)
Intergovernmental	1,133,544	1,133,544	201,323	(932,221)
Interest	45,000	45,000	38,354	(6,646)
Total revenues	3,432,344	3,432,344	2,569,617	(862,727)
EXPENDITURES				
Current:				
Streets and highways	1,072,909	1,081,184	1,064,677	16,507
Capital outlay				
Streets and highways	4,750,256	5,607,614	2,658,650	2,948,964
Debt Service:				
Principal	280,000	280,000	280,000	-
Interest and other charges	5,250	5,250	2,489	2,761
Total expenditures	6,108,415	6,974,048	4,005,816	2,968,232
Deficiency of revenues over expenditures	(2,676,071)	(3,541,704)	(1,436,199)	2,105,505
Net change in fund balance	(2,676,071)	(3,541,704)	(1,436,199)	2,105,505
Fund balance - beginning	5,728,143	5,728,143	5,728,143	-
Fund balance - ending	\$ 3,052,072	\$ 2,186,439	\$ 4,291,944	\$ 2,105,505

City of Osage Beach
Budget and Actual (with Variances)
Capital Improvement Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
REVENUES				
Taxes				
Sales	\$ 2,050,000	\$ 2,050,000	\$ 2,123,291	\$ 73,291
Intergovernmental	-	0	-	-
Total revenues	2,053,000	2,053,000	2,127,191	74,191
EXPENDITURES				
Current:				
Capital improvements	221,000	221,000	231,366	(10,366)
Total expenditures	221,000	221,000	231,366	(10,366)
Excess of revenues over expenditures	1,832,000	1,832,000	1,895,825	63,825
OTHER FINANCING USES				
Transfers out	(1,800,000)	(1,800,000)	(1,800,000)	-
Total other financing uses	(1,800,000)	(1,800,000)	(1,800,000)	-
Net change in fund balance	32,000	32,000	95,825	(63,825)
Fund balance - beginning	1,032,512	1,032,512	1,032,512	-
Fund balance - ending	\$ 1,064,512	\$ 1,064,512	\$ 1,128,337	\$ (63,825)

CITY OF OSAGE BEACH
Required Supplementary Information
Notes to the Budgetary Comparison Schedules

For The Year Ended December 31, 2011

Budgetary Information

The City's policy is to prepare the operating budgets in accordance with U.S. generally accepted accounting principles. The City prepared budgets for all governmental fund types for the year ended December 31, 2011.

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

- 6) Prior to January 1, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal period commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
- 7) The City utilizes multiple public budget workshops that the public is invited to attend and make comments. The proposed budget is available for public inspection prior to the budget workshops.
- 8) Prior to December 31, the budget is legally enacted through passage of an ordinance.
- 9) The City Administrator is authorized to transfer budgeted amounts within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board.
- 10) All appropriations lapse at year end.

The primary basis of budgetary control is at the fund level.

Excess of Expenditures Over Appropriations

The Capital Improvement Fund, a governmental fund, had expenditures that exceeded its budgeted expenditures by \$10,366 due to the actual transfer of funds to the TIF District being greater than originally budgeted.

CITY OF OSAGE BEACH
Required Supplementary Information
Schedule of Funding Progress – Retiree Health Plan

For The Year Ended December 31, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2007	\$ -	\$ 193,781	\$ 193,781	0%	\$ 3,447,557	5.6%
7/1/2009	-	182,405	182,405	0%	3,944,434	4.6%

Because the City is only required to have a full actuarial valuation every two years, the *Schedule of Funding Progress* presented above will not be updated until the new valuation is completed in 2012.

STATISTICAL SECTION (Unaudited)

Statistical Section

This section of the City of Osage Beach's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends (Tables 1-4)

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity (Tables 5-8)

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.

Debt Capacity (Tables 9-13)

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information (Tables 14-15)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information (Tables 16-18)

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant fiscal year.

CITY OF OSAGE BEACH, MISSOURI

TABLE 1

NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(*accrual basis of accounting*)

	FISCAL YEAR								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:									
Invested in capital assets, net of debt	\$ 14,723,034	\$ 14,763,649	\$ 16,012,730	\$ 24,452,788	\$ 25,282,829	\$ 27,151,876	\$ 27,731,455	\$ 27,894,023	\$ 28,345,590
Restricted	4,443,505	5,316,741	5,444,585	5,178,443	8,238,113	7,751,150	7,005,298	6,760,655	5,420,281
Unrestricted	6,279,125	6,711,585	6,982,526	7,163,444	5,495,960	3,989,278	4,137,610	3,597,054	3,787,573
Total governmental activities net assets	\$ 25,445,664	\$ 26,791,975	\$ 28,439,841	\$ 36,794,675	\$ 39,016,902	\$ 38,892,304	\$ 38,874,363	\$ 38,251,732	\$ 37,553,444
Business-type activities:									
Invested in capital assets, net of debt	\$ 18,235,911	\$ 22,500,841	\$ 16,037,165	\$ 31,692,173	\$ 31,011,943	\$ 32,056,850	\$ 32,892,194	\$ 33,970,840	\$ 34,151,316
Restricted	5,237,113	2,156,307	6,801,445	1,039,125	1,434,786	2,208,730	2,444,465	2,586,902	2,697,627
Unrestricted	8,937,140	8,863,032	12,098,906	6,188,535	8,717,005	8,109,199	6,682,522	6,200,856	5,480,505
Total Business-type activities net assets	\$ 32,410,164	\$ 33,520,180	\$ 34,937,516	\$ 38,919,833	\$ 41,163,734	\$ 42,374,779	\$ 42,019,181	\$ 42,758,598	\$ 42,329,448
Primary government:									
Invested in capital assets, net of debt	\$ 32,958,945	\$ 37,264,490	\$ 32,049,895	\$ 53,747,316	\$ 56,294,772	\$ 59,208,726	\$ 60,623,649	\$ 61,864,863	\$ 62,496,906
Restricted	9,680,618	7,473,048	12,246,030	6,217,568	9,672,899	9,959,880	9,449,763	9,347,557	8,117,908
Unrestricted	15,216,265	15,574,617	19,081,432	13,351,979	14,212,965	12,098,477	10,820,132	9,797,910	9,268,078
Total primary government net assets	\$ 57,855,828	\$ 60,312,155	\$ 63,377,357	\$ 73,316,863	\$ 80,180,636	\$ 81,267,083	\$ 80,893,544	\$ 81,010,330	\$ 79,882,892

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year ending December 31, 2003.

CITY OF OSAGE BEACH, MISSOURI

TABLE 2

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	FISCAL YEAR								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental Activities:									
General government	\$ 1,801,310	\$ 1,986,201	\$ 2,042,939	\$ 3,001,564	\$ 3,267,483	\$ 2,717,368	\$ 2,796,047	\$ 2,836,549	\$ 2,728,669
Public Safety	2,227,219	2,261,432	2,456,013	2,676,484	2,864,264	3,015,379	3,001,162	3,122,315	3,057,360
Park and Recreation	158,651	190,979	255,247	144,529	182,050	199,691	210,671	420,349	456,627
Information Technology	-	-	234,900	329,674	311,734	231,929	233,441	255,380	262,973
Streets and Highways	1,137,973	1,517,385	1,456,232	1,567,449	1,997,862	2,148,466	2,411,262	2,705,865	3,018,295
Interest on Long-term debt	76,510	47,157	44,300	40,053	36,215	28,204	21,563	15,360	175
Total governmental activities expenses	\$ 5,401,663	\$ 6,003,154	\$ 6,489,631	\$ 7,759,753	\$ 8,659,608	\$ 8,341,037	\$ 8,674,146	\$ 9,355,818	\$ 9,524,099
Business-type activities:									
Water/Sewer	4,910,674	5,423,374	5,208,031	5,941,742	6,299,866	6,378,167	6,608,497	6,201,919	6,353,915
Ambulance	569,338	633,519	473,746	425,918	484,609	505,773	489,201	530,342	508,179
Airports	669,123	792,893	904,081	1,011,665	1,009,081	1,233,308	943,157	1,222,842	1,298,290
Total Business-type activities expenses	\$ 6,149,135	\$ 6,849,786	\$ 6,585,858	\$ 7,379,325	\$ 7,793,556	\$ 8,117,248	\$ 8,040,855	\$ 7,955,103	\$ 8,160,384
Total primary government expenses	\$ 11,550,798	\$ 12,852,940	\$ 13,075,489	\$ 15,139,078	\$ 16,453,164	\$ 16,458,285	\$ 16,715,001	\$ 17,310,921	\$ 17,684,483
Program Revenues									
Governmental Activities:									
Charges for services:									
General Government	\$ 447,887	\$ 472,741	\$ 450,944	\$ 451,851	\$ 305,473	\$ 196,634	\$ 183,234	\$ 230,490	\$ 182,720
Public Safety	210,888	239,394	274,622	334,901	303,239	304,684	277,441	241,182	248,011
Operating grants and contributions	51,919	6,542	14,539	83,969	123,189	53,876	25,642	27,658	28,289
Capital grants and contributions	-	-	-	7,203,665	2,105,975	100,000	67,520	848,628	191,983
Total governmental activities program revenues	\$ 710,694	\$ 718,677	\$ 740,105	\$ 8,074,386	\$ 2,837,876	\$ 655,194	\$ 553,837	\$ 1,347,958	\$ 651,003
Business-type activities:									
Charges for services:									
Water/Sewer	3,457,600	3,807,186	3,733,451	4,146,811	3,461,417	3,360,415	3,006,674	3,473,822	3,462,061
Ambulance	251,865	250,202	244,243	231,997	187,255	195,809	164,749	163,800	195,689
Airports	498,309	545,889	724,045	848,985	787,253	1,007,987	694,795	887,587	1,030,363
Operating grants and contributions	926,607	917,900	827,218	957,794	968,395	940,233	851,576	862,516	808,004
Capital grants and contributions	-	-	-	1,901,582	3,410,267	627,991	883,607	624,873	57,020
Total business-type activities program revenues	\$ 5,134,381	\$ 5,521,177	\$ 5,528,957	\$ 8,087,169	\$ 8,814,587	\$ 6,132,435	\$ 5,601,401	\$ 6,012,598	\$ 5,553,137
Total primary government program revenues	\$ 5,845,075	\$ 6,239,854	\$ 6,269,062	\$ 16,161,555	\$ 11,652,463	\$ 6,787,629	\$ 6,155,238	\$ 7,360,556	\$ 6,204,140
FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue									
Governmental activities	\$ (4,688,753)	\$ (5,284,477)	\$ (5,749,526)	\$ 314,633	\$ (5,821,732)	\$ (7,685,843)	\$ (8,120,309)	\$ (8,007,860)	\$ (8,873,096)
Business-type activities	(1,014,754)	(1,328,609)	(1,056,901)	707,844	1,021,031	(1,984,813)	(2,439,454)	(1,942,505)	(2,607,247)
Total primary government net expenses	\$ (5,703,507)	\$ (6,613,086)	\$ (6,806,427)	\$ 1,022,477	\$ (4,800,701)	\$ (9,670,656)	\$ (10,559,763)	\$ (9,950,365)	\$ (11,480,343)

CITY OF OSAGE BEACH, MISSOURI

TABLE 2

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(accrual basis of accounting)

General Revenues and Other Changes in

Net Assets

Governmental Activities:

Taxes

County road taxes	\$ 36,245	\$ 38,411	\$ 36,793	\$ 45,805	\$ 49,751	\$ 57,878	\$ 60,136	\$ 67,842	\$ 67,859
Sales taxes	7,355,893	7,906,614	8,271,408	9,461,972	9,560,428	8,910,793	8,449,041	8,388,738	8,553,918
Franchise taxes	587,203	610,049	606,054	602,872	680,236	849,517	823,723	832,706	848,634
Motor vehicle fuel & license	148,404	152,407	151,446	154,275	154,604	141,427	135,750	140,107	138,790
Payments from enterprise funds	-	-	-	-	133,728	143,377	500,702	465,145	390,300
Unrestricted investment earnings	144,040	176,199	378,696	546,027	571,408	317,626	137,682	72,809	69,197
Other income	1,980	63,109	152,983	178,140	170,512	31,556	89,447	44,042	208,145
Gain (loss) on sale of capital assets	-	-	-	(67,494)	(127,164)	5,071	1,878	16,840	9,632
Adjustment for Capital Assets	-	-	-	(509,544)	-	-	-	-	-
Transfers	(2,216,000)	(2,316,000)	(2,199,990)	(2,881,396)	(2,640,000)	(2,896,000)	(2,095,991)	(2,643,001)	(2,111,667)
Total governmental activities	6,057,765	6,630,789	7,397,390	7,530,657	8,553,503	7,561,245	8,102,368	7,385,228	8,174,808

Business-type activities

Unrestricted investment earnings	72,939	122,624	274,248	408,943	356,000	226,027	88,584	56,534	55,486
Other income	-	-	-	-	101,309	118,827	(3,920)	(24,980)	10,944
Gain (loss) on sale of capital assets	-	-	-	(15,866)	13,662	(44,996)	(96,799)	7,367	-
Adjustment for Capital Assets	-	-	-	(1,888,101)	-	-	-	-	-
Transfers	2,216,000	2,316,000	2,199,990	2,881,396	2,640,000	2,896,000	2,095,991	2,643,001	2,111,667
Total business-type activities	2,288,939	2,438,624	2,474,238	1,386,372	3,110,971	3,195,858	2,083,856	2,681,922	2,178,097
Total primary government	\$ 8,346,704	\$ 9,069,413	\$ 9,871,628	\$ 8,917,029	\$ 11,664,474	\$ 10,757,103	\$ 10,186,224	\$ 10,067,150	\$ 10,352,905

Change in Net Assets

Governmental activities	1,369,012	1,346,312	1,647,864	7,845,290	2,731,771	(124,598)	(17,941)	(622,632)	(698,288)
Business-type activities	1,274,185	1,110,015	1,417,337	2,094,216	4,132,002	1,211,045	(355,598)	739,417	(429,150)
Total primary government	\$ 2,643,197	\$ 2,456,327	\$ 3,065,201	\$ 9,939,506	\$ 6,863,773	\$ 1,086,447	\$ (373,539)	\$ 116,785	\$ (1,127,438)

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year ending December 31, 2003.

CITY OF OSAGE BEACH, MISSOURI

TABLE 3

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(modified accrual basis of accounting)

	FISCAL YEAR								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	6,315,332	6,750,885	7,027,972	7,248,199	5,567,287	4,093,564	4,251,360	3,750,291	3,967,259
Total general fund	\$ 6,315,332	\$ 6,750,885	\$ 7,027,972	\$ 7,248,199	\$ 5,567,287	\$ 4,093,564	\$ 4,251,360	\$ 3,750,291	\$ 3,967,259
All Other Governmental Funds									
Restricted	\$ 4,443,505	\$ 5,316,741	\$ 5,444,585	\$ 5,178,443	\$ 8,238,113	\$ 7,751,150	\$ 7,005,298	\$ 6,760,655	\$ 5,420,281
Assigned									
Special revenue funds	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 4,443,505	\$ 5,316,741	\$ 5,444,585	\$ 5,178,443	\$ 8,238,113	\$ 7,751,150	\$ 7,005,298	\$ 6,760,655	\$ 5,420,281

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year ending December 31, 2003.

Note: The City implemented GASB 54 in the fiscal year ending December 31, 2011.

CITY OF OSAGE BEACH, MISSOURI

TABLE 4

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST NINE FISCAL YEARS

(modified accrual basis of accounting)

	FISCAL YEAR								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
Taxes	\$ 8,127,745	\$ 8,707,481	\$ 9,065,701	\$ 10,264,924	\$ 10,445,019	\$ 9,959,615	\$ 9,468,650	\$ 9,429,393	\$ 9,609,201
Licenses, fines, permits & fees	545,665	594,822	607,096	656,747	608,712	510,911	460,675	471,672	430,731
Intergovernmental	51,919	6,542	14,539	83,969	2,229,164	153,876	25,642	659,184	216,422
Interest	144,040	176,199	378,696	546,027	571,408	317,626	137,682	72,809	65,297
Payments from enterprise funds	115,326	117,313	118,470	130,005	133,728	143,377	500,702	465,145	390,300
Other	1,980	63,109	152,983	178,140	170,512	21,963	89,447	44,042	208,145
Total Revenues	8,986,675	9,665,466	10,337,485	11,859,812	14,158,543	11,107,368	10,682,798	11,142,245	10,920,096
Expenditures									
General Government	\$ 1,619,544	\$ 1,809,180	\$ 1,795,000	\$ 2,705,600	\$ 2,977,054	\$ 2,574,505	\$ 2,470,121	\$ 2,571,390	\$ 2,503,170
Public Safety	2,158,769	2,187,311	2,384,832	2,597,737	2,707,922	2,889,711	2,799,756	2,901,521	2,898,977
Park and Recreation	134,295	165,613	223,003	100,418	126,692	133,371	145,046	198,755	211,405
Information Technology	-	-	234,900	329,543	270,226	225,623	228,392	254,128	258,651
Streets and Highways	420,447	748,431	724,328	789,009	736,966	770,486	816,135	1,046,961	1,064,677
Capital Outlay	1,407,396	847,251	2,090,261	2,220,821	3,068,778	3,332,422	2,448,424	2,008,876	2,722,098
Debt Service									
Interest and fiscal agent fees	93,974	47,891	45,240	41,193	36,215	29,798	24,758	17,310	2,489
Principal	195,000	235,000	235,000	240,000	250,000	255,000	260,000	270,000	280,000
Total Expenditures	6,029,425	6,040,677	7,732,564	9,024,321	10,173,853	10,210,916	9,192,632	9,268,941	9,941,467
Excess of revenues over (under)	2,957,250	3,624,789	2,604,921	2,835,491	3,984,690	896,452	1,490,166	1,873,304	978,629
Other financing sources (uses)									
Bond Proceeds	2,025,000	-	-	-	-	-	-	-	-
To bond refunding escrow agent	(2,042,155)	-	-	-	-	-	-	-	-
Transfers in	496,688	-	-	-	-	-	50,176	-	-
Transfers out	(2,712,688)	(2,316,000)	(2,199,990)	(2,881,396)	(2,640,000)	(2,896,000)	(2,146,167)	(2,643,001)	(2,111,667)
Sale of Capital Assets					34,068	38,862	17,769	23,985	9,632
Total other financing sources (use)	(2,233,155)	(2,316,000)	(2,199,990)	(2,881,396)	(2,605,932)	(2,857,138)	(2,078,222)	(2,619,016)	(2,102,035)
Net Change in Fund Balances	\$ 724,095	\$ 1,308,789	\$ 404,931	\$ (45,905)	\$ 1,378,758	\$ (1,960,686)	\$ (588,056)	\$ (745,712)	\$ (1,123,406)
Debt service as a percentage of noncapital expenditures	6.25%	5.45%	4.97%	4.14%	3.95%	4.19%	4.02%	3.81%	3.66%

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year ending December 31, 2003.

CITY OF OSAGE BEACH, MISSOURI

TABLE 5

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST NINE YEARS
(*accrual basis of accounting*)

FISCAL YEAR	COUNTY ROAD TAX	SALES TAX	FRANCHISE TAX	MOTOR VEHICLE FUEL & LICENSE TAX	TOTAL
2003	\$ 36,245	\$ 7,355,893	\$ 587,203	\$ 148,404	\$ 8,127,745
2004	38,411	7,906,614	610,049	152,407	8,707,481
2005	36,793	8,271,408	606,054	151,446	9,065,701
2006	45,805	9,461,972	602,872	154,275	10,264,924
2007	49,751	9,560,428	680,236	154,604	10,445,019
2008	57,878	8,910,793	849,517	141,427	9,959,615
2009	60,136	8,449,041	823,723	135,750	9,468,650
2010	67,842	8,388,738	832,706	140,107	9,429,393
2011	67,859	8,553,918	848,634	138,790	9,609,201

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year ending December 31, 2003.

CITY OF OSAGE BEACH, MISSOURI

TABLE 6

TAXABLE SALES BY CATEGORY
(in thousands of Dollars)

SIC Codes	FISCAL YEAR										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Agricultural Services (07)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290	\$ -	
Construction Special Trade(17)	-	435	-	368	141	-	171	114	191	515	
Food And Kindred Products (20)	-	-	-	-	-	10	-	-	-	14	
Elect/Electronic Machinery, Equip. (36)	-	-	-	-	-	7	23	5	7	10	
Meas/Analy/Con Inst/Photo/Med/Optic (38)	-	-	-	-	-	-	-	44	25	21	
Misc. Manufacturing Industries (39)	223	5	15	48	15	58	58	98	10	8	
Communications (48)	4,309	4,764	4,868	5,201	5,668	5,785	5,805	5,639	5,082	4,874	
Wholesale Trade Durable Goods (50)	1,484	820	922	1,858	953	1,583	1,482	1,116	2,553	2,994	
Wholesale Trade Nondurable Goods (51)	80	28	169	265	324	440	457	506	263	274	
Building Materials(52)	13,248	19,685	12,188	13,406	14,452	7,092	19,336	43,186	40,662	38,383	
General Merchandise Stores (53)	65,133	44,525	1,358	1,662	16,968	86,938	84,593	77,173	74,394	73,715	
Food Stores (54)	13,465	11,827	12,792	31,890	33,704	34,935	36,145	36,531	37,591	38,935	
Automotive Store & Service Stations (55)	4,935	6,493	5,142	6,942	7,155	6,435	7,835	7,710	8,536	9,098	
Apparel & Accessory Stores (56)	50,016	36,509	41,609	49,033	54,708	60,299	69,149	74,919	71,020	76,151	
Furniture & Home Furnishings (57)	40,631	45,523	61,504	68,894	73,372	73,034	64,883	24,952	24,986	27,250	
Eating & Drinking (58)	38,648	41,468	46,300	51,529	51,869	51,825	50,593	48,363	46,717	45,699	
Misc. Retail (59)	57,510	52,316	48,240	43,955	46,043	45,491	28,633	26,626	25,324	24,717	
Real Estate (65)							257	466	668	691	
Hotel, Rooming Houses, Camp/Other (70)	12,166	11,411	11,249	9,904	9,817	10,745	10,150	9,581	9,040	9,089	
Personal Services (72)	132	64	-	-	8	7	16	130	167	237	
Misc. Business Services (73)	2,488	2,436	2,152	2,223	2,297	2,743	2,899	3,257	3,583	3,988	
Automotive Repair Services (75)	1,897	1,780	1,717	1,794	2,023	2,268	2,155	2,120	1,973	1,969	
Misc. Repair Services (76)	-	134	352	-	-	-	-	4	-	212	
Amusement/Recreation Services (79)	3,858	3,791	3,965	4,431	4,311	4,322	4,868	4,713	4,752	4,953	
Health Services (80)	-	-	-	-	81	349	336	173	272	539	
Misc. Services (89)	10,240	11,033	11,788	12,383	14,286	15,439	12,334	12,890	19,046	19,337	
Suppressed Totals ¹	61,407	104,057	164,184	163,272	146,639	76,693	56,814	57,749	58,468	58,121	
Total	\$ 381,870	\$ 399,104	\$ 430,514	\$ 469,058	\$ 484,834	\$ 486,498	\$ 458,992	\$ 438,065	\$ 435,620	\$ 441,794	

City Direct Sales Tax Rate

2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
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Source: Missouri Department of Revenue

Notes:

Missouri law prohibits the City from making the individual principal revenue remitters public, so they are presented by category. (SIC Codes)

This is the only information available from the state.

Information based on State of Missouri's fiscal year. (July 1st thru June 30th)

¹If an individual economic sector (SIC Code) has 6 or less entries they suppress the taxable sales and tax collection numbers to comply with state statutes.

CITY OF OSAGE BEACH, MISSOURI

TABLE 7

DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN YEARS

FISCAL YEAR	CITY DIRECT RATE	CAMDEN COUNTY RATE	MILLER COUNTY RATE	MILLER CO. AMBULANCE RATE	TDD		TDD		STATE SALES TAX RATE
					PREWITT PT. RATE	OSAGE STATION RATE	PREWITT PT. RATE	OSAGE STATION RATE	
2002	2%	1%	1%	0.00%	0.00%	0.00%	0.00%	0.00%	4.225%
2003	2%	1%	1%	0.00%	0.00%	0.00%	0.00%	0.00%	4.225%
2004	2%	1%	1%	0.50%	0.50%	0.00%	0.00%	0.00%	4.225%
2005	2%	1%	1%	0.50%	0.50%	0.75%	0.75%	0.75%	4.225%
2006	2%	1%	1%	0.50%	0.50%	0.75%	0.75%	0.75%	4.225%
2007	2%	1.25%	1%	0.50%	0.50%	0.75%	0.75%	0.75%	4.225%
2008	2%	1.25%	1%	0.50%	0.50%	0.75%	0.75%	0.75%	4.225%
2009	2%	1.25%	1%	0.50%	1.00%	0.75%	1.00%	0.75%	4.225%
2010	2%	1.25%	1%	0.50%	1.00%	0.75%	1.00%	0.75%	4.225%
2011	2%	1.25%	1%	0.50%	1.00%	0.75%	1.00%	0.75%	4.225%

CITY OF OSAGE BEACH, MISSOURI

TABLE 8

PRINCIPAL REVENUE REMITTERS BY CATEGORY
CURRENT YEAR AND NINE YEARS AGO
(in thousands of Dollars)

SIC Code	SIC Description	Fiscal Year 2011					Fiscal Year 2002					Percentage Of Total City Sales Tax
		Taxable Sales	Tax Collected	Entity Count	Rank	City Sales Tax	Taxable Sales	Tax Collected	Entity Count	Rank	City Sales Tax	
56	Apparel & Accessory Stores	\$76,151	\$1,523	61	1	17.24%	\$50,016	\$1,000	41	3	13.10%	
53	General Merchandise Stores	\$73,715	\$1,474	24	2	16.69%	\$65,133	\$1,303	18	1	17.06%	
58	Eating & Drinking	\$45,699	\$914	63	3	10.34%	\$38,648	\$773	59	5	10.12%	
54	Food Stores	\$38,935	\$779	26	4	8.81%	\$13,465	\$269	18	6	3.53%	
52	Building Materials	\$38,383	\$768	27	5	8.69%	\$13,248	\$265	24	7	3.47%	
57	Furniture & Home Furnishings	\$27,250	\$545	47	6	6.17%	\$40,631	\$813	42	4	10.64%	
59	Misc. Retail	\$24,717	\$494	168	7	5.59%	\$57,510	\$1,150	256	2	15.06%	
89	Misc. Services	\$19,337	\$387	74	8	4.38%	\$10,240	\$205	49	9	2.68%	
55	Auto Store & Service Stations	\$9,098	\$182	36	9	2.06%	\$4,935	\$99	27	10	1.29%	
70	Hotel, Rooming H., Camp/Other	\$9,089	\$182	40	10	2.06%	\$12,166	\$243	27	8	3.19%	
79	Amusement/Recreation Services	\$4,953	\$99	19	11	1.12%	\$3,858	\$77	10	12	1.01%	
48	Communications	\$4,874	\$97	62	12	1.10%	\$4,309	\$86	48	11	1.13%	
73	Misc. Business Services	\$3,988	\$80	68	12	0.90%	\$2,488	\$50	39	13	0.65%	
50	Wholesale Trade Durable Goods	\$2,994	\$60	38	14	0.68%	\$1,484	\$30	23	15	0.39%	
75	Automotive Repair Services	\$1,969	\$39	27	15	0.45%	\$1,897	\$38	22	14	0.50%	
65	Real Estate	\$691	\$14	10	16	0.16%	\$0	\$0	4	20	0.00%	
80	Health Services	\$539	\$11	25	18	0.12%	\$0	\$0	6	19	0.00%	
17	Construction Special Trade	\$515	\$10	14	20	0.12%	\$0	\$0	8	18	0.00%	
51	Wholesale Trade Nondurable Goods	\$274	\$5	17	19	0.06%	\$80	\$2	17	17	0.02%	
72	Personal Services	\$237	\$5	21	17	0.41%	\$132	\$3	18	16	0.21%	
	Other Non Suppressed Totals	\$265	\$5			0.06%	\$223	\$4			0.06%	
	Suppressed Totals ¹	\$58,121	\$1,162			13.16%	\$61,407	\$1,228			16.08%	
	Total	\$441,794	\$8,836			100%	\$381,870	\$7,637			100%	

Source: Missouri Depart. of Rev.

Notes:

Missouri law prohibits the City from making the individual principal revenue remitters public, so they are presented by category. (SIC Codes) This is the only information available from the state.

Taxable sales and tax collected is presented in thousands of dollars, but percentage of total city sales tax is based on whole dollar amount.

Information based on State of Missouri's fiscal year. (July 1st thru June 30th)

¹If individual economic sector (SIC Code) has 6 or less entries they suppress the taxable sales and tax collection numbers to comply with state statutes

CITY OF OSAGE BEACH, MISSOURI

TABLE 9

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	POPULATION	PER CAPITA
	GENERAL OBLIGATION BONDS		WATER/SEWER REVENUE BONDS				
2002	\$ 2,205,000		\$ 34,696,974	\$	36,901,974	3,889	9,489
2003	2,025,000		34,890,000		36,915,000	3,969	9,301
2004	1,790,000		33,705,000		35,495,000	4,080	8,700
2005	1,555,000		37,410,000		38,965,000	4,259	9,149
2006	1,315,000		36,005,000		37,320,000	4,424	8,436
2007	1,065,000		37,010,000		38,075,000	4,621	8,240
2008	810,000		35,320,000		36,130,000	4,780	7,559
2009	550,000		33,575,000		34,125,000	4,709	7,247
2010	280,000		31,760,000		32,040,000	4,351	7,364
2011	-		29,895,000		29,895,000	4,351	6,871

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF OSAGE BEACH, MISSOURI

TABLE 10

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST NINE YEARS
(*accrual basis of accounting*)

FISCAL YEAR	GENERAL OBLIGATION BONDS	PERCENTAGE OF SALES TAX RECEIVED	PER CAPITA
2003	\$2,025,000	27.53%	\$ 465
2004	1,790,000	22.64%	411
2005	1,555,000	18.80%	357
2006	1,315,000	13.90%	302
2007	1,065,000	11.14%	245
2008	810,000	9.09%	186
2009	550,000	6.51%	126
2010	280,000	3.34%	64
2011	-	0.00%	-

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year ending December 31, 2003.

Details regarding the City's outstanding debt can be found in the notes to the financial statements. See Schedule of Demographic and Economic Statistics for personal income and population data.

Sales tax received for each year is in the schedule Governmental Activities Tax Revenue by source for the City.

CITY OF OSAGE BEACH, MISSOURI

TABLE 11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of December 31, 2011

NAME OF GOVERNMENTAL UNIT	DEBT OUTSTANDING	PERCENTAGE APPLICABLE TO CITY OF OSAGE BEACH ¹	AMOUNT APPLICABLE TO CITY OF OSAGE BEACH
City of Osage Beach direct debt	\$0	100%	\$0
Camdenton R-III School District	29,730,000	15.0%	4,459,500
School of the Osage R-II	19,500,000	1.5%	292,500
Osage Beach Fire Protection District	1,934,557	52.3%	1,011,773
Subtotal, overlapping debt			\$5,763,773
Total direct and overlapping debt			\$5,763,773

Sources: Debt outstanding data provided by Camden County, Miller County, Camdenton School District, School of the Osage School District and the Osage Beach Fire Protection District.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Osage Beach. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt, of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using student population of both of the school districts and land area located inside or out of the Osage Beach Fire District.

CITY OF OSAGE BEACH, MISSOURI

TABLE 12

LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$29,951,824	\$34,283,562	\$37,194,816	\$43,720,535	\$46,481,936	\$53,519,002	\$55,610,030	\$55,907,389	\$55,846,465	\$55,111,829
Total Net debt applicable to limit	2,205,000	2,025,000	1,790,000	1,555,000	1,315,000	1,065,000	810,000	550,000	280,000	-
Legal debt margin	\$27,746,824	\$32,258,562	\$35,404,816	\$42,165,535	\$45,166,936	\$52,454,002	\$54,800,030	\$55,357,389	\$55,566,465	\$55,111,829

Total net debt applicable to limit
as a percentage of debt limit

	7.36%	5.91%	4.81%	3.56%	2.83%	1.99%	1.46%	0.98%	0.50%	0.00%
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Legal Debt Margin Calculation for Fiscal Year 2008

Total Assessed Value	\$275,559,144
Debt limit (20% of total assessed value)	55,111,829
Debt applicable to limit:	
Legal debt margin	\$55,111,829

Under Article VI, Sections 26 (b) and 26 © of the Missouri Constitution, the City by a vote of 2/3 of the qualified electors thereof, may incur general obligation bonded indebtedness for City purposes in an amount not to exceed 10% of the assessed valuation of taxable intangible property within the City as asserted by the last complete assessment for state or county purposes. Under Section 26 (d) of said Article VI, the city may incur general obligation indebtedness not exceeding in the aggregate an additional 10% of the aforesaid assessed valuation for the purpose of acquiring rights of way, constructing and improving sanitary or storm sewer systems; and under Section 26 (e) of said article VI, additional general obligation indebtedness may be incurred for purchasing or constructing water-works electric or other light plants to be owned exclusively by the City, provided that the general obligation indebtedness of the City shall not exceed 20% of the assessed valuation.

CITY OF OSAGE BEACH, MISSOURI

TABLE 13

WATER/SEWER FUND
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

FISCAL YEAR	OPERATING REVENUE ²	DIRECT OPERATING EXPENSE ³	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS		COVERAGE RATIO	CAPT. IMPROV. SALES TAX ¹
				PRINCIPAL	INTEREST		
2002	\$2,670,078	\$1,941,652	\$728,426	\$1,240,000	\$698,307	\$1,938,307	\$1,550,000
2003	4,300,977	1,865,894	2,435,083	770,000	1,237,855	2,007,855	1,675,000
2004	4,705,646	1,960,020	2,745,626	1,185,000	1,608,897	2,793,897	1,725,000
2005	4,825,174	2,057,580	2,767,594	1,245,000	1,241,043	2,486,043	1,899,996
2006	4,551,764	2,127,326	2,424,438	1,405,000	1,828,613	3,233,613	2,467,396
2007	4,778,742	2,217,517	2,561,225	1,545,000	1,714,615	3,259,615	2,380,000
2008	4,522,564	2,256,072	2,266,492	1,690,000	1,630,889	3,320,889	2,340,000
2009	3,946,471	2,494,769	1,451,702	1,745,000	1,587,512	3,332,512	1,776,667
2010	4,392,279	2,123,869	2,268,410	1,815,000	1,511,165	3,326,165	1,910,001
2011	4,325,551	2,332,077	1,993,474	1,865,000	1,574,428	3,439,428	1,800,000

¹ The Water/Sewer Fund Deficit is subsidized by Capital Improvement Sales Tax.

² Operating Revenue includes investment income & DNR interest subsidy.

³ Excludes depreciation expense.

Principal balance found in notes of audit, on page 33

CITY OF OSAGE BEACH, MISSOURI

TABLE 14

DEMOGRAPHIC STATISTICS
LAST TEN YEARS

FISCAL YEAR	Population ¹	Personal Income ²		Per Capita Personal Income ²		Unemployment Rate ³	
		Camden County (expressed in thousands)	Miller County (expressed in thousands)	Camden County (expressed in thousands)	Miller County (expressed in thousands)	Camden County	Miller County
2002	3,889	99,231	74,411	25,516	19,134	5.7%	6.3%
2003	3,969	105,552	78,377	28,247	20,837	5.6%	5.9%
2004	4,080	110,226	85,769	28,779	22,125	5.6%	6.3%
2005	4,259	127,660	98,903	29,974	23,222	5.1%	5.7%
2006	4,424	140,500	106,334	31,759	24,036	4.7%	5.2%
2007	4,621	149,308	114,365	32,311	24,749	4.8%	5.2%
2008	4,780	157,564	122,989	32,963	25,730	6.2%	6.7%
2009	4,709	155,224	121,162	32,963	25,730	9.6%	11.7%
2010	4,351	132,696	112,263	32,963	25,730	10.1%	12.0%
2011	4,351	138,952	115,001	31,936	26,431	10.7%	11.3%

Sources:¹U.S. Census Bureau (July 1st of each estimate year).²U.S. Department Of Commerce Bureau Of Economic Analysis³U.S. Dept. of Labor Bureau of Labor Statictics. Percentage calculated on an annual average.

Reflects revised inputs, reestimation, and new statewide controls

Notes:

Personal income and per capita personal income not available for the City of Osage Beach, so county information was utilized. Osage Beach population is in both Camden and Miller County but the exact division of population is unknown. Population data listed is based on estimates from the U.S. Census Bureau

CITY OF OSAGE BEACH, MISSOURI
 PRINCIPAL EMPLOYERS
 CURRENT AND NINE YEARS AGO

TABLE 15

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lake Regional Hospital	1300	1	29.88%	550	4	15.02%
Factory Outlet Village	800-1200	2	26.43%	800-1200	1	25.94%
² Camdenton R-II School District	620	3	14.25%	575	3	15.70%
¹ Tan Tar A Resort	560	4	12.87%	560	2	15.29%
Wal-Mart Supercenter	430	5	9.88%	430	5	11.74%
² School of the Osage R-II School District	300	6	6.89%	250	6	6.83%
Hy-Vee	200	7	4.60%	0		0.00%
Target	150	8	3.45%	0		0.00%
City of Osage Beach	103	9	2.37%	97	9	2.65%
Central Bank of Lake of the Ozarks	102	10	2.34%	165	7	4.51%
Osage Beach Health Care Center	77		1.77%	90	10	2.46%
Inn at the Grand Glaize	34		0.78%	120	8	3.28%

Sources:

¹Employer is not located within the Osage Beach City Limits

²Employment numbers represent entire School District which includes schools outside of the Osage Beach City Limits.

Missouri Dept. of Economic Development

Lake of the Ozarks Regional Economic Development Council

CITY OF OSAGE BEACH, MISSOURI

TABLE 16

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
City Administrator	3.5	4	5	3	2	2	2	2	2	2
City Clerk's Office	4	4	4	4	4	4	4	4	4	4
Information Technology ²	0	0	0	2	2	2	2	2	2	2
City Treasurer	5	5	5	5	5	5	5	4	4	4
Municipal Court	1	1	1	1	1	1	1	1	1	1
City Attorney ³	0	0	0	0	0	0	1	1	1	1
Building Department ¹	3	3	3	3.5	3.5	3.5	4.5	3.5	3.5	3.5
Human Resources	1	1	1	1	1	1	1	1	1	1
Planning Department ¹	4	4	3	3	3	3	3	2.5	2.5	2.5
Engineering Department	4	4	4	4.5	4.5	4.5	5.5	4	4	4
Police										
Law Enforcement	28	28	28	27	30	30	30	30	30	29
911 Center	10	10	10	10	11	11	11	11	11	11
Public Works										
Parks	4	4	4	2	2	2	2	3	3	3
Transportation ¹	8	8	8	8	8	8	8	8.3	8.3	8.3
Water ¹	4	4	4	4	4.5	4.5	4.5	5.3	5.3	5.3
Sewer ¹	9	9	9	9	9.5	9.5	9.5	8.4	8.4	8.4
Ambulance	10	10	10	10	7	7	7	7	7	7
Airport										
Lee C. Fine ¹	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Grand Glaize ¹	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total	104.5	105	105	103	104	104	107	104	104	103

Source: Annual Budget

Note:¹Some City Employee's wages are split between different departments.²The Information Technology Department was created in 2005, it was previously part of the City Administrator Department.³A full time City Attorney was hired in 2008, the City previously out sourced this service.

CITY OF OSAGE BEACH, MISSOURI

TABLE 17

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Incident Reports	1,485	1,427	1,731	2,528	2,437	2,540	2,312	2,023	1,975	1,727
Traffic Violations	2,477	1,935	1,905	2,833	3,176	2,412	2,838	1,858	1,793	1,712
Traffic Warnings	2,951	2,308	1,853	1,214	2,039	2,382	3,085	2,967	2,561	2,430
911 Center¹										
Number of Calls Answered	15,600	14,993	13,673	20,509	24,789	20,624	20,509	20,946	19,927	20,420
Ambulance										
Calls for service	1,037	1,086	988	860	815	831	875	828	888	888
Building										
<u>Permits</u>										
Residential	102	86	95	98	108	105	83	87	76	57
Commercial	103	112	139	104	129	131	78	68	79	97
Water										
² Total Water Sold (thousands of Gallons)						295,828	278,237	260,479	300,688	305,915
Wastewater										
Average Daily Sewage Treatment (thousands of Gallons)	1,262	1,281	1,339	1,292	1,254	1,302	1,300	1,229	1,093	987
Airports										
<u>Lee C. Fine:</u>										
Number of Landings	7,169	6,887	5,967	5,511	6,755	5,630	5,674	5,131	5,667	5,030
<u>Grand Glaize:</u>										
Number of Landings	6,427	5,643	4,881	6,194	5,968	5,248	4,161	3,937	3,196	3,059
Recycling										
Waste Oil gallons	2,591	1,796	2,367	1,600	1,478	962	1,763	1,673	2,138	1,750
Sources: Various Government Departments										

Notes:

¹Number of Calls represents both emergency and non-emergency calls. In 2005 the Osage Beach 911 Center was extended to include calls for the Lake Ozark Police Department, the Lake Ozark Fire Protection Department, and the Lake Ozark Ambulance Service.

²Prior to 2007 gallons of water sold were not tracked

CITY OF OSAGE BEACH, MISSOURI

TABLE 18

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
<u>Police:</u>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	26	26	26	21	21	22	22	22	22	21
<u>Ambulance Protection:</u>										
Number of Vehicles	3	3	2	2	2	2	2	2	2	2
Highways and Streets										
Miles of Streets Paved	35.96	36.16	36.16	36.16	36.16	37	37.38	37.38	37.78	37.78
Miles of Sidewalks	2.63	3.00	3.14	3.45	3.75	3.75	3.75	5.31	6.09	6.09
Number of Street Lights	224	224	475	485	486	495	500	517	517	538
Parks and Recreation										
Parks Acreage	102	102	102	102	102	102	102	102	102	102
Number of Parks	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (miles)	107.71	150.07	192.99	236.43	236.43	238.56	239.36	241.56	241.84	245.8
Fire Hydrants	809	892	901	904	913	915	925	927	930	969
Wells	5	5	5	5	5	5	5	5	5	5
Water Towers	3	3	3	3	4	4	4	4	4	4
Sewer										
Sanitary Sewers (miles)	126.74	132.89	132.89	135.00	135.79	140.79	141.59	143.39	143.96	148.30
Pump Stations	1,089	1,104	1,105	1,105	1,119	1,138	1,145	1,174	1,178	1,186

Sources: Various Government Departments

SUPPLEMENTARY INFORMATION

SINGLE AUDIT REPORTS



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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3220 West Edgewood, Suite E, Jefferson City, MO 65109
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**INDEPENDENT AUDITORS' 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***

To the Board of Aldermen of the
City of Osage Beach, Missouri

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the business-type activities, and each major fund for the City of Osage Beach, Missouri (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents and have issued our report thereon dated April 20, 2012. 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 opinions 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 *deficiency* in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Aldermen, management, other federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than those specified parties.

Williams Keepers LLC

June 14, 2012



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Aldermen of the
City of Osage Beach, Missouri

Compliance

We have audited the compliance of the City of Osage Beach, Missouri (the City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Aldermen, management, federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than those specified parties.

Williams Keepers LLC

June 14, 2012

CITY OF OSAGE BEACH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Transportation			
Passed through the University of Central Missouri:			
DWI Overtime Enforcement Wave	20.601	SAF003	\$ 343
DWI Overtime Enforcement Wave	20.600	SAF014	1,440
DWI Overtime Enforcement Wave	20.601	SAF006	500
Child Passenger Safety Overtime Enforcement	20.613	SAF008	500
Passed through the State of Missouri Department of Transportation:			
DWI Enforcement	20.607	11-K8-03-101	2,597
Hazardous Moving Violation Project	20.607	11-PT-02-115	3,532
Hazardous Moving Violation Project	20.607	12-PT-02-094	176
State Block Grant- Airport Land Acquisition	20.106	11-045A/106-45A	57,021
Federal Emergency Management Administration			
Passed through the Emergency Management Agency:			
Disaster Grants - Public Assistance	97.036	FEMA 1961-DR-MO	17,090
Environmental Protection Agency			
Passed through Missouri Department of Natural Resources:			
Capitalization Grant for Clean Water State Revolving Funds	66.458	C295504-01	159,230
Capitalization Grant for Drinking Water State Revolving Funds	66.468	DW291150-03	498,377
Total expenditures of federal awards			<u>\$ 740,806</u>

BASIS OF PRESENTATION:

The schedule of expenditures of federal awards includes only the current year federal grant activity of the City of Osage Beach and is presented on the accrual basis of accounting. This information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Amounts presented in this schedule as expenditures may differ from amounts presented in, or used in the preparation of, the basic financial statements, although such differences are not material.

REVOLVING LOAN PROGRAM

The City participates in a state revolving fund program whereby funds equal to seventy percent of project costs are set aside in a separate interest bearing account. The interest from this separate account is used to offset interest expense on the outstanding debt. The deposits made into the separate account are included in the federal expenditures presented in the schedule.

CITY OF OSAGE BEACH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Osage Beach.
2. No deficiencies relating to the audit of the financial statements are reported in the "Independent Auditors' 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*."
3. No instances of noncompliance material to the financial statements of the City of Osage Beach were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal award programs are reported in the "Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award programs for the City of Osage Beach expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the City of Osage Beach are reported in Part C of this Schedule.
7. The programs tested as a major program include:

	Federal CFDA Number
Capitalization Grant for Clean Water State Revolving Funds	66.458
Capitalization Grant for Drinking Water State Revolving Funds	66.468

8. The dollar threshold used to distinguish between Type A and B programs, as described in Section 520(b) of OMB Circular A-133, was \$300,000.
9. Using the criteria as defined in Section 530 of OMB Circular A-133, the City of Osage Beach did qualify as a low-risk auditee for the year ended December 31, 2011.

B. FINDINGS--FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

CITY OF OSAGE BEACH

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
For the Year Ended December 31, 2011**

There were no audit findings relative to federal awards for the prior year.