

CITY OF OSAGE BEACH, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR

JANUARY 1, 2012 - DECEMBER 31, 2012



CITY OF OSAGE BEACH, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

Prepared by:

**Karri Bell
City Treasurer**

CITY OF OSAGE BEACH, MISSOURI
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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INTRODUCTORY SECTION



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

May 7, 2013

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, 2012, 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's 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's 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, 2012, 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 unmodified opinion for the year ended December 31, 2012, 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 4,35; 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%. Population and the number of visitors to the City remain unchanged. Sales tax (on an accrual basis) increased for a second year, 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's approved Tax Increment Financing (TIF) Redevelopment Plan for Dierbergs has progressed as promised by the developer, with the Market scheduled to open April 24, 2013. Dierbergs announced that Dick's Sporting Goods and Bed Bath & Beyond will open in the spring of 2014.

Long-term financial planning and policies

The City currently does not have a formal long-term financial plan or fund balance/reserve policy. During the 2011 budget process, the Board directed staff to maintain a six month cash reserve to operate the City at its budgeted level annually 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 though 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 2012 "Governmental Accounting, Auditing and Financial Reporting" (GAAFR), published by the Government Finance Officers Association (GFOA).

Future Major Initiatives

On April 18, 2013, after many months of discussions, the City and the Missouri Department of Transportation (MoDOT), came to an agreement to revamp the Key Largo interchange. The agreement includes building an exit ramp from eastbound 54 Expressway to Key Largo/Osage Beach Parkway, building an onramp from Key Largo/Osage Beach Parkway to eastbound expressway, and modifications to Key Largo. The total cost is estimated \$396,402 with the City contributing \$85,000. These projects will also result in an additional exit sign, increasing from six to seven, into the City of Osage Beach.

Acceptance of the Osage Beach Parkway will take place this year, after the Board and staff physically inspect the roadway and after MoDOT completes an asphalt overlay project.

Street improvement projects, including engineering, land purchases, and streetlights totaling \$2,098,688, which includes Nichols Road , Zebra Connector, Ozark Meadows, Malibu sidewalk improvements.

In a joint effort with the Special Road District, the City plans to complete \$233,988 of street projects. The City provides the administrative and engineering services and the Special Road District provides the construction funds for the projects.

Water projects, including land purchases totaling \$325,500, include the Woodland Cove line replacement, load transfers at wells, and miscellaneous water construction projects.

Sewer projects, including engineering and land purchases totaling \$1,840,883, include several lift station improvements, Passover Road upgrade, Mace/Aver Road sewer, Spring Valley service, plus Jeffries Road, Shadow Circle and Eagle Woods sewer improvements.

Lee C. Fine Airport budgeted \$795,000 to build new hangars using grant funds that require a 5% match, making the City's portion \$39,795.

Grand Glaize Airport plans to purchase land around the airport estimated to cost \$100,000.

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, 2011. This was the thirteenth 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.

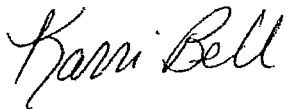
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2011

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.



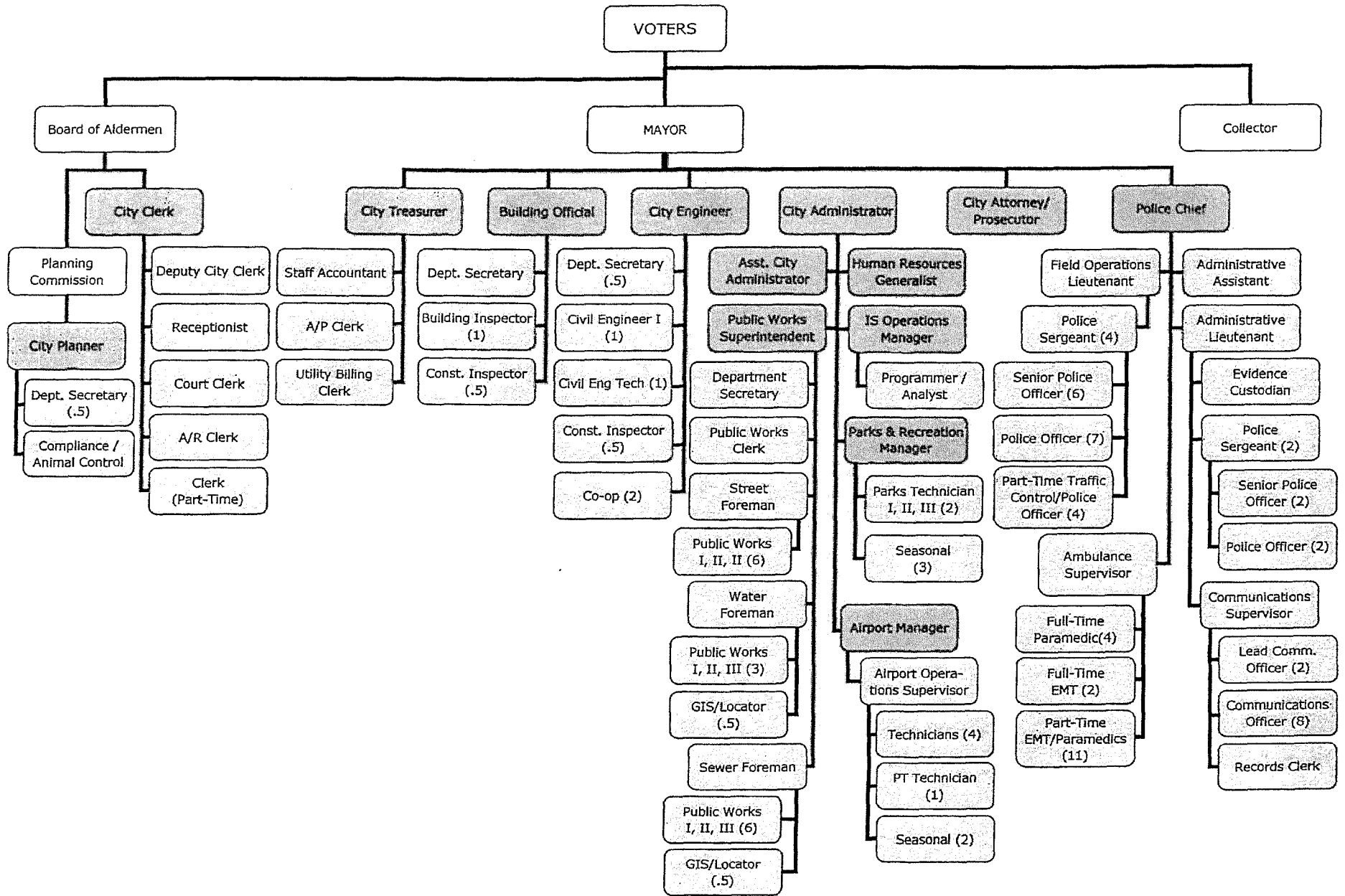
Christopher P. Moynell

President

Jeffrey R. Enos

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

Report on the Financial Statements

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, 2012, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Osage Beach, Missouri as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Osage Beach's basic financial statements. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2013, 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* in considering City of Osage Beach's internal control over financial reporting and compliance.

Williams Keepers LLC

May 7, 2013

City of Osage Beach, Missouri
Management Discussion and Analysis
December 31, 2012

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, 2012. 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

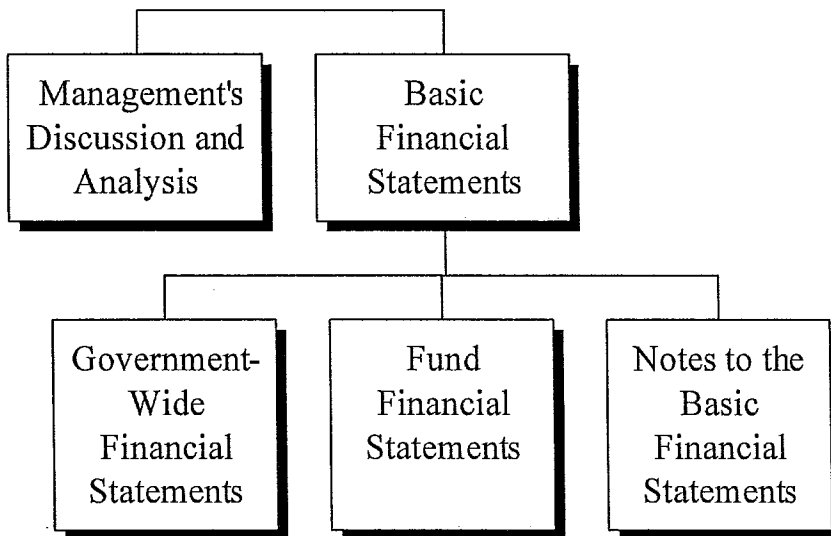
- The assets of the City of Osage Beach exceeded its liabilities at the close of the fiscal year by \$80,241,746 (net position). Of this amount, \$9,956,289 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased \$358,854. This is a total decrease of \$303,541 from the City's governmental activities and an increase of \$662,395 from the business-type activities. The overall decrease in governmental activities was primarily due to decreases in capital grants and contributions. The increase in business-type activities was primarily due to increases in capital grants and contributions.
- 2002 Tax Increment Financing (TIF) Prewitt's Point Bond Refunding – On September 18, 2012, with Board of Aldermen approval, the City refinanced \$4,510,000 of outstanding TIF bonds with Stifel Nicolas. The interest rate decreased from 6.75% to a bond yield of 4.09%. This decrease in interest cost is estimated to save the City, Miller County and other taxing entities \$486,595 over the remaining life of the bond issue.
- The Dierbergs Tax Increment Financing (TIF) construction has progressed per the 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 market's ribbon cutting occurred in April 2013. This project is located on the northwest 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 contributed \$5,000 to the Lake Welcome Sign. The iconic sign was spearheaded by the Lake Area Chamber of Commerce and several area volunteers. The sign is located near Route 242 and Highway 54, visible from the expressway. The sign features eight-foot-tall letters, sits on a 90-foot long concrete base and is illuminated by various colored lights.
- A major City-wide computer upgrade is nearly complete. The IT Department installed the new Virtual Desktop Computing Environment and it is up and running.
- After discussions with MoDOT Aviation, the City is now able to transfer aging entitlement funds from Grand Glaize Airport to the Lee C. Fine Airport. With the ability to transfer funds, the City is now able to use aging funds for improvements at either airport.
- With its continued focus on safety, the City maintained its workers' compensation experience modification rating of .79. This rating reflects a 21% savings in workers' compensation premiums.
- The City has made it easier for residents to pay all of its City fees. The City now accepts credit and debit cards for all fees, including water and sewer bills.
- Updates to the Sewer Development Charges were completed and approved by the Board of Aldermen.
- The City's gross sales tax (on cash basis) decreased 1.6%, from \$4,417,555 in fiscal year 2011 in the General Fund compared to \$4,345,420 fiscal year 2012.
- Water and Sewer utility rates implemented a successful rate change in January 2012 with an average increase of 4%.

Overview of 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 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 Position 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 position and statement of activities report the City's net position and the resulting changes. Net position is the difference between assets and liabilities, which is one way to measure the City's financial health, or financial assets. Over time, increases or decreases in the City's net position is 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 position and the statement of revenues, expenses, and changes in fund net position. 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 position may serve over time as a useful indicator of a government's financial position. At the close of December 31, 2012, the City of Osage Beach's assets exceeded its liabilities by \$80,241,746. The largest portion of the City's net position, \$62,733,241 (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 78% of capital assets was unchanged from 2011; this reflects the City's balanced approach in spending to operate versus investment in capital assets. 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 POSITION

The following table reflects the condensed Statement of Net Position as of December 31, 2011 and December 31, 2012:

City of Osage Beach Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	8,846,117	9,896,614	9,737,950	9,918,241	18,584,067	19,814,855
Capital assets	29,136,972	28,345,590	61,848,651	63,215,684	90,985,623	91,561,274
Total assets	37,983,089	38,242,204	71,586,601	73,133,925	109,569,690	111,376,129
Liabilities:						
Long-term liabilities outstanding	97,106	80,327	25,643,958	27,678,250	25,741,064	27,758,577
Other liabilities	636,080	608,433	2,950,800	3,126,227	3,586,880	3,734,660
Total liabilities	733,186	688,760	28,594,758	30,804,477	29,327,944	31,493,237
Net position:						
Invested in capital assets net of related debt	29,136,972	28,345,590	33,596,269	34,151,316	62,733,241	62,496,906
Restricted	4,824,565	5,420,281	2,727,651	2,697,627	7,552,216	8,117,908
Unrestricted	3,288,366	3,787,573	6,667,923	5,480,505	9,956,289	9,268,078
Total net position	37,249,903	37,553,444	42,991,843	42,329,448	80,241,746	79,882,892

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the government both per fund and as a whole. The City's combined net position increased to \$80,241,746 from \$79,882,892. This increase of 1/2% is primarily a result of paying down long-term debt obligations. The City's unrestricted net position for governmental activities was \$3,288,366. Total unrestricted net position was \$9,956,289 including business-type activities. Unrestricted net position increased \$688,211 due to increased capital grants and contributions and fees in the business-type activities, but offset by a reduction in governmental activities due to increased operational costs.

Total net position of \$80,241,746 is comprised of \$62,733,241 invested in capital assets, net of related debt; \$7,552,216 is restricted for capital projects, debt service and other purposes; \$3,288,366 is unrestricted and available for general governmental purposes and \$6,667,923 is unrestricted and available for the City's business-type activities.

CHANGES IN NET POSITION

The following table reflects the revenues and expenses from the City's activities for the years ended December 31, 2012 and December 31, 2011:

City of Osage Beach Statement of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	404,885	430,731	4,815,768	4,688,113	5,220,653	5,118,844
Operating grants and contributions	13,961	28,289	762,814	808,004	776,775	836,293
Capital grant and contributions	710,078	191,983	739,451	57,020	1,449,529	249,003
General Revenues:						
Sales taxes	8,765,944	8,553,918			8,765,944	8,553,918
Franchise taxes	851,346	848,634			851,346	848,634
Other taxes	223,701	206,649			223,701	206,649
Unrestricted investment earnings	52,263	69,197	49,697	55,486	101,960	124,683
Other revenues	528,215	598,445	130,000	10,944	658,215	609,389
Gain (loss) on sale of assets	11,218	9,632	24,226		35,444	9,632
Total revenues	11,561,611	10,937,478	6,521,956	5,619,567	18,083,567	16,557,045
Expenses:						
General Government	2,634,466	2,728,669			2,634,466	2,728,669
Public Safety	3,023,822	3,057,360			3,023,822	3,057,360
Streets and Highways	2,911,893	3,018,295			2,911,893	3,018,295
Park and recreation	510,657	456,627			510,657	456,627
Information Technology	379,314	262,973			379,314	262,973
Water and Sewer			4,967,524	4,920,198	4,967,524	4,920,198
Ambulance			502,076	508,179	502,076	508,179
Airports			1,453,944	1,298,290	1,453,944	1,298,290
Interest – Long Term Debt		175	1,341,017	1,433,717	1,341,017	1,433,892
Total expenses	9,460,152	9,524,099	8,264,561	8,160,384	17,724,713	17,684,483
Increase (Decrease) in net position before transfers	2,101,459	1,413,379	(1,742,605)	(2,540,817)	358,854	(1,127,438)
Transfers	(2,405,000)	(2,111,667)	2,405,000	2,111,667		
Increase (Decrease) in net position after transfers	(303,541)	(698,288)	662,395	(429,150)	358,854	(1,127,438)
Net Position, beginning of year	37,553,444	38,251,732	42,329,448	42,758,598	79,882,892	81,010,330
Net Position, end of year	37,249,903	37,553,444	42,991,843	42,329,448	80,241,746	79,882,892

Governmental Activities

Governmental activities decreased the City's net position by \$303,541. This decrease is primarily a result of increased transfers to business-type activities to operate. The decrease is offset by the additional revenue from capital grants and contributions in the Transportation Fund. Included in the \$710,078 total is \$209,277 from the Special Road District for street projects, \$235,839 from Missouri Department of Transportation for sidewalks, and \$264,962 (\$174,006 Nichols Road) of contributions. Sales tax revenue, the largest governmental category, is \$8,765,944 or 76% of governmental activities revenue. Sales tax revenue was 2.5% more than the total of \$8,553,918 in 2011. Interest revenue decreased from \$69,197 in 2011 to \$52,263 in 2012. Interest rates on the City's certificates of deposit remained low at an average of .75%. Other revenues decreased 12% from \$598,445 in 2011 to \$528,215 in 2012. For the fiscal year ended December 31, 2012, revenues totaled \$18,083,567 (governmental and business-type). Revenues from governmental activities totaled \$11,561,611 or 64% of total City revenues.

Governmental activities expenses decreased \$63,947 (.7%) for the fiscal year ended December 31, 2012 compared to the fiscal year ended December 31, 2011. Increases occurred in Parks and Recreation due to the construction of a parking lot and in Information Technology due to a new computer system. These increases were offset by slight decreases in General Government and Public Safety. Streets and Highways also decreased \$106,402; this 3.5% decrease was spread over several accounts including salaries, overtime and health insurance.

The following table shows expenses and program revenues of the governmental activities for the year ending December 31, 2012. 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	\$2,634,466	\$(2,443,030)
Public safety	3,023,822	(2,816,641)
Parks and recreation	510,657	(496,688)
Information technology	379,314	(379,314)
Streets and Highways	2,911,893	(2,195,555)
Total	\$9,460,152	\$(8,331,228)

As previously noted, expenses from governmental activities totaled \$9,460,152. However, net costs of these services were \$8,331,228. The difference represents direct revenues received from charges for services of \$404,885, operating grants of \$13,961 and capital grants and contributions of \$710,078. Operating grants include overtime reimbursements associated with DWI programs and a solid waste grant. Net costs of services decreased \$541,868, primarily in Streets and Highways because of increases in capital grants and contributions. Taxes and other revenues were collected and reserves were used to cover the net costs.

Business-Type Activities

Business-type activities net position increased by \$662,395. Revenues increased \$902,389 or 14% and expenses increased \$104,177 or 1% compared to the prior year. Capital grants and contributions increased significantly due to utility relocates being reimbursed by Missouri Department of Transportation and grants received for Lee C Fine runway maintenance. Charges for services increased \$127,655 or 3% from \$4,688,113 in 2011 to \$4,815,768 in 2012. Charges for services decreased moderately for Ambulance and the Airports, but increased in Water/Sewer due to an average 4% rate increase effective January 1, 2012. Total expenses slightly increased \$104,177 from \$8,160,384 in 2011 to \$8,264,561 in 2012.

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 \$6,402,315 was amended during the fiscal year. The amended amount was an increase of \$48,250. This increase was a result of a park building budgeted but not complete in 2011, and to increase the scope of work on the City Park parking lot. 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 a decrease of \$478,785 in fund balance. Actual revenue was less than budgeted revenue by \$82,888, due mainly to over budgeting of electric franchise fees. Actual expenditures were under the budgeted amount by \$287,722. The reduced expenses were evenly spread through all departments.

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 \$3,488,474, a decrease of \$478,785 under the beginning balance of \$3,967,259. General Fund total revenue changed very little, but total expenses and transfers to other funds increased. General Fund expenditures included \$633,497 for projects and equipment. These projects and equipment included a major computer upgrade City-wide and a new parking lot at the City Park. The unassigned general fund balance at year-end was \$3,488,474.

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 \$3,622,023, a decrease of \$669,921 from the beginning balance of \$4,291,944. All of the Transportation fund balance was restricted for highways and streets at year-end. The fund balance decrease was due to investment in City streets above revenue. The City invested \$2,392,793 in transportation projects across the City.

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 debt service cost of the water and sewer system. As of the close of the current fiscal year, the City of Osage Beach's Capital Improvement Fund reported an ending fund balance of \$1,202,542, an increase of \$74,205 from the beginning balance of \$1,128,337. All of the Capital Improvement fund balance was restricted for capital improvements/debt service at year-end. The fund balance increase was primarily due to an increase in sales tax revenue for the year.

Proprietary Funds

Combined Water and Sewer Fund – The Sewer Fund was created in 1985 to track revenue and expenses associated with the operation of the sewer system. A City water system was started in 1998 and changed the Sewer Fund into a combined fund. 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 Funds are 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 position of the Water and Sewer Fund was \$39,463,294, an increase of \$662,026 over the beginning balance of \$38,801,268. The unrestricted net position in the Water and Sewer Fund at year-end was \$6,184,670. This increase in net position is primarily due to increases in the water and sewer rates, which became effective January 1, 2012. The rate increase averaged 4%.

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 position of the Ambulance Fund was \$209,347. The unrestricted Ambulance net position at year-end was \$100,355. The increase in net position of \$54,930 is the result of transfers from General Fund increasing \$68,333 compared to 2011. Calls for service were down 63 compared to 2011, resulting in fewer billable trips.

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 \$2,558,389, a decrease of \$115,303 from the beginning balance of \$2,673,692. The unrestricted net position of the Lee C. Fine Airport Fund at year-end was \$237,090. During the year, a \$298,868 runway maintenance project was nearly completed. This project was grant funded, but required 10% matching funds by the City. The decrease in net position is primarily a result of using reserves for the grant match portion of the maintenance project. Since this project was a maintenance project, it did not increase Lee C. Fine Airport's capital assets.

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 position of the Grand Glaize Airport Fund was \$760,813, an increase of \$60,742 from the beginning balance of \$700,071. The unrestricted net position of Grand Glaize Fund was \$145,808. Operating revenue and expenses remained stable compared to 2011. The increase in net position is primarily a result of \$170,000 in transfers from General Fund, compared to \$0 transferred the prior year.

Capital Asset and Debt Administration

Capital Assets. The amount invested in capital assets for the City as of December 31, 2012 is \$90,985,533, net of accumulated depreciation. This amount includes all infrastructure assets acquired during 2012 and prior years (construction in progress) for water, sewer, and street infrastructure. Capital assets decreased \$575,741 or .6% during the year. This change reflects a gain of net position in governmental activities and a reduction of net position 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	
	2012	2011	2012	2011	2012	2011
Land	1,830,330	1,607,117	552,250	552,250	2,382,580	2,159,367
Construction in Progress	117,452	1,117,748	93,201	311,178	210,653	1,428,926
Buildings and Improvements	7,274,553	7,254,159	4,242,075	4,231,275	11,516,628	11,485,434
Equipment	3,726,477	3,273,449	1,591,889	1,532,056	5,318,366	4,805,505
Infrastructure	38,069,345	34,951,366	0	0	38,069,345	34,951,366
Water System			35,043,639	34,730,350	35,043,639	34,730,350
Sewer System			57,275,192	56,362,841	57,275,192	56,362,841
Sub-Total	51,018,157	48,203,839	98,798,246	97,719,950	149,816,403	145,923,789
Less accumulated depreciation	(21,881,185)	(19,858,249)	(36,949,685)	(34,504,266)	(58,830,870)	(54,362,515)
Capital assets net of depreciation	29,136,972	28,345,590	61,848,561	63,215,684	90,985,533	91,561,274

Major capital asset transactions during the year include the following:

- The IT Department installed the new Virtual Desktop Computing Environment and it is up and running at a cost of over \$224,629.
- Multiple projects at both City parks were completed, including paving of parking lots for \$163,398, paving of walking trail, and building a park storage building for \$19,142.
- The Transportation department purchased two International two ton trucks for \$126,280 and one F550 truck for \$51,077.
- The City completed the Osage Beach Parkway sidewalk, Phase 2.
- The City completed streetlights on Osage Beach Parkway between KK and Lazy Days Road.
- Roadway projects completed: Passover Road, Phase 2; City Parkway; Nichols Road (formerly Old State Park Road); Harper Lane; Stewart Drive/Zebra; KK/Lazy Days; College Blvd.; Progress Road. Total invested in transportation infrastructure was \$2,935,440.
- The Water department purchased two new service trucks and accessories for \$40,529.
- The City completed Highway 42 water and sewer project, Phase 2, for a total cost of \$564,072.
- The Sewer department purchased one new service truck and accessories for \$41,941.
- Upgrades were performed at sewer lift stations 54-12 and 54-18.
- The Sewer system was maintained by continuing the rotation of pumps and panels at a cost of \$173,286.
- The Ambulance department purchased two new Zoll Cardiac Monitors to assist the ambulance crew in the treatment and care of cardiac patients, at a cost of \$57,781.
- Lee C. Fine Airport installed gate operators for \$10,800.

Debt Administration

The gross debt at December 31, 2012, was \$27,950,000, a decrease of \$1,945,000. The debt consists of Sewerage and Waterworks Revenue Bonds. The final payoff year for these bonds is 2027.

**City of Osage Beach
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds			27,950,000	29,895,000	27,950,000	29,895,000
Total			27,950,000	29,895,000	27,950,000	29,895,000

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 \$54,718,090. 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 improved growth compared to past years. At the end of 2012, the City issued 641 business licenses to various businesses; 578 contractor's licenses, 74 liquor licenses and 29 dog licenses. The Building Department issued 92 commercial permits and 86 residential permits, representing investment in our community of \$16,957,616.

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 Dierbergs Market with companion stores of JJ Twigs Pizza, UPS Store, Eyes on Missouri and Great Clips. Dierbergs announced that Dick's Sporting Goods and Bed Bath & Beyond will open in the spring of 2014. The permanent and second homeowner population of Osage Beach continues to grow. This growth in turn will increase retail sales in the future.

The above factors were considered in preparing the City of Osage Beach's budget for the 2013 fiscal year.

The City of Osage Beach has appropriated \$7,254,298 for spending in the General Fund 2013 fiscal year budget. Compared to the 2012 actual of \$6,162,843, budgeted expenses will increase 18%. Of the total appropriated in General Fund, \$779,975 is budgeted for capital expenditures. The budget includes a 2% increase in sales tax revenue during the 2013 fiscal year compared to estimated revenue in 2012. Merit increases will be granted to employees in 2013, based on the Matrix Plan and employee job performance. The City capital expenditure includes \$400,000 for a sign welcoming visitors into Osage Beach from the west end of the 54 Expressway.

The City's water and sewer rates will remain unchanged for 2013. The next rate increase that is approved by the Mayor and Board of Aldermen is scheduled to take effect January 1, 2014 and average 3.3%.

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 Position
December 31, 2012

	Governmental Activities	Business-type Activities	Total	Tax Increment Financing District
ASSETS				
Cash and cash equivalents	\$ 3,811,115	\$ 5,330,738	\$ 9,141,853	\$ 477
Investments	3,000,000	-	3,000,000	-
Receivables, net	1,342,455	349,371	1,691,826	705,756
Due from other governments	3,055	5,890	8,945	-
Inventories	-	183,659	183,659	-
Restricted assets:				
Cash and cash equivalents	689,136	2,029,141	2,718,277	2,414,709
Investments	356	1,411,470	1,411,826	821,330
Deferred charges, net of accumulated amortization of \$0, \$401,292, and \$194,952, respectively	-	427,771	427,771	404,745
Capital assets:				
Non-depreciable	1,947,782	645,451	2,593,233	-
Depreciable, net	27,189,190	61,203,110	88,392,300	-
Total assets	<u>37,983,089</u>	<u>71,586,601</u>	<u>109,569,690</u>	<u>4,347,017</u>
LIABILITIES				
Accounts payable	360,612	146,819	507,431	40,197
Accrued liabilities	143,750	38,782	182,532	-
Accrued interest	-	701,939	701,939	157,135
Restricted customer deposits	18,985	-	18,985	-
Funds held for others	9,731	-	9,731	-
Long-term liabilities				
Due within one year				
Bonds payable	-	2,030,000	2,030,000	925,000
Compensated absences	103,002	33,260	136,262	-
Due in more than one year				
Bonds payable	-	25,596,850	25,596,850	17,654,727
Other post employment benefits obligation	97,106	34,794	131,900	-
Arbitrage rebate payable	-	12,314	12,314	-
Total liabilities	<u>733,186</u>	<u>28,594,758</u>	<u>29,327,944</u>	<u>18,777,059</u>
NET POSITION				
Invested in capital assets, net of related debt	29,136,972	33,596,269	62,733,241	-
Restricted for:				
Highways and streets	3,622,023	-	3,622,023	-
Debt service	660,776	975,821	1,636,597	3,236,039
Depreciation and replacement	-	1,751,830	1,751,830	-
Capital improvements	541,766	-	541,766	-
Unrestricted	<u>3,288,366</u>	<u>6,667,923</u>	<u>9,956,289</u>	<u>(17,666,081)</u>
Total net position	<u>\$ 37,249,903</u>	<u>\$ 42,991,843</u>	<u>\$ 80,241,746</u>	<u>\$ (14,430,042)</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Activities
For the Year Ended December 31, 2012

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General government	\$ 2,634,466	\$ 177,475	\$ 13,961	\$ -	\$ (2,443,030)		\$ (2,443,030)	
Public safety	3,023,822	207,181	-	-	(2,816,641)		(2,816,641)	
Parks and recreation	510,657	13,969	-	-	(496,688)		(496,688)	
Information technology	379,314	-	-	-	(379,314)		(379,314)	
Streets and highways	2,911,893	6,260	-	710,078	(2,195,555)		(2,195,555)	
Total governmental activities	9,460,152	404,885	13,961	710,078	(8,331,228)		(8,331,228)	
Business-type activities								
Water/Sewer	6,308,541	3,701,841	762,814	454,636		(1,389,250)	(1,389,250)	
Ambulance	502,076	169,359	-	-		(332,717)	(332,717)	
Airports	1,453,944	944,568	-	284,815		(224,561)	(224,561)	
Total business-type activities	8,264,561	4,815,768	762,814	739,451		(1,946,528)	(1,946,528)	
Total primary government	\$ 17,724,713	\$ 5,220,653	\$ 776,775	\$ 1,449,529	(8,331,228)	(1,946,528)	(10,277,756)	
Component Units								
Tax Increment Financing District	1,082,670	\$ -	\$ -	\$ -				\$ (1,082,670)
General revenues:								
Taxes								
County road taxes					67,752	-	67,752	-
Property taxes					-	-	-	446,752
Sales taxes					8,765,944	-	8,765,944	1,748,852
Franchise taxes					851,346	-	851,346	-
Motor vehicle fuel and license taxes					155,949	-	155,949	-
Payments from enterprise funds					459,400	-	459,400	-
Unrestricted investment earnings					52,263	49,697	101,960	14,832
Other income					68,815	130,000	198,815	-
Gain on sale of capital assets					11,218	24,226	35,444	-
Transfers					(2,405,000)	2,405,000	-	-
Total general revenues, special items, and transfers					8,027,687	2,608,923	10,636,610	2,210,436
Change in net position					(303,541)	662,395	358,854	1,127,766
Net position - beginning					37,553,444	42,329,448	79,882,892	(15,557,808)
Net position - ending					\$ 37,249,903	\$ 42,991,843	\$ 80,241,746	\$ (14,430,042)

See accompanying notes to the basic financial statements.

**City of Osage Beach
Balance Sheet
Governmental Funds
December 31, 2012**

	<u>General</u>	<u>Transportation</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents				
Unrestricted	\$ 1,604,784	\$ 1,948,835	\$ 257,496	\$ 3,811,115
Restricted	28,716	-	660,420	689,136
Investments				
Unrestricted	1,500,000	1,500,000	-	3,000,000
Restricted	-	-	356	356
Receivables				
Taxes	682,262	313,334	313,334	1,308,930
Interest	890	980	-	1,870
Receivable from other governments	-	3,055	-	3,055
Other	31,655	-	-	31,655
Total assets	<u>\$ 3,848,307</u>	<u>\$ 3,766,204</u>	<u>\$ 1,231,606</u>	<u>\$ 8,846,117</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 200,722	\$ 130,826	\$ 29,064	\$ 360,612
Accrued payroll	130,395	13,355	-	143,750
Payable from restricted assets:				
Due to others	9,731	-	-	9,731
Bail bond deposits	10,985	-	-	10,985
Building deposits	8,000	-	-	8,000
Total liabilities	<u>359,833</u>	<u>144,181</u>	<u>29,064</u>	<u>533,078</u>
Fund balances:				
Restricted for:				
Debt service	-	-	660,776	660,776
Highways and streets	-	3,622,023	-	3,622,023
Capital improvements	-	-	541,766	541,766
Unassigned	3,488,474	-	-	3,488,474
Total fund balances	<u>3,488,474</u>	<u>3,622,023</u>	<u>1,202,542</u>	<u>8,313,039</u>
Total liabilities and fund balances	<u>\$ 3,848,307</u>	<u>\$ 3,766,204</u>	<u>\$ 1,231,606</u>	<u>\$ 8,846,117</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 Position
December 31, 2012**

Funds balances - total governmental funds	\$	8,313,039
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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	51,018,157	
Less accumulated depreciation	<u>(21,881,185)</u>	
		29,136,972

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		(103,002)
Other post employment benefits obligation		<u>(97,106)</u>

Net position of governmental activities	\$	<u><u>37,249,903</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, 2012

	General	Transportation	Capital Improvement	Total Governmental Funds
REVENUES				
Taxes				
Sales	\$ 4,411,901	\$ 2,176,394	\$ 2,177,649	\$ 8,765,944
Franchise	851,346	-	-	851,346
Motor vehicle fuel and license	-	155,949	-	155,949
County road taxes	-	67,752	-	67,752
Licenses, fines, permits and fees	398,625	6,260	-	404,885
Intergovernmental	13,961	445,116	-	459,077
Interest	24,169	26,741	1,353	52,263
Payments from enterprise funds	459,400	-	-	459,400
Miscellaneous	68,815	-	-	68,815
Total revenues	<u>6,228,217</u>	<u>2,878,212</u>	<u>2,179,002</u>	<u>11,285,431</u>
EXPENDITURES				
Current:				
General government	2,207,694	-	-	2,207,694
Public safety	2,809,445	-	-	2,809,445
Park and recreation	248,085	-	-	248,085
Information technology	264,122	-	-	264,122
Streets and highways	-	1,160,715	-	1,160,715
Capital improvements	-	-	249,797	249,797
Capital outlay				
Projects and equipment	633,497	-	-	633,497
Streets and highways	-	2,392,793	-	2,392,793
Total expenditures	<u>6,162,843</u>	<u>3,553,508</u>	<u>249,797</u>	<u>9,966,148</u>
Excess (deficiency) of revenues over expenditures	<u>65,374</u>	<u>(675,296)</u>	<u>1,929,205</u>	<u>1,319,283</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(550,000)	-	(1,855,000)	(2,405,000)
Sale of capital assets	5,841	5,375	-	11,216
Total other financing sources (uses)	<u>(544,159)</u>	<u>5,375</u>	<u>(1,855,000)</u>	<u>(2,393,784)</u>
Net change in fund balances	(478,785)	(669,921)	74,205	(1,074,501)
Fund balances - beginning	3,967,259	4,291,944	1,128,337	9,387,540
Fund balances - ending	<u>\$ 3,488,474</u>	<u>\$ 3,622,023</u>	<u>\$ 1,202,542</u>	<u>\$ 8,313,039</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, 2012

Net change in fund balances - total governmental funds: \$ (1,074,501)

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	(2,148,694)	
Capital outlay capitalized as assets	2,675,054	
		526,360

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	264,962
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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	(3,584)	
Other post employment benefits obligation	(16,778)	
Change in net position of governmental activities	\$ (303,541)	

See accompanying notes to the basic financial statements.

**City of Osage Beach
Statement of Net Position
Proprietary Funds
December 31, 2012**

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,885,136	\$ 72,431	\$ 229,769	\$ 143,402	\$ 5,330,738
Receivables (net of allowances for uncollectibles)					
Accounts	296,196	50,282	525	1,075	348,078
Interest	1,293	-	-	-	1,293
Receivable from other governments	-	-	5,262	628	5,890
Inventories	131,646	-	34,363	17,650	183,659
Total current assets	<u>5,314,271</u>	<u>122,713</u>	<u>269,919</u>	<u>162,755</u>	<u>5,869,658</u>
Non-current assets:					
Restricted cash and cash equivalents	2,029,141	-	-	-	2,029,141
Restricted investments	1,411,470	-	-	-	1,411,470
Deferred charges, net of accumulated amortization of \$401,292	427,771	-	-	-	427,771
Capital assets:					
Non-depreciable	645,451	-	-	-	645,451
Depreciable, net	<u>58,157,814</u>	<u>108,992</u>	<u>2,321,299</u>	<u>615,005</u>	<u>61,203,110</u>
Total non-current assets	<u>62,671,647</u>	<u>108,992</u>	<u>2,321,299</u>	<u>615,005</u>	<u>65,716,943</u>
Total assets	<u>67,985,918</u>	<u>231,705</u>	<u>2,591,218</u>	<u>777,760</u>	<u>71,586,601</u>
LIABILITIES					
Current liabilities:					
Accounts payable	119,182	1,778	22,101	3,758	146,819
Accrued payroll	20,240	9,534	3,310	3,402	36,486
Accrued interest payable	701,939	-	-	-	701,939
Other accrued expenses	2,296	-	-	-	2,296
Compensated absences	21,309	6,639	1,146	4,166	33,260
Bonds, notes and loans payable	<u>2,030,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,030,000</u>
Total current liabilities	<u>2,894,966</u>	<u>17,951</u>	<u>26,557</u>	<u>11,326</u>	<u>2,950,800</u>
Non-current liabilities:					
Bonds, notes and loans payable	25,596,850	-	-	-	25,596,850
Other post employment benefits payable	18,494	4,407	6,272	5,621	34,794
Arbitrage rebate payable	<u>12,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,314</u>
Total non-current liabilities	<u>25,627,658</u>	<u>4,407</u>	<u>6,272</u>	<u>5,621</u>	<u>25,643,958</u>
Total liabilities	<u>28,522,624</u>	<u>22,358</u>	<u>32,829</u>	<u>16,947</u>	<u>28,594,758</u>
NET POSITION					
Invested in capital assets, net of related debt	30,550,973	108,992	2,321,299	615,005	33,596,269
Restricted for:					
Debt service	975,821	-	-	-	975,821
Depreciation and replacement	1,751,830	-	-	-	1,751,830
Unrestricted	<u>6,184,670</u>	<u>100,355</u>	<u>237,090</u>	<u>145,808</u>	<u>6,667,923</u>
Total net position	<u>\$ 39,463,294</u>	<u>\$ 209,347</u>	<u>\$ 2,558,389</u>	<u>\$ 760,813</u>	<u>\$ 42,991,843</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
REVENUES					
Charges for services	\$ 3,701,841	\$ 169,359	\$ 677,962	\$ 126,212	\$ 4,675,374
Rental income	-	-	86,114	54,280	140,394
Operating grants and contributions	762,814	-	-	-	762,814
Total operating revenues	4,464,655	169,359	764,076	180,492	5,578,582
OPERATING EXPENSES					
Cost of sales and services	781,006	30,025	541,672	103,062	1,455,765
Administration	311,134	50,863	2,169	14,840	379,006
Personnel services	737,521	373,059	166,985	113,710	1,391,275
Repairs and maintenance	386,207	5,833	315,556	19,183	726,779
Other supplies and expenses	386	-	-	-	386
Insurance	70,409	18,228	17,770	14,601	121,008
Depreciation and amortization	2,518,185	24,068	116,971	25,579	2,684,803
Miscellaneous expenses	-	-	470	1,376	1,846
Total operating expenses	4,804,848	502,076	1,161,593	292,351	6,760,868
Operating loss	(340,193)	(332,717)	(397,517)	(111,859)	(1,182,286)
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	49,697	-	-	-	49,697
Interest expense	(1,341,017)	-	-	-	(1,341,017)
Miscellaneous revenue	130,000	-	-	-	130,000
Gain on sale of capital assets	16,579	7,647	-	-	24,226
Bond and financial services fees	(162,676)	-	-	-	(162,676)
Total non-operating revenue (expenses)	(1,307,417)	7,647	-	-	(1,299,770)
Loss before contributions and transfers	(1,647,610)	(325,070)	(397,517)	(111,859)	(2,482,056)
Capital grants and contributions	454,636	-	282,214	2,601	739,451
Transfers in	1,855,000	380,000	-	170,000	2,405,000
Change in net assets	662,026	54,930	(115,303)	60,742	662,395
Total net position - beginning	38,801,268	154,417	2,673,692	700,071	42,329,448
Total net position - ending	\$ 39,463,294	\$ 209,347	\$ 2,558,389	\$ 760,813	\$ 42,991,843

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Cash Flows
For the Year Ended December 31, 2012

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Collections from customers and users	\$ 3,690,163	\$ 160,290	\$ 762,011	\$ 183,595	\$ 4,796,059
Payments for goods and services	(1,661,276)	(71,440)	(863,072)	(178,933)	(2,774,721)
Payments on behalf of employees for services	(731,551)	(369,970)	(168,408)	(112,794)	(1,382,723)
Payments for interfund services used	(170,800)	(36,400)	-	-	(207,200)
Other operating revenues	730,138	-	-	-	730,138
Net cash provided (used) by operating activities	1,856,674	(317,520)	(269,469)	(108,132)	1,161,553
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund transfers	1,855,000	380,000	-	170,000	2,405,000
Net cash provided by noncapital financing activities	1,855,000	380,000	-	170,000	2,405,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(1,089,781)	(57,783)	(10,801)	-	(1,158,365)
Capital grants and contributions	454,636	-	282,214	2,601	739,451
Sale of capital assets	9,077	7,647	-	-	16,724
Principal paid on capital debt	(1,860,000)	-	-	-	(1,860,000)
Interest paid on capital debt	(1,498,127)	-	-	-	(1,498,127)
Net cash provided (used) by capital and related financing activities	(3,984,195)	(50,136)	271,413	2,601	(3,760,317)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	49,697	-	-	-	49,697
Net change in short-term money market mutual funds	37,642	-	-	-	37,642
Proceeds from maturity of guaranteed investment contracts	14,096	-	-	-	14,096
Purchase of guaranteed investment contracts	(30,338)	-	-	-	(30,338)
Reinvestment of investment income	(1,023)	-	-	-	(1,023)
Net cash provided by investing activities	70,074	-	-	-	70,074
Net increase (decrease) in cash and cash equivalents	(202,447)	12,344	1,944	64,469	(123,690)
Cash and cash equivalents-beginning of year	7,116,724	60,087	227,825	78,933	7,483,569
Cash and cash equivalents-end of year	\$ 6,914,277	\$ 72,431	\$ 229,769	\$ 143,402	\$ 7,359,879
Reconciliation of operating loss to net cash provided by operating activities:					
Operating loss	\$ (340,193)	\$ (332,717)	\$ (397,517)	\$ (111,859)	\$ (1,182,286)
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Miscellaneous revenue	(32,676)	-	-	-	(32,676)
Depreciation and amortization	2,518,185	24,068	116,971	25,579	2,684,803
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(11,678)	(9,069)	(2,065)	3,103	(19,709)
(Increase) decrease in inventory	(3,578)	-	11,292	6,213	13,927
Increase (decrease) in accounts payable and accrued liabilities	(273,386)	198	1,850	(31,168)	(302,506)
Total adjustments	2,196,867	15,197	128,048	3,727	2,343,839
Net cash provided (used) by operating activities	\$ 1,856,674	\$ (317,520)	\$ (269,469)	\$ (108,132)	\$ 1,161,553

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 position 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.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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. 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 Position. 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.

I. 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.

J. Long-Term Obligations and Deferred Charges

General long-term obligations consist of the non-current portion of bonds payable, compensable leave, other post-employment benefits, and other long-term liabilities. 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 position. 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 governmental fund financial statements, general long-term obligations are not reported as liabilities because they do not require the use of current resources. 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

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. The Board of Alderman can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

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. The Board of Alderman can assign fund balance; however, an additional formal action does not have to be taken for the removal of the assignment.

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 amounts that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

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

L. 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, 2012.

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, 2012. Deposits, categorized by level of custodial risk, were as follows as of December 31, 2012:

	Cash and Cash Equivalents	Certificates of Deposit	Petty Cash	Total
Bank balance				
Insured by the FDIC	\$ 259,655	\$ -	\$ -	\$ 259,655
Collateralized with securities pledged by the financial institution in the entity's name	2,473,359	8,264,000	-	10,737,359
Collateralized by securities held by the pledging financial institutions' trust department or agent but not in the depositor government's name	277,311	3,075,129	-	3,352,440
Uncollateralized	-	-	-	-
	<u>\$ 3,010,325</u>	<u>\$ 11,339,129</u>	<u>\$ -</u>	<u>\$ 14,349,454</u>
Carrying value	<u>\$ 2,933,862</u>	<u>\$ 11,339,129</u>	<u>\$ 2,325</u>	<u>\$ 14,275,316</u>

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

	Government-Wide Statement of Net Assets		
	Primary Government	Component Unit	Total
Cash and cash equivalents	\$ 9,141,853	\$ 477	\$ 9,142,330
Restricted assets:			
Cash and cash equivalents	2,718,277	2,414,709	5,132,986
Total	<u>\$ 11,860,130</u>	<u>\$ 2,415,186</u>	<u>\$ 14,275,316</u>

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	\$ 1,277,210	\$ -	\$ -	\$ 1,277,210	\$ 1,277,210
Guaranteed investment contracts					
Restricted	-	-	955,946	955,946	955,946
U.S. Treasury Bills					
Unrestricted	3,000,000	-	-	3,000,000	3,000,000
Total investments	<u>\$ 4,277,210</u>	<u>\$ -</u>	<u>\$ 955,946</u>	<u>\$ 5,233,156</u>	<u>\$ 5,233,156</u>

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

	Government-Wide Statement of Net Assets		
	Primary Government	Component Unit	Total
Investments	\$ 3,000,000	\$ -	\$ 3,000,000
Restricted assets:			
Investments	1,411,826	821,330	2,233,156
Total	<u>\$ 4,411,826</u>	<u>\$ 821,330</u>	<u>\$ 5,233,156</u>

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 \$955,946, \$953,756 is rated AA1 and \$2,190 is rated A2 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, 24.41% are money market mutual funds, 18.27% are guaranteed investment contracts (substantially issued by Natixis Global Asset Management), and 57.33% are U.S. Treasury bills.

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, 2012, cash and investments were restricted for various uses as follows:

General Fund	
Restricted for bail bond deposits	\$ 10,985
Restricted for building permit deposits	8,000
Amounts held for others	9,731
Capital Improvement Fund	
Reserved for bond requirements	660,776
Water and Sewer Fund	
Restricted for bond requirements	3,440,611
TIF Fund	
Restricted for bond requirements	3,236,039

5. RECEIVABLES

Receivables are composed of the following at December 31, 2012:

	Primary Government			Component
	Governmental	Business-type		Unit
	Activities	Activities	Total	
Taxes receivable	\$ 1,308,930	\$ -	\$ 1,308,930	\$ 745,955
Accounts receivable	-	412,966	412,966	-
Other receivable	31,655	-	31,655	-
Interest	1,870	1,293	3,163	-
	<u>1,342,455</u>	<u>414,259</u>	<u>1,756,714</u>	<u>745,955</u>
Allowance for uncollectible accounts	-	(64,888)	(64,888)	(40,199)
Accounts receivable	<u>\$ 1,342,455</u>	<u>\$ 349,371</u>	<u>\$ 1,691,826</u>	<u>\$ 705,756</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance December 31, 2011	Additions	Retirements	Transfers	Balance December 31, 2012
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,607,177	\$ 223,153	\$ -	\$ -	\$ 1,830,330
Construction in progress	1,117,748	-	-	(1,000,296)	117,452
Total capital assets, not being depreciated	2,724,925	223,153	-	(1,000,296)	1,947,782
Capital assets, being depreciated:					
Buildings and improvements	7,254,159	20,394	-	-	7,274,553
Machinery and equipment	3,273,449	578,786	125,758	-	3,726,477
Infrastructure	34,951,366	2,117,683	-	1,000,296	38,069,345
Total capital assets, being depreciated	45,478,974	2,716,863	125,758	1,000,296	49,070,375
Less accumulated depreciation for:					
Buildings and improvements	2,913,583	200,028	-	-	3,113,611
Machinery and equipment	2,751,376	283,373	125,758	-	2,908,991
Infrastructure	14,193,290	1,665,293	-	-	15,858,583
Total accumulated depreciation	19,858,249	2,148,694	125,758	-	21,881,185
Total capital assets being depreciated, net	25,620,725	568,169	-	1,000,296	27,189,190
Total capital assets, net	\$ 28,345,650	\$ 791,322	\$ -	\$ -	\$ 29,136,972

	Balance December 31, 2011	Additions	Retirements	Transfers	Balance December 31, 2012
Business-type activities:					
Capital assets, not being depreciated:					
Land and easements	\$ 552,250	\$ -	\$ -	\$ -	\$ 552,250
Construction in progress	311,178	93,201	-	(311,178)	93,201
Total capital assets, not being depreciated	<u>863,428</u>	<u>93,201</u>	<u>-</u>	<u>(311,178)</u>	<u>645,451</u>
Capital assets, being depreciated:					
Buildings and improvements	4,231,275	10,800	-	-	4,242,075
Equipment	1,532,056	147,403	87,570	-	1,591,889
Water system, tower and lines	34,730,350	94,673	-	218,616	35,043,639
Sewage collection system and treatment plant	56,362,841	819,789	-	92,562	57,275,192
Total capital assets, being depreciated	<u>96,856,522</u>	<u>1,072,665</u>	<u>87,570</u>	<u>311,178</u>	<u>98,152,795</u>
Less accumulated depreciation for:					
Buildings and improvements	1,071,734	148,282	-	-	1,220,016
Equipment	1,137,012	80,769	87,570	-	1,130,211
Water system, tower and lines	7,826,640	888,010	-	-	8,714,650
Sewage collection system and treatment plant	24,468,880	1,415,928	-	-	25,884,808
Total accumulated depreciation	<u>34,504,266</u>	<u>2,532,989</u>	<u>87,570</u>	<u>-</u>	<u>36,949,685</u>
Total capital assets being depreciated, net	<u>62,352,256</u>	<u>(1,460,324)</u>	<u>-</u>	<u>311,178</u>	<u>61,203,110</u>
Business-type activities capital assets, net	<u>\$ 63,215,684</u>	<u>\$ (1,367,123)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,848,561</u>

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

Governmental activities:	
General administration	193,093
Public safety	137,768
Streets and highways	1,572,999
Parks and recreation	244,834
Total depreciation expense - governmental activities:	<u>\$ 2,148,694</u>
Business-type activities:	
Water/Sewer	2,366,371
Ambulance	24,068
Airports	142,550
Total depreciation expense - business-type activities:	<u>\$ 2,532,989</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, 2012:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in one year
Primary Government:					
General Long-Term Debt					
Compensated absences	\$ 99,357	\$ 22,085	\$ 18,440	\$ 103,002	\$ 103,002
Enterprise Funds					
Revenue bonds	29,895,000	-	1,945,000	27,950,000	2,030,000
Compensated absences	32,565	11,085	10,390	33,260	33,260
	<u>\$ 30,026,922</u>	<u>\$ 33,170</u>	<u>\$ 1,973,830</u>	<u>\$ 28,086,262</u>	<u>\$ 2,166,262</u>
Component Unit:					
Revenue bonds	<u>\$ 19,945,000</u>	<u>\$ 4,410,000</u>	<u>\$ 5,540,000</u>	<u>\$ 18,815,000</u>	<u>\$ 925,000</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 \$273,590,449, the constitutional total general obligation debt limit was \$54,718,090, which provides a general obligation debt margin of \$54,718,090.

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 \$27.9 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 2012 are over 126% of the annual principal and interest payments made in 2012. The total principal and interest remaining to be paid on the bonds is \$36,861,513. Principal and interest paid for the current year and total net revenues were \$3,286,017 and \$4,155,541, respectively.

Revenue bonds payable are comprised of the following individual issues:

	Original Amount	Interest Rate	Final Maturity Date	Balance December 31, 2012
2001A, Clean Water	\$ 5,000,000	4.0%-5.0%	1/1/2022	\$ 2,710,000
2002B, Drinking Water	24,585,000	3.25%-5.5%	7/1/2022	15,060,000
2003B, Drinking Water	6,075,000	2.5%-5.125%	1/1/2024	4,705,000
2005C, Clean Water	4,950,000	3.0%-5.25%	7/1/2025	3,480,000
2007A, Drinking Water	2,550,000	4.0%-4.75%	1/1/2027	1,995,000
				<u>\$ 27,950,000</u>

The following is a summary of net revenue bonds payable for December 31, 2012:

Bonds payable at December 31, 2012	\$ 27,950,000
Deferred amount on advanced refunding (net of accumulated amortization of \$1,117,321)	(1,053,213)
Unamortized premiums (net of accumulated amortization of \$681,227)	730,063
	<u>27,626,850</u>
Less amount due within one year	<u>(2,030,000)</u>
Net revenue bonds payable December 31, 2012	<u>\$ 25,596,850</u>

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

Year Ending December 31	Principal	Interest	Total
2013	\$ 2,030,000	\$ 1,391,400	\$ 3,421,400
2014	2,110,000	1,289,351	3,399,351
2015	2,200,000	1,181,323	3,381,323
2016	2,300,000	1,069,765	3,369,765
2017	2,410,000	953,059	3,363,059
2018-2022	13,725,000	2,777,856	16,502,856
2023-2027	3,175,000	248,759	3,423,759
Total	<u>\$ 27,950,000</u>	<u>\$ 8,911,513</u>	<u>\$ 36,861,513</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.

On September 18, 2012, the City issued \$4,410,000 of Tax Increment Bonds Series 2012 for the refunding of the \$4,510,000 remaining balance of the February 28, 2002 issuance. The refunding was undertaken to reduce the total future debt service payments. The reacquisition price included \$200,723 of prior issuance costs, which are being amortized over the life of the refunded debt. The transaction also resulted in an economic gain of \$486,595 and a reduction of \$302,665 in future debt service payments. Although the outstanding principle balance of \$4,410,000 is not due until 2023, it is the City's intent to make annual principal payments using TIF revenue received each year.

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, 2012, is \$14,405,000.

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 \$2,050,657 and \$2,195,604, respectively.

The following is a summary of net bonds payable for December 31, 2012:

Bonds payable at December 31, 2012	\$ 18,815,000
Deferred amount on refunding (net of accumulated amortization of \$0)	(200,723)
Unamortized discount (net of accumulated amortization of \$0)	(34,550)
	18,579,727
Less amount due within one year	(925,000)
Net revenue bonds payable December 31, 2012	<u>\$ 17,654,727</u>

The annual requirements to amortize debt outstanding in the as of December 31, 2012, including interest payments, are as follows:

Year Ending December 31	Series 2006		Series 2012		Total
	Principal	Interest	Principal	Interest	
2013	\$ 925,000	\$ 689,770	\$ -	\$ 161,050	\$ 1,775,820
2014	1,010,000	643,330	-	161,050	1,814,380
2015	1,080,000	593,170	-	161,050	1,834,220
2016	1,125,000	540,250	-	161,050	1,826,300
2017	1,095,000	485,575	-	161,050	1,741,625
2018-2022	6,780,000	1,493,750	1,910,000	633,350	10,817,100
2023	2,390,000	59,750	2,500,000	103,750	5,053,500
Total	\$ 14,405,000	\$ 4,505,595	\$ 4,410,000	\$ 1,542,350	\$ 24,862,945

The Series 2012 bonds do not have a required redemption schedule, but required a balloon payment on May 1, 2019 and May 1, 2023. Interest payments are made on May 1 and November 1 each year. The City will pay interest ranging from 3.0% to 4.15% 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 position or the government-wide statement of activities.

A summary of interfund transfers for the year ended December 31, 2012, follows:

	TRANSFERRED TO Enterprise Funds			
	Water/Sewer Fund	Ambulance Fund	Grand Glaize Airport Fund	Total
TRANSFERRED FROM				
Governmental Funds:				
General Fund	\$ -	\$ 380,000	\$ 170,000	\$ 550,000
Capital Improvement Fund	1,855,000	-	-	1,855,000
	<u>\$ 1,855,000</u>	<u>\$ 380,000</u>	<u>\$ 170,000</u>	<u>\$ 2,405,000</u>

The purpose of the transfers from the General Fund to the Ambulance Fund and Grand Glaize Airport Fund is to subsidize the operations of these funds. 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	\$ 180,000
Water/Sewer Fund	218,400
Ambulance Fund	36,400
Lee C. Fine Airport Fund	15,200
Grand Glaize Airport Fund	9,400
	<u>\$ 459,400</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, 2012, commitments under contracts were as follows:

Project	Spent-to-Date	Remaining Commitment
General Fund- Information Technology	\$ 32,065	\$ 64,130
Transportation	-	40,601
Water/Sewer	88,541	124,407
Lee C Fine Airport	257,445	41,423
	<u>\$ 378,051</u>	<u>\$ 270,561</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 2012.

On December 16, 2010, the Board of Aldermen approved the Dierbergs Osage Beach Tax Increment Financing (TIF) 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 TIF reimbursements to the developer of \$5,100,000 plus interest and other miscellaneous costs. On June 27, 2011, the City acted as a guarantor of a \$2,700,000 debt issuance to the developer. As of December 31, 2012, the notes had accrued \$235,950 of interest, for a total obligation of \$2,935,950. The notes will be paid off as TIF revenues are received, with the final amount due in 2033. The Dierbergs Market was under construction in 2012 and opened in April 2013.

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, 2012.

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 \$255,088 to the plan for the year ended December 31, 2012, of which \$25,000 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 \$97,106 and \$34,796 and related expenses of \$16,778 and \$5,902 in governmental and business-type activities, respectively, as of and for the year ended December 31, 2012. 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, 2012, the annual OPEB costs and changes in the net obligation are as follows:

Annual accrued liability	\$ 159,858
OPEB plan assets	-
Unfunded actuarial accrued liability	<u>\$ 159,858</u>
Amortization factor (Based on 30-year closed-level dollar)	<u>16,141</u>
Amortization of unfunded liability	\$ 10,656
Normal costs	<u>16,329</u>
Annual required contribution (ARC)	26,985
Interest to end of the year	5,461
Adjustment to the ARC	<u>(6,767)</u>
Annual OPEB cost	25,679
Net OPEB obligation, beginning of year	109,221
Expected employer contributions for 2012	<u>(3,000)</u>
Net OPEB obligation, end of year	<u>\$ 131,900</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 2012 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
12/31/2010	\$ 29,215	\$ -	0.0%	\$ 85,327
12/31/2011	28,894	5,000	17.3%	109,221
12/31/2012	25,679	3,000	11.7%	131,900

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, 2012:

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
7/1/2011	-	159,858	159,858	0%	3,809,370	4.2%

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 2013.

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, 2011, actuarial valuation, the liabilities were computed using the projected unit credit method with a 30-year level open dollar amortization of the unfunded actuarial accrued liability. The actuarial assumption utilized a 5% discount rate. Actuarial assumptions also included annual healthcare cost trend rates of 10% initially, reduced by decrements to an ultimate rate of 5% after 7 years. Dental healthcare cost trend rates were included at 4%. 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, 2012, the City paid \$404,696 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 October 5, 2012, was as follows:

	<u>For the 2012 Calendar Year</u>
Assessed valuation for Miller County:	
Tax Increment Financing	<u>\$ 10,870,250</u>
Tax rates per \$100 assessed valuation:	
General Fund	<u>\$ 0.0435</u>

15. BUDGETS

The Capital Improvement Fund, a governmental fund, had expenditures that exceeded its budgeted expenditures by \$13,797 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, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
REVENUES				
Taxes				
Sales	\$ 4,275,000	\$ 4,275,000	\$ 4,411,901	\$ 136,901
Franchise	974,000	974,000	851,346	(122,654)
Licenses, fines, permits and fees	455,300	455,300	398,625	(56,675)
Intergovernmental	8,055	8,055	13,961	5,906
Interest	50,000	50,000	24,169	(25,831)
Payments from enterprise funds	477,500	477,500	459,400	(18,100)
Miscellaneous	71,250	71,250	68,815	(2,435)
Total revenues	6,311,105	6,311,105	6,228,217	(82,888)
EXPENDITURES				
Current:				
General government	2,279,401	2,284,401	2,207,694	76,707
Public safety	2,968,718	2,968,718	2,809,445	159,273
Park and recreation	259,064	259,064	248,085	10,979
Information technology	268,383	268,383	264,122	4,261
Capital outlay				
Projects and equipment	626,749	669,999	633,497	36,502
Total expenditures	6,402,315	6,450,565	6,162,843	287,722
Excess (deficiency) of revenues over expenditures	(91,210)	(139,460)	65,374	204,834
OTHER FINANCING SOURCES (USES)				
Transfers out	(550,000)	(550,000)	(550,000)	-
Sale of capital assets	8,200	8,200	5,841	(2,359)
Total other financing sources (uses)	(541,800)	(541,800)	(544,159)	(2,359)
Net change in fund balance	(633,010)	(681,260)	(478,785)	202,475
Fund balance - beginning	3,967,259	3,967,259	3,967,259	-
Fund balance - ending	\$ 3,334,249	\$ 3,285,999	\$ 3,488,474	\$ 202,475

City of Osage Beach
Budget and Actual (with Variances)
Transportation Fund
For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES				
Taxes				
Sales	\$ 2,137,500	\$ 2,137,500	\$ 2,176,394	\$ 38,894
Motor vehicle fuel and license	142,000	142,000	155,949	13,949
County road taxes	68,000	68,000	67,752	(248)
Licenses, fines, permits and fees	-	-	6,260	6,260
Intergovernmental	751,435	751,435	445,116	(306,319)
Interest	38,000	38,000	26,741	(11,259)
Total revenues	3,136,935	3,136,935	2,878,212	(258,723)
EXPENDITURES				
Current:				
Streets and highways	1,386,091	1,375,938	1,160,715	215,223
Capital outlay				
Streets and highways	3,877,426	3,887,579	2,392,793	1,494,786
Total expenditures	5,263,517	5,263,517	3,553,508	1,710,009
Deficiency of revenues over expenditures	(2,126,582)	(2,126,582)	(675,296)	1,451,286
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	5,375	5,375
Total other financing sources	-	-	5,375	5,375
Net change in fund balance	(2,126,582)	(2,126,582)	(669,921)	1,456,661
Fund balance - beginning	4,291,944	4,291,944	4,291,944	-
Fund balance - ending	\$ 2,165,362	\$ 2,165,362	\$ 3,622,023	\$ 1,456,661

City of Osage Beach
 Budget and Actual (with Variances)
 Capital Improvement Fund
 For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
REVENUES				
Taxes				
Sales	\$ 2,137,500	\$ 2,137,500	\$ 2,177,649	\$ 40,149
Interest	4,200	4,200	1,353	(2,847)
Total revenues	2,141,700	2,141,700	2,179,002	37,302
EXPENDITURES				
Current:				
Capital improvements	236,000	236,000	249,797	(13,797)
Total expenditures	236,000	236,000	249,797	(13,797)
Excess of revenues over expenditures	1,905,700	1,905,700	1,929,205	23,505
OTHER FINANCING USES				
Transfers out	(1,855,000)	(1,855,000)	(1,855,000)	-
Total other financing uses	(1,855,000)	(1,855,000)	(1,855,000)	-
Net change in fund balance	50,700	50,700	74,205	(23,505)
Fund balance - beginning	1,128,337	1,128,337	1,128,337	-
Fund balance - ending	\$ 1,179,037	\$ 1,179,037	\$ 1,202,542	\$ (23,505)

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

For The Year Ended December 31, 2012

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, 2012.

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 \$13,797 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, 2012

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	-	159,858	159,858	0%	3,944,434	4.1%
7/1/2011	-	159,858	159,858	0%	3,809,370	4.2%

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 2013.

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 POSITION BY COMPONENT
 LAST TEN FISCAL YEARS
(accrual basis of accounting)

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 29,136,972
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	4,824,565
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	3,288,366
Total governmental activities net position	\$ 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	\$ 37,249,903
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	\$ 33,596,269
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	2,727,651
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	6,667,923
Total Business-type activities net position	\$ 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	\$ 42,991,843
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	\$ 62,733,241
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	7,552,216
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	9,956,289
Total primary government net position	\$ 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	\$ 80,241,746

CITY OF OSAGE BEACH, MISSOURI

TABLE 2

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 2,634,466
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	3,023,822
Park and Recreation	158,651	190,979	255,247	144,529	182,050	199,691	210,671	420,349	456,627	510,657
Information Technology	-	-	234,900	329,674	311,734	231,929	233,441	255,380	262,973	379,314
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	2,911,893
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	9,460,152
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	6,308,541
Ambulance	569,338	633,519	473,746	425,918	484,609	505,773	489,201	530,342	508,179	502,076
Airports	669,123	792,893	904,081	1,011,665	1,009,081	1,233,308	943,157	1,222,842	1,298,290	1,453,944
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	8,264,561
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	\$ 17,724,713
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	\$ 177,475
Public Safety	210,888	239,394	274,622	334,901	303,239	304,684	277,441	241,182	248,011	207,181
Parks and recreation										13,969
Streets and highways										6,260
Operating grants and contributions	51,919	6,542	14,539	83,969	123,189	53,876	25,642	27,658	28,289	13,961
Capital grants and contributions	-	-	-	7,203,665	2,105,975	100,000	67,520	848,628	191,983	710,078
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	1,128,924
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	3,701,841
Ambulance	251,865	250,202	244,243	231,997	187,255	195,809	164,749	163,800	195,689	169,359
Airports	498,309	545,889	724,045	848,985	787,253	1,007,987	694,795	887,587	1,030,363	944,568
Operating grants and contributions	926,607	917,900	827,218	957,794	968,395	940,233	851,576	862,516	808,004	762,814
Capital grants and contributions	-	-	-	1,901,582	3,410,267	627,991	883,607	624,873	57,020	739,451
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	6,318,033
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	\$ 7,446,957

CITY OF OSAGE BEACH, MISSOURI

TABLE 2

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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)	\$ (8,331,228)
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)	(1,946,528)
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)	\$ (10,277,756)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
County road taxes	\$ 36,245	\$ 38,411	\$ 36,793	\$ 45,805	\$ 49,751	\$ 57,878	\$ 60,136	\$ 67,842	\$ 67,859	\$ 67,752
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	8,765,944
Franchise taxes	587,203	610,049	606,054	602,872	680,236	849,517	823,723	832,706	848,634	851,346
Motor vehicle fuel & license	148,404	152,407	151,446	154,275	154,604	141,427	135,750	140,107	138,790	155,949
Payments from enterprise funds	-	-	-	-	133,728	143,377	500,702	465,145	390,300	459,400
Unrestricted investment earnings	144,040	176,199	378,696	546,027	571,408	317,626	137,682	72,809	69,197	52,263
Other income	1,980	63,109	152,983	178,140	170,512	31,556	89,447	44,042	208,145	68,815
Gain (loss) on sale of capital assets	-	-	-	(67,494)	(127,164)	5,071	1,878	16,840	9,632	11,218
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)	(2,405,000)
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	8,027,687
Business-type activities										
Unrestricted investment earnings	72,939	122,624	274,248	408,943	356,000	226,027	88,584	56,534	55,486	49,697
Other income	-	-	-	-	101,309	118,827	(3,920)	(24,980)	10,944	130,000
Gain (loss) on sale of capital assets	-	-	-	(15,866)	13,662	(44,996)	(96,799)	7,367	-	24,226
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	2,405,000
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	2,608,923
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	\$ 10,636,610
Change in net position										
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)	(303,541)
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)	662,395
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)	\$ 358,854

CITY OF OSAGE BEACH, MISSOURI

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

TABLE 3

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	3,488,474
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	\$ 3,488,474
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	\$ 4,824,565
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	\$ 4,824,565

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 TEN FISCAL YEARS
(modified accrual basis of accounting)

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 9,840,991
Licenses, fines, permits	545,665	594,822	607,096	656,747	608,712	510,911	460,675	471,672	430,731	404,885
Intergovernmental	51,919	6,542	14,539	83,969	2,229,164	153,876	25,642	659,184	216,422	459,077
Interest	144,040	176,199	378,696	546,027	571,408	317,626	137,682	72,809	65,297	52,263
Pay. from enter. funds	115,326	117,313	118,470	130,005	133,728	143,377	500,702	465,145	390,300	459,400
Other	1,980	63,109	152,983	178,140	170,512	21,963	89,447	44,042	208,145	68,815
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	11,285,431
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	\$ 2,457,491
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	2,809,445
Park and Recreation	134,295	165,613	223,003	100,418	126,692	133,371	145,046	198,755	211,405	248,085
Information Technology	-	-	234,900	329,543	270,226	225,623	228,392	254,128	258,651	264,122
Streets and Highways	420,447	748,431	724,328	789,009	736,966	770,486	816,135	1,046,961	1,064,677	1,160,715
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	3,026,290
Debt Service										
Interest and 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	9,966,148
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	1,319,283
Other financing sources (uses)										
Bond Proceeds	2,025,000	-	-	-	-	-	-	-	-	-
Bond refunding escrow	(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)	(2,405,000)
Sale of Capital Assets					34,068	38,862	17,769	23,985	9,632	11,216
Total other fin. sources	(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)	(2,393,784)
Net Change in Fund Bal.	\$ 724,095	\$ 1,308,789	\$ 404,931	\$ (45,905)	\$ 1,378,758	\$ (1,960,686)	\$ (588,056)	\$ (745,712)	\$ (1,123,406)	\$ (1,074,501)
Debt service as a percentage of noncapital expen.	6.25%	5.45%	4.97%	4.14%	3.95%	4.19%	4.02%	3.81%	3.66%	0.00%

CITY OF OSAGE BEACH, MISSOURI

TABLE 5

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 LAST TEN 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
2012	67,752	8,765,944	851,346	155,949	9,840,991

TAXABLE SALES BY CATEGORY
(in thousands of Dollars)

SIC Codes	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agricultural Services (07)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290	\$ -	\$ -
Construction Special Trade(17)	435	-	368	141	-	171	114	191	515	1,040
Food And Kindred Products (20)	-	-	-	-	10	-	-	-	14	-
Elect/Electronic Machinery, Equip. (36)	-	-	-	-	7	23	5	7	10	4
Meas/Anal/Con Inst/Photo/Med/Optic (38)	-	-	-	-	-	-	44	25	21	24
Misc. Manufacturing Industries (39)	5	15	48	15	58	58	98	10	8	25
Communications (48)	4,764	4,868	5,201	5,668	5,785	5,805	5,639	5,082	4,874	3,680
Wholesale Trade Durable Goods (50)	820	922	1,858	953	1,583	1,482	1,116	2,553	2,994	1,839
Wholesale Trade Nondurable Goods (51)	28	169	265	324	440	457	506	263	274	1,239
Building Materials(52)	19,685	12,188	13,406	14,452	7,092	19,336	43,186	40,662	38,383	36,299
General Merchandise Stores (53)	44,525	1,358	1,662	16,968	86,938	84,593	77,173	74,394	73,715	75,572
Food Stores (54)	11,827	12,792	31,890	33,704	34,935	36,145	36,531	37,591	38,935	38,989
Automotive Store & Service Stations (55)	6,493	5,142	6,942	7,155	6,435	7,835	7,710	8,536	9,098	10,789
Apparel & Accessory Stores (56)	36,509	41,609	49,033	54,708	60,299	69,149	74,919	71,020	76,151	80,729
Furniture & Home Furnishings (57)	45,523	61,504	68,894	73,372	73,034	64,883	24,952	24,986	27,250	27,884
Eating & Drinking (58)	41,468	46,300	51,529	51,869	51,825	50,593	48,363	46,717	45,699	46,481
Misc. Retail (59)	52,316	48,240	43,955	46,043	45,491	28,633	26,626	25,324	24,717	25,641
Real Estate (65)						257	466	668	691	579
Hotel, Rooming Houses, Camp/Other (70)	11,411	11,249	9,904	9,817	10,745	10,150	9,581	9,040	9,089	8,840
Personal Services (72)	64		-	8	7	16	130	167	237	236
Misc. Business Services (73)	2,436	2,152	2,223	2,297	2,743	2,899	3,257	3,583	3,988	4,514
Automotive Repair Services (75)	1,780	1,717	1,794	2,023	2,268	2,155	2,120	1,973	1,969	2,063
Misc. Repair Services (76)	134	352	-	-	-	-	4	-	212	276
Amusement/Recreation Services (79)	3,791	3,965	4,431	4,311	4,322	4,868	4,713	4,752	4,953	4,768
Health Services (80)	-	-	-	81	349	336	173	272	539	537
Misc. Services (89)	11,033	11,788	12,383	14,286	15,439	12,334	12,890	19,046	19,337	19,488
Suppressed Totals ¹	104,057	164,184	163,272	146,639	76,693	56,814	57,749	58,468	58,121	57,849
Total	\$ 399,104	\$ 430,514	\$ 469,058	\$ 484,834	\$ 486,498	\$ 458,992	\$ 438,065	\$ 435,620	\$ 441,794	\$ 449,385
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%

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

<u>FISCAL YEAR</u>	<u>CITY DIRECT RATE</u>	<u>CAMDEN COUNTY RATE</u>	<u>MILLER COUNTY RATE</u>	<u>MILLER CO. AMBULANCE RATE</u>	<u>TDD PREWITT PT. RATE</u>	<u>TDD OSAGE STATION RATE</u>	<u>STATE SALES TAX RATE</u>
2003	2%	1%	1%	0.00%	0.00%	0.00%	4.225%
2004	2%	1%	1%	0.50%	0.50%	0.00%	4.225%
2005	2%	1%	1%	0.50%	0.50%	0.75%	4.225%
2006	2%	1%	1%	0.50%	0.50%	0.75%	4.225%
2007	2%	1.25%	1%	0.50%	0.50%	0.75%	4.225%
2008	2%	1.25%	1%	0.50%	0.50%	0.75%	4.225%
2009	2%	1.25%	1%	0.50%	1.00%	0.75%	4.225%
2010	2%	1.25%	1%	0.50%	1.00%	0.75%	4.225%
2011	2%	1.25%	1%	0.50%	1.00%	0.75%	4.225%
2012	2%	1.25%	1%	0.50%	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)

Fiscal Year 2012						Fiscal Year 2003					
<u>SIC</u>		<u>Taxable</u>	<u>Tax</u>	<u>Entity</u>	<u>Percentage</u>	<u>Taxable</u>	<u>Tax</u>	<u>Entity</u>	<u>Percentage</u>		
<u>Code</u>	<u>SIC Description</u>	<u>Sales</u>	<u>Collected</u>	<u>Count</u>	<u>Of Total</u>	<u>Sales</u>	<u>Collected</u>	<u>Count</u>	<u>Of Total</u>		
				<u>Rank</u>	<u>City Sales</u>			<u>Rank</u>	<u>City Sales</u>		
					<u>Tax</u>				<u>Tax</u>		
56	Apparel & Accessory Stores	\$80,729	\$1,615	62	1	17.96%	\$36,509	\$730	43	5	9.15%
53	General Merchandise Stores	\$75,572	\$1,511	23	2	16.82%	\$44,525	\$891	20	3	11.16%
58	Eating & Drinking	\$46,481	\$930	60	3	10.34%	\$41,468	\$829	61	4	10.39%
54	Food Stores	\$38,989	\$780	22	4	8.68%	\$11,826	\$237	19	7	2.96%
52	Building Materials	\$36,299	\$726	30	5	8.08%	\$19,685	\$394	22	6	4.93%
57	Furniture & Home Furnishings	\$27,884	\$558	60	6	6.20%	\$45,423	\$908	45	2	11.38%
59	Misc. Retail	\$25,641	\$513	162	7	5.71%	\$52,316	\$1,046	272	1	13.11%
89	Misc. Services	\$19,488	\$390	77	8	4.34%	\$11,033	\$221	47	9	2.76%
55	Auto Store & Service Stations	\$10,789	\$216	35	9	2.40%	\$6,493	\$130	28	10	1.63%
70	Hotel, Rooming H., Camp/Other	\$8,840	\$177	38	10	1.97%	\$11,411	\$228	25	8	2.86%
79	Amusement/Recreation Services	\$4,768	\$95	15	11	1.06%	\$3,791	\$76	12	12	0.95%
73	Misc. Business Services	\$4,514	\$90	65	12	1.00%	\$2,436	\$49	44	13	0.61%
48	Communications	\$3,680	\$74	71	13	0.82%	\$4,764	\$95	52	11	1.19%
75	Automotive Repair Services	\$2,063	\$41	30	14	0.46%	\$1,780	\$36	22	14	0.45%
50	Wholesale Trade Durable Goods	\$1,839	\$37	34	15	0.41%	\$820	\$16	33	15	0.21%
51	Wholesale Trade Nondurable Goods	\$1,239	\$25	22	16	0.28%	\$28	\$1	15	18	0.01%
17	Construction Special Trade	\$1,040	\$21	19	19	0.23%	\$435	\$9	9	16	0.11%
65	Real Estate	\$579	\$12	10	17	0.13%	\$0	\$0	2	20	0.00%
80	Health Services	\$537	\$11	19	18	0.12%	\$0	\$0	6	19	0.00%
76	Misc Repair Service	\$276	\$6	21	20	0.48%	\$134	\$3	8	17	0.03%
Other Non Suppressed Totals		\$289	\$6			0.06%	\$70	\$1			0.02%
Suppressed Totals ¹		\$57,849	\$1,157			12.87%	\$104,158	\$2,083			26.10%
Total		\$449,385	\$8,988			100%	\$399,105	\$7,982			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			
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
2012	-	27,950,000	27,950,000	4,351	6,424

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 TEN YEARS
(accrual basis of accounting)

<u>FISCAL YEAR</u>	<u>GENERAL OBLIGATION BONDS</u>	<u>PERCENTAGE OF SALES TAX RECEIVED</u>	<u>PER CAPITA</u>
2003	\$2,025,000	27.53%	\$510
2004	1,790,000	22.64%	439
2005	1,555,000	18.80%	365
2006	1,315,000	13.90%	297
2007	1,065,000	11.14%	230
2008	810,000	9.09%	169
2009	550,000	6.51%	117
2010	280,000	3.34%	64
2011	-	0.00%	-
2012	-	0.00%	-

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.

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, 2012

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%	<u>\$0</u>
Camdenton R-III School District	28,205,000	15.0%	4,230,750
School of the Osage R-II	19,500,000	1.5%	292,500
Osage Beach Fire Protection District	1,676,499	52.3%	<u>876,809</u>
Subtotal, overlapping debt			<u>\$5,400,059</u>
Total direct and overlapping debt			<u><u>\$5,400,059</u></u>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$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	\$54,718,090
Total Net debt applicable to limit	2,025,000	1,790,000	1,555,000	1,315,000	1,065,000	810,000	550,000	280,000	-	-
Legal debt margin	\$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	\$54,718,090
Total net debt applicable to limit as a percentage of debt limit	5.91%	4.81%	3.56%	2.83%	1.99%	1.46%	0.98%	0.50%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2008

Total Assessed Value	\$273,590,449
Debt limit (20% of total assessed value)	54,718,090
Debt applicable to limit:	-
Legal debt margin	<u>\$54,718,090</u>

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. TRANSFER ¹
				PRINCIPAL	INTEREST	TOTAL		
2003	\$4,300,977	\$1,865,894	\$2,435,083	\$770,000	\$1,237,855	\$2,007,855	1.21	\$1,675,000
2004	4,705,646	1,960,020	2,745,626	1,185,000	1,608,897	2,793,897	0.98	1,725,000
2005	4,825,174	2,057,580	2,767,594	1,245,000	1,241,043	2,486,043	1.11	1,899,996
2006	4,551,764	2,127,326	2,424,438	1,405,000	1,828,613	3,233,613	0.75	2,467,396
2007	4,778,742	2,217,517	2,561,225	1,545,000	1,714,615	3,259,615	0.79	2,380,000
2008	4,522,564	2,256,072	2,266,492	1,690,000	1,630,889	3,320,889	0.68	2,340,000
2009	3,946,471	2,494,769	1,451,702	1,745,000	1,587,512	3,332,512	0.44	1,776,667
2010	4,392,279	2,302,711	2,089,568	1,815,000	1,511,165	3,326,165	0.63	1,910,001
2011	4,336,457	2,501,602	1,834,855	1,865,000	1,433,717	3,298,717	0.56	1,800,000
2012	4,660,931	2,449,339	2,211,592	1,945,000	1,341,017	3,286,017	0.67	1,855,000

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

² Operating Revenue includes investment income & DNR interest subsidy.

³ Excludes depreciation expense.

CITY OF OSAGE BEACH, MISSOURI

TABLE 14

DEMOGRAPHIC STATISTICS
LAST TEN YEARS

FISCAL YEAR	Population ¹	Personal Income ²	Personal Income ²	Per Capita	Per Capita	Unemployment	Unemployment
		Camden County (expressed in thousands)	Miller County (expressed in thousands)	Personal Income ² Camden County (expressed in thousands)	Personal Income ² Miller County (expressed in thousands)	Rate ³ Camden County	Rate ³ Miller County
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%
2012	4,351	142,828	118,618	32,827	27,262	11.8%	10.6%

Sources:¹U.S. Census Bureau (July 1st of each estimate year).² U.S. Department Of Commerce Bureau Of Economic Analysis³ U.S. Dept. of Labor Bureau of Labor Statistics. 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

TABLE 15

PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lake Regional Hospital	1300	1	29.88%	550	3	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%	600	2	16.38%
¹ Tan Tar A Resort	560	4	12.87%	560	4	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%	95	9	2.59%
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	36		0.83%	120	8	3.28%

Sources:¹Employer is not located within the Osage Beach City Limits²Employment 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
City Administrator	4	5	3	2	2	2	2	2	2	2
City Clerk's Office	4	4	4	4	4	4	4	4	4	3
Information Technology ²	0	0	2	2	2	2	2	2	2	2
City Treasurer	5	5	5	5	5	5	4	4	4	4
Municipal Court	1	1	1	1	1	1	1	1	1	1
City Attorney ³	0	0	0	0	0	1	1	1	1	1
Building Department ¹	3	3	3.5	3.5	3.5	4.5	3.5	3.5	3.5	3
Human Resources	1	1	1	1	1	1	1	1	1	1
Planning Department ¹	4	3	3	3	3	3	2.5	2.5	2.5	2.5
Engineering Department	4	4	4.5	4.5	4.5	5.5	4	4	4	4.5
Police										
Law Enforcement	28	28	27	30	30	30	30	30	29	29
911 Center	10	10	10	11	11	11	11	11	11	11
Public Works										
Parks	4	4	2	2	2	2	3	3	3	3
Transportation ¹	8	8	8	8	8	8	8.3	8.3	8.3	10.33
Water ¹	4	4	4	4.5	4.5	4.5	5.3	5.3	5.3	5.3
Sewer ¹	9	9	9	9.5	9.5	9.5	8.4	8.4	8.4	8.4
Ambulance	10	10	10	7	7	7	7	7	7	6
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	105	105	103	104	104	107	104	104	103	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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Incident Reports	1,427	1,731	2,528	2,437	2,540	2,312	2,023	1,975	1,727	1,644
Traffic Violations	1,935	1,905	2,833	3,176	2,412	2,838	1,858	1,793	1,712	1,290
Traffic Warnings	2,308	1,853	1,214	2,039	2,382	3,085	2,967	2,561	2,430	2,169
911 Center¹										
Number of Calls Answered	14,993	13,673	20,509	24,789	20,624	20,509	20,946	19,927	20,420	23,133
Ambulance										
Calls for service	1,086	988	860	815	831	875	828	888	888	825
Building										
<u>Permits</u>										
Residential	86	95	98	108	105	83	87	76	57	86
Commercial	112	139	104	129	131	78	68	79	97	92
Water										
² Total Water Sold (thousands of Gallons)					295,828	278,237	260,479	300,688	305,915	329,769
Wastewater										
Average Daily Sewage Treatment (thousands of Gallons)	1,281	1,339	1,292	1,254	1,302	1,300	1,229	1,093	987	1,030
Airports										
<u>Lee C. Fine:</u>										
Number of Take Offs & Landings	6,887	5,967	5,511	6,755	5,630	5,674	5,131	5,667	5,030	5,147
<u>Grand Glaize:</u>										
Number of Take Offs & Landings	5,643	4,881	6,194	5,968	5,248	4,161	3,937	3,196	3,059	2,587
Recycling										
Waste Oil gallons	1,796	2,367	1,600	1,478	962	1,763	1,673	2,138	1,750	951

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
<u>Police:</u>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	26	26	21	21	22	22	22	22	21	21
<u>Ambulance Protection:</u>										
Number of Vehicles	3	2	2	2	2	2	2	2	2	2
Highways and Streets										
Miles of Streets Paved	36.16	36.16	36.16	36.16	37	37.38	37.38	37.78	37.78	38.08
Miles of Sidewalks	3.00	3.14	3.45	3.75	3.75	3.75	5.31	6.09	6.09	6.87
Number of Street Lights	224	475	485	486	495	500	517	517	538	628
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)	150.07	192.99	236.43	236.43	238.56	239.36	241.56	241.84	245.8	246.84
Fire Hydrants	892	901	904	913	915	925	927	930	969	983
Wells	5	5	5	5	5	5	5	5	5	5
Water Towers	3	3	3	4	4	4	4	4	4	4
Sewer										
Sanitary Sewers (miles)	132.89	132.89	135.00	135.79	140.79	141.59	143.39	143.96	148.30	149.71
Pump Stations	1,104	1,105	1,105	1,119	1,138	1,145	1,174	1,178	1186	1218

Sources: Various Government Departments

SINGLE AUDIT REPORTS



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203
OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Suite E, Jefferson City, MO 65109
OFFICE (573) 635-6196 FAX (573) 644-7240

www.williamskeepers.com

**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, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Osage Beach, Missouri (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williams Keepers LLC

May 7, 2013



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203

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OFFICE (573) 635-6196 FAX (573) 644-7240

www.williamskeepers.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Osage Beach, Missouri (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Williams Keepers LLC

May 7, 2013

CITY OF OSAGE BEACH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2012

	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	20.600	12-OP-05-005	\$ 1,450
DWI Overtime Enforcement Wave	20.607	12-154-AL-083	375
Passed through the State of Missouri Department of Transportation:			
DWI Enforcement	20.607	12-K8-03-073	319
Hazardous Moving Violation Project	20.607	12-PT-02-094	1,807
State Block Grant- Lee C. Fine Airport	20.106	12-046B-1	277,355
State Block Grant- Lee C. Fine Airport	20.106	12-046B-2	3,861
State Block Grant- Grand Glaize Airport	20.106	11-045A-1	2,602
Highway Planning and Construction - Passover Road Sidewalk Phase 2	20.205	STP-9900 (538)	71,568
Highway Planning and Construction - Osage Beach Parkway Sidewalk Improvement Phase 2	20.205	STP-9900 (575)	164,271
U.S. Department of Justice			
Bulletproof Vest Partnership Grant	16.607	n/a	2,883
Passed through the Missouri Department of Public Safety:			
Officer Safety Equipment Grant	16.738	2011-LLEBG-044	2,895
Total expenditures of federal awards			<u>\$ 529,386</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.

CITY OF OSAGE BEACH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified 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 for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133."
5. The auditors' report on compliance for the major federal award programs for the City of Osage Beach expresses an unmodified 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
Passover Road Sidewalk Phase 2	20.205
Osage Beach Parkway Sidewalk Improvement Phase 2	20.205

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, 2012.

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, 2012

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