

CITY OF OSAGE BEACH, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
JANUARY 1, 2016 - DECEMBER 31, 2016



CITY OF OSAGE BEACH, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

Prepared by:

Karri Bell
City Treasurer

CITY OF OSAGE BEACH, MISSOURI
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2016

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INTRODUCTORY SECTION



June 6, 2017

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 (the City), for the fiscal year ended December 31, 2016, is herewith submitted. The information presented in the CAFR is the responsibility of the City's management. The City Treasurer's Department prepared this report and responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. 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 represent 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.

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 the 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 4,395; 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, Public Works Director and City Attorney. Aldermen serve two-year terms, with three members elected every year. The Mayor is elected for a two-year term.

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

The City offers its residents and visitors two City parks. Peanick Park is a 13 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 stocked fishing pond (currently unavailable), three soccer fields, volley ball, three pavilions, a playground and a Sports Complex complete with three 300' baseball/softball fields, and concession facilities.

Utility service in the City is mixed between public and private companies. Water and sanitary sewerage utilities are operated by the City of Osage Beach. Water and sewerage rates are established to meet the total revenue requirements of the utilities. Natural Gas is supplied by Summit Natural Gas of Missouri and electricity by Ameren Missouri. Both traditional and cellular phone service is provided by numerous companies.

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

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 is recognized as both a retail center and a tourist destination; retail sales exceed the norm for cities of comparable size. Conveniently located in the heart of Missouri, the Lake of the Ozarks is the Midwest's premier lake resort destination. Osage Beach is the home of the Osage Beach Marketplace Outlet center with over 110 stores, numerous national chains and locally owned specialty retail. 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.

Long-term Financial Planning and Policies

On December 1, 2016, the Board of Aldermen approved Bill 16-85 – An ordinance of the City establishing a new Section 135.020.C. Reserves. This section was added to the City's code of ordinances adopting reserve target levels for most funds. The Reserve Policy outlines fund reserve target levels for the General Fund, Transportation Fund, Water and Sewer Combined Funds, Lee C Fine Airport Fund and the Grand Glaize Airport Fund. Per the proposed guidelines, the 2017 Budget shows the Transportation Fund to be fully funded, General Fund 47%, Water and Sewer Combined Funds at 92%, Lee C Fine Airport Fund 47%, Grand Glaize Airport Fund 8%. The policy does include estimated dates to reach targeted reserve levels for all funds.

Capital expansion projects that are not funded through debt service but are high on the priority list are in the current year's budget. If the project lacks sufficient funds, the project will be carried into the next budget with funds added until sufficient funds are available to complete the project.

Reporting Standards and Formats

The standards used to formulate and present the content of this Comprehensive Annual Financial Report were set forth by the Governmental Accounting Standards Board (GASB), which incorporates the statements and interpretations of the National Council on Governmental Accounting (NCGA) until modification is deemed necessary. The GASB has also promulgated acceptance of certain standards as set by the American Institute of Certified Public Accountants (AICPA) in the guide for “Audits of State and Local Governmental Units.” Guidance for illustrative interpretation was obtained by use of the 2012 “Governmental Accounting, Auditing and Financial Reporting” (GAAFR), published by the Government Finance Officers Association (GFOA).

Future Major Initiatives

Osage Beach Parkway West Study – August 2016, the Board of Aldermen approved the recommendation of the Osage Beach Parkway West Committee and approved a contract with HDR Engineering for Phase I of the Osage Beach West Study. Phase I was completed and presented to the committee members April 27, 2017, with a proposal for Phase II. The Phase II project is to use the data and public feedback gathered in Phase I to develop an Osage Beach Parkway West Plan. The plan will lay out the City’s goals for the corridor, identify a set of short and long-term strategies to achieve those goals, and include an implementation plan to prioritize and realize those strategies. To date, Phase II has not been approved by the Board of Aldermen.

The Arrowhead Centre Tax Increment Financing (TIF) – City Ordinance 15.56 adopted the Arrowhead Centre TIF Plan as amended with recommendations of the Osage Beach TIF Commission on July 16, 2015. After the Board of Aldermen approved the TIF, a contract was developed and approved by the Board of Aldermen on February 18, 2016. The project encompasses over 200 acres between Highway KK and Nichols Road. It is divided into eight projects. The first is a proposed skilled nursing home complex with assisted living. The second phase would be an independent senior living area. The third area will include a driving range, restaurant and recreational area. The next five phases have commercial, residential and storage areas. This large development will have ongoing construction for at least ten years. To date, excavation for the nursing home/assisted living building has begun.

Osage Beach City Park – The City received its first grant through the Land and Water Conservation fund from the National Park Service, administered by Missouri State Parks. This project will include a new age 2-5 playground, as well as several small climbing components, safety surfacing with ADA accessibility, benches, and an ADA drinking fountain.

Technology upgrades to improve workstation efficiency, data security safety, updates, backup servers and the virtual system are going to be financed through a 5 year lease purchase, estimated to total \$153,000. Other capital purchases include six laptop/tablets, replacement printers, and battery backup upgrades estimated to cost \$25,500.

Built in 1990, the City’s Public Works building, which currently houses offices for Water, Sewer and Transportation staff, completed a major upgrade in 2015. The City will spend \$21,000 to update exterior doors and windows.

Transportation - Street improvement projects, including engineering, land purchases, and streetlights totaling \$2,796,057 are included in the 2017 budget. This includes various land purchases, street lights, Nichols Road improvements (total project \$2,000,000 with \$850,000 remaining in 2017), Mace Road (\$500,000), Zebra Connector (\$340,000), Dude Ranch Sidewalk/Trail (\$488,167), and Beach Drive. In a joint effort with the City, the Special Road District will reimburse the City \$200,000 for projects that benefit the district (Creek Cove Lane and miscellaneous roads). The City provides the administrative and engineering services and the Special Road District provides the construction funds for the various projects. The Creek Cove Lane project will extend the asphalt pavement to assist residents and emergency services coming in and out of the roadway.

Transportation - The City will purchase an F550 Dump Truck with plow and a compact tractor.

Water System Masterplan – The City approved a contract with HDR Engineering, Inc. to update the City water system masterplan for an amount not to exceed \$90,000. The previous plan was completed in 1998. This will consist of reviewing historical data, current data, 20 year future needs, updating the water model, preparing capital improvement plans and additional cost estimates.

Water – Completion of tower cleaning at the Columbia and Passover Towers. The City is also going to extend water to Antioch Lane.

Sewer Pump Rebuild Program – On December 15, 2016, the City authorized \$59,176 worth of grinder pump rebuild parts from Municipal Equipment. These parts are to be purchased during 2017 on an as needed basis to rebuild grinder pumps in-house.

Sewer projects, including engineering and land purchases totaling \$1,357,291, are included in the 2017 budget. This includes various lift station improvements, Passover Road and Port Lane sewer upgrade, new connections at Eagle Woods subdivision and Antioch Lane, inflow/infiltration improvements, and SCADA upgrades.

Ambulance – In an effort to reduce the possibility of injury to both employees and patients, the City will purchase a power lift system for the existing cot system; estimated cost is \$31,500.

Lee C. Fine Airport - Bill 16-78, authorized the Mayor to execute Amendment 1 to the State Block Grant Agreement, project 15-046B-1 LCF Parallel Taxiway Reconstruction, with the Missouri Highways and Transportation Commission that was executed March 17, 2016. This grant agreement provides the City reimbursements for Taxiway Project – Phase I at Lee C. Fine Airport. Federal Aviation Administration through Missouri Department of Transportation Aviation will be reimbursing the City 90% of the cost of this project, estimated at \$2,219,596. This project is scheduled for completion in 2017.

Economy – The lake area, including the City of Osage Beach, has been awarded both the 2018 and 2020 Can-Am Police Fire Games. Roughly 1,200 participants will come to the Lake from across the United States and Canada to participate in various competitive events. This is confirmation that the City of Osage Beach and the lake area continues to grow and attract new visitors.

Single Audit

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, if the City spends \$750,000 or more in federal funding. In 2016, the City spent \$958,155 in federal funding. As a result, a Single Audit was performed and information related to this 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 section beginning on page 71.

Independent Audit

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, 2016, 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, 2016, which can be found in the first report on the financial section of this document.

Awards

The Government Finance Officers Association of the United States and Canada 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, 2015. This was the seventeenth 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's staff for assisting and contributing with 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,

A handwritten signature in black ink that reads "Karri Bell". The signature is written in a cursive, flowing style.

Karri Bell
City Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Osage Beach
Missouri**

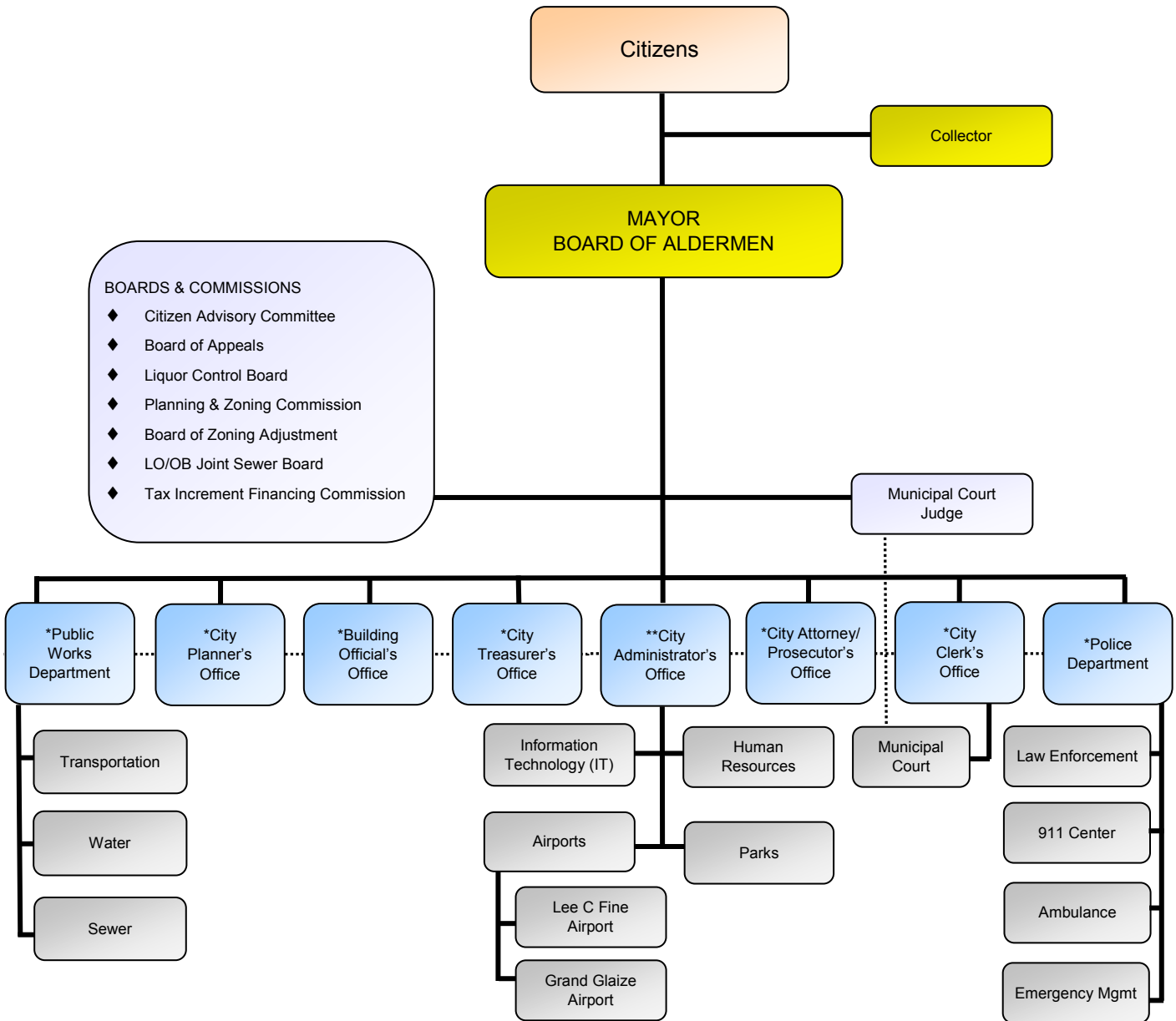
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

City of Osage Beach, Missouri

Organizational Chart



*Managers of stated departments are Appointed Officials of the City; appointed by the Mayor and approved by the Board of Aldermen.

**The City Administrator coordinates and supervises the operations of all departments.

City of Osage Beach, Missouri

Elected Officials

Mayor.....	John Olivarri
Ward One.....	Kevin Rucker
.....	Greg Massey
Ward Two	Phyllis Marose
.....	Jeff Bethurem
Ward Three	Richard Ross
.....	Tom Walker
City Collector	John M. Berry

Management Team

City Administrator.....	Jeana Woods
City Clerk.....	Cynthia Lambert
Chief of Police	Todd Davis
City Attorney	Ed Rucker
City Treasurer.....	Karri Bell
Building Official.....	Ron White
City Planner	Cary Patterson
Public Works Director	Nick Edelman
Assistant City Administrator	Mike Welty
Human Resources Generalist	Cindy Leigh
Information Systems Operations Manager.....	James Davis
Airport Manager	Ty Dinsdale
Park Manager.....	Matt Vandevoort

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Williams-Keepers LLC

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund for the City of Osage Beach, Missouri (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, 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.

Auditors' 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 auditors' 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, 2016, 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, the budgetary comparison schedules, and the schedule of funding progress 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and were derived from and relate 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.

Williams Keepers LLC

June 6, 2017

City of Osage Beach, Missouri
Management Discussion and Analysis
December 31, 2016

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, 2016. 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 \$91,975,771 (net position). Of this amount, \$8,528,334 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$250,298 from 2015. This is a total decrease of \$700,112 from the City's governmental activities and an increase of \$449,814 from the business-type activities. The overall decrease (27% less than 2015) in governmental activities was due to expenses and transfers-out being more than revenue and grants received. Of the \$10,580,533 of governmental expenses, depreciation expense (non-cash) was \$2,822,015. Of this depreciation total, \$631,269 is associated with the acceptance of the Osage Beach Parkway/Business Route 54 from the Missouri Transportation Commission for a contribution amount of \$12,625,371, added to the City's capital asset inventory in 2013. This asset will be depreciated over 20 years. Additional information regarding capital assets can be found in Note 6 and additional information about changes in net position can be found on Table 2 in the Statistical Section.
- The increase in business-type activities of less than 1% reflects maintaining current capital and service levels.
- The City's gross sales tax (on cash basis) decreased 1.2%, from \$4,654,641 in fiscal year 2015 in the General Fund compared to \$4,599,545 in fiscal year 2016.
- The Arrowhead Centre Tax Increment Financing (TIF) – City Ordinance 15.56 adopted the Arrowhead Centre TIF Plan as amended with recommendations from the Osage Beach TIF Commission on July 16, 2015. On February 18, 2016, the City approved City Ordinance 16.16 adopting the TIF redevelopment agreement between the City and Arrowhead Development Group, LLC for the Arrowhead TIF plan. The project encompasses over 200 acres between Highway KK and Nichols Road. It is divided into eight projects. The first proposed project is a skilled nursing home complex with assisted living. The second project will be an independent senior living area. The third project will include a driving range, restaurant and recreational area. The next five projects have commercial, residential and storage areas. This large development will have ongoing construction for at least ten years. The financing proposed for this TIF is a "pay as you go" plan. The developer's investment is proposed to be \$385,731,340. The approved reimbursable project cost is estimated at \$55,835,595, which is 14.45% of the total project costs. As of December 31, 2016, the City approved reimbursements of \$1,950,161 (lot development and architect costs) and accrued interest of \$26,352.
- Economic Development – The City continued its partnership for a second year with the Tri-County Lodging Association to promote Osage Beach. The City held white goods recycling events, hosted the 2nd Annual Easter Egg Hunt in partnership with First Family Church, hosted the 2nd Annual Welcome to Summer event and hosted the 16th Annual Fall Festival.

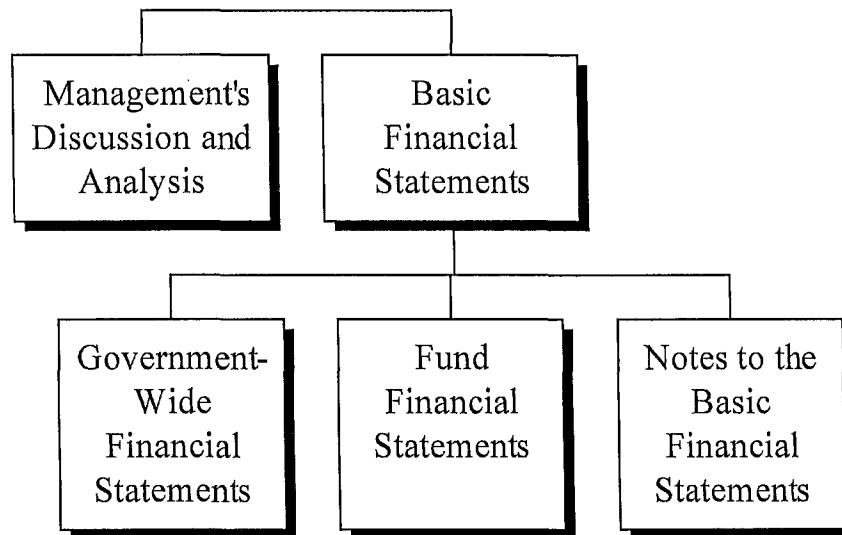
- Osage Beach Parkway West Study – On April 21, 2016, the Board of Aldermen approved the Osage Beach Parkway West Study Committee’s recommendation to proceed with HDR Engineering for the comprehensive plan, Phase I. Included in this phase was data collection, various meetings with interested parties to gather and analyze community values/needs, reactions to the baseline analysis, and guiding the brainstorming to develop a set of goals.
- In March 2014, Governor Jay Nixon signed Senate Bill 650 and three other telecommunication legislations into law. These laws removed all of the City’s ability to regulate new and existing cellphone towers within its borders. Revenue from these fees was \$16,278 in 2014, \$13,376 in 2015, \$1,503 in 2016, and \$0 is expected in 2017.
- The City of Osage Beach received a settlement for \$150,000 to reimburse damages a contractor caused to City water and sewer lines and to cover legal expenses incurred.
- Inventory, as an asset, was added to the Transportation Fund in 2016. Inventory was added to disclose the value of concrete blocks that have not been used/installed. In the future, other parts or quantity values may be added to the inventory total.
- The Osage Beach Special Road District contributed \$45,981 for street improvements to Winn Road and \$250,000 for the Nichols Road project.
- Water – The City received a grant in the amount of \$24,218, which was 100% funded by the Missouri Department of Natural Resources to plug wells.
- On March 3, 2016, the Board of Aldermen approved City Ordinance 16.22 regarding the Community Event Support Account and application form. This ordinance gave the Board of Aldermen a method to evaluate and possibly support requests of City funds for event activities that bring visitors, trade and business into Osage Beach which promotes the City.
- On April 7, 2016, the Board of Aldermen approved a 25 year lease continuance with the Missouri Department of Natural Resources to maintain the operations of Peanick Park located on Highway 42.
- On November 3, 2016, the City accepted a donation from the Kahrs’ Family Properties. The donation was a billboard sign structure located on City Hall property valued at \$9,600. The City will utilize this sign for its own promotion.
- Water Rate Increases for 2016 and 2018 – The Board of Aldermen approved increases to the water rate schedule, Section 705.300, based on the most recent rate analysis completed. Based on a five year forecast, the rate analysis concluded that the water system necessitates an additional \$100,000 in fiscal year 2018 to maintain the system.
- Sewer Rate Increases 2018 – The Board of Aldermen approved increases to the sewer rate schedule, Section 710.470, based on the most recent rate analysis completed. Based on a five year forecast, the rate analysis concluded the sewer system necessitates an additional \$75,000 in fiscal year 2018 to maintain the system.
- Water – A major repair and maintenance project was completed at the Swiss Village water tower. This project included cleaning and painting the tower at a total cost of \$398,100.
- Ambulance – The City executed a contract with Dr. Alan Wilson MD to provide Medical Director services to the City’s ambulance department. The contract is \$12,000 annually.

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 a useful indicator of whether its financial position 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

As mentioned earlier, net position may serve as a useful indicator of the City's financial position. At the close of December 31, 2016, the City of Osage Beach's assets and deferred outflows of resources exceeded liabilities by \$91,975,771. The largest portion of the City's net position, \$73,940,552 (80%), reflects its investment in capital assets (i.e., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The 80% of capital assets remained unchanged from 2015. 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, 2016 and December 31, 2015:

CITY OF OSAGE BEACH STATEMENT OF NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 10,377,692	\$ 10,924,072	\$ 9,219,645	\$ 9,288,531	\$ 19,597,337	\$ 20,212,603
Capital assets	37,500,016	37,653,615	55,662,574	57,528,332	93,162,590	95,181,947
Total assets	47,877,708	48,577,687	64,882,219	66,816,863	112,759,927	115,394,550
Deferred charge on refunding	-	-	613,612	723,512	613,612	723,512
Total deferred outflows	-	-	613,612	723,512	613,612	723,512
Long-term liabilities	185,466	159,737	17,471,455	19,989,458	17,656,921	20,149,195
Other liabilities	576,483	602,079	3,164,364	3,140,719	3,740,847	3,742,798
Total liabilities	761,949	761,816	20,635,819	23,130,177	21,397,768	23,891,993
Net position						
Net investment in capital assets	37,500,016	37,653,615	36,440,536	36,016,361	73,940,552	73,669,976
Restricted	6,502,607	6,931,150	3,004,278	2,945,442	9,506,885	9,876,592
Unrestricted	3,113,136	3,231,106	5,415,198	5,448,395	8,528,334	8,679,501
Total net position	\$ 47,115,759	\$ 47,815,871	\$ 44,860,012	\$ 44,410,198	\$ 91,975,771	\$ 92,226,069

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the City, both per fund and as a whole. The City's combined net position decreased to \$91,975,771 from \$92,226,069. This small decrease of 0.3% reflects the City's consistent management of financial resources. Total long-term liabilities decreased \$2,492,274 (12%) primarily as a result of principal payments on the

City's water and sewer bonds. The City's unrestricted net position for governmental activities was \$3,113,136. Total unrestricted net position was \$8,528,334 including business-type activities. Unrestricted net position decreased \$151,167, 78% of the decrease in governmental activities. Deferred outflows of resources decreased \$109,900 from 2015 as the amount of the 2002 refunded Water Bond issue is amortized over the balance of its remaining life. Additional information regarding deferred outflows/inflows of resources can be found in Note 1 (J).

Total net position of \$91,975,771 is comprised of \$73,940,552 invested in capital assets, net of related debt; \$9,506,885 is restricted for capital projects, debt service and other purposes; \$3,113,136 is unrestricted and available for general governmental purposes and \$5,415,198 is unrestricted and available for the City's business-type activities.

Change in Net Position

The following table reflects the revenues and expenses from the City's activities for the years ended December 31, 2016 and December 31, 2015:

CITY OF OSAGE BEACH CHANGE IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 431,873	\$ 467,703	\$ 5,337,314	\$ 5,083,202	\$ 5,769,187	\$ 5,550,905
Operating grants and contributions	25,322	21,004	537,637	622,627	562,959	643,631
Capital grants and contributions	709,092	177,439	622,107	372,655	1,331,199	550,094
General revenues:						
Sales taxes	9,424,674	9,157,986	-	-	9,424,674	9,157,986
Franchise taxes	943,737	993,059	-	-	943,737	993,059
Other taxes	242,930	240,561	-	-	242,930	240,561
Unrestricted investment earnings	38,010	22,338	28,409	20,061	66,419	42,399
Other revenues	390,231	368,215	87,415	51,013	477,646	419,228
Sales of capital assets	10,052	14,475	3,026	56,081	13,078	70,556
Total revenues	12,215,921	11,462,780	6,615,908	6,205,639	18,831,829	17,668,419
Expenses:						
General government	2,908,660	2,780,408	-	-	2,908,660	2,780,408
Public safety	3,143,046	3,052,006	-	-	3,143,046	3,052,006
Streets and highways	3,536,724	3,354,035	-	-	3,536,724	3,354,035
Parks and recreation	610,252	494,456	-	-	610,252	494,456
Information technology	381,851	429,671	-	-	381,851	429,671
Water and sewer	-	-	5,789,379	5,459,204	5,789,379	5,459,204
Ambulance	-	-	599,568	559,263	599,568	559,263
Airport	-	-	1,217,135	1,136,262	1,217,135	1,136,262
Interest - long term debt	-	-	895,512	1,050,921	895,512	1,050,921
Total expenses	10,580,533	10,110,576	8,501,594	8,205,650	19,082,127	18,316,226
Change in net position before transfers	1,635,388	1,352,204	(1,885,686)	(2,000,011)	(250,298)	(647,807)
Transfers	(2,335,500)	(2,385,000)	2,335,500	2,385,000	-	-
Change in net position	(700,112)	(1,032,796)	449,814	384,989	(250,298)	(647,807)
Net position, beginning	47,815,871	48,848,667	44,410,198	44,025,209	92,226,069	92,873,876
Net position, ending	\$ 47,115,759	\$ 47,815,871	\$ 44,860,012	\$ 44,410,198	\$ 91,975,771	\$ 92,226,069

Governmental Activities

Governmental activities decreased the City's net position by \$700,112, primarily due to depreciation expense. Sales tax revenue, the City's largest general revenue, is \$9,424,674. Sales tax revenue was 3% more (accrual basis) than the total of \$9,157,986 in 2015. Interest revenue increased 70%, from \$22,338 in 2015 to \$38,010 in 2016. Interest rates on the City's certificates of deposit increased from an average of .3% in 2015 to a range of .17% to .70% during 2016. Charges for services decreased 8% from \$467,703 in 2015 to \$431,873 in 2016. The overall reduction of \$35,830 is a combination of lower permit fees collected for wireless infrastructure upgrades due to state law changes, public safety charges were reduced in 2016, and the City provided 911 communication services to two fire protection districts in 2015 compared to only one district in 2016. Capital grants and contributions increased \$531,653 or 300% due to final payment being received from SEMA/FEMA for storm damages that occurred in August 2013 and a capital grant for Osage Beach Parkway Phase IV sidewalk project. Other revenues increased \$22,016, or 6%. Other revenue consists of 70% payments from enterprise funds; the remaining 30% is a combination of reimbursements from TIF developers, insurance settlements and rental of public property. The City received \$29,090 from the Arrowhead developer to reimburse the City for costs associated with the Tax Increment Financing (TIF) proposal. Revenues totaled \$18,831,829 (governmental and business-type). Revenues from governmental activities totaled \$12,215,921 or 65% of total City revenues.

Governmental activities expenses increased \$469,957 or 5% for the fiscal year ended December 31, 2016, compared to the fiscal year ended December 31, 2015. Overall, expenses increased in all categories except Information Technology. General government's main increase was related to transfers to the TIF's in the amount of \$80,970. Expenses for public safety increased \$91,040. This increase is related to police equipment and 911 maintenance/support services. Parks and recreation expenses increased in several areas including salaries/benefits, maintenance and repair, concession supplies, equipment, etc.

The following table shows expenses and program revenues of the governmental activities for the year ended December 31, 2016. The purpose of this statement is to measure gross expenses against charges for services and grants and other funding.

CITY OF OSAGE BEACH NET COST OF GOVERNMENTAL ACTIVITIES

	Total Cost of Service	Net Cost of Service
General government	\$ 2,908,660	\$ 2,695,088
Public safety	3,143,046	2,932,172
Parks and recreation	610,252	402,957
Information technology	381,851	381,851
Streets and highways	3,536,724	3,002,178
Total cost	\$ 10,580,533	\$ 9,414,246

As previously noted, expenses from governmental activities totaled \$10,580,533. However, net costs of these services were \$9,414,246. The difference represents direct revenues received from charges for services of \$431,873, operating grants of \$25,322 and capital grants and contributions of \$709,092. Operating grants and contributions include overtime reimbursements associated with DWI programs and contributions for the City's events. Net costs of services decreased \$30,184 from last year due to a combined decrease in charges for services offset by an increase in capital grants.

Business-Type Activities

Business-type activities net position increased by \$449,814. Total revenues increased \$410,269 (7%) and total expenses increased \$295,944 (4%) compared to the prior year. Capital grants and contributions increased \$249,452, or 67%. Capital grants increased due to a tree clearing project at Grand Glaize airport and reconstruction of Taxiway A at Lee C. Fine airport. The balance of capital grants was reimbursement for well plugging during the year. Charges for services increased \$254,112 (5%) from \$5,083,202 in 2015 to \$5,337,314 in 2016. Charges for services revenue increased 6% for Ambulance and decreased 4% for Lee C. Fine and Grand Glaize airports combined. The decrease at the airports was primarily associated with fuel sales was matched with a decrease in the cost of fuel purchased. Water/Sewer increased 7%; this increase is primarily due to an increase in rates for both water and sewer. Total expenses increased \$295,944 (4%), from \$8,205,650 in 2015 to \$8,501,594 in 2016. Water and sewer had a net increase of 3%, spread over most categories of operations.

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, Municipal Court, City Treasurer, City Clerk, Building Official, Police, Communications, Parks, Economic Development, Planning and Information Technology 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 \$3,250,126, a decrease of \$140,229 under the beginning balance of \$3,390,355. General Fund total revenue increased 1%, sales tax was up 3% but most other categories were lower for the year. General Fund expenses increased 2% for the year. Expenses include the "Employee Pay Plan," new sign for the city park, an economic study for the west side of the City, TIF development expenses, added holiday displays, and continued partnership with Tri-County Lodging Association. The unassigned General Fund balance at year-end was \$3,116,070.

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 \$5,542,501, a decrease of \$453,370 from the beginning balance of \$5,995,871. Transportation Fund total revenue increased 10% and expenses increased 98%. Expenses increased due to capital outlay projects such as Winn Road, Barry Prewitt, and sidewalk projects. Many of these projects were planned in previous years and funds accumulated for that purpose. All of the Transportation Fund balance was restricted for highways and streets at year-end, other than the nonspendable portion of \$7,158 related to prepaid expenses and \$23,653 invested in inventory. The fund balance decrease reflects the City's goal to maintain and improve its street system. The balance remaining will be used for future street/sidewalk projects. The City invested \$2,700,558 in transportation projects across the City.

Capital Improvements Sales 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 Sales Tax Fund reported an ending fund balance of \$990,917, an increase of \$49,090 from the beginning balance of \$941,827. All of the Capital Improvement Sales Tax Fund balance was restricted for capital improvements/debt service at year-end. The fund balance increase was primarily due to 3% increase in sales tax revenue for the year.

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 reappropriate unspent funds before the current fiscal year ends. The total original expenditure budget of \$6,936,126 was amended to \$7,037,283 during the fiscal year. 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 \$140,229 in fund balance. Actual revenue was more than budgeted revenue by \$119,072, primarily due to sales tax and payments from enterprise funds increasing. Actual expenditures were under the budgeted amount by \$604,517. Some of the reasons for this reduction were delayed Park projects pending grant funding, Public Safety vacancies or new hires at lower pay levels, and lower than expected fuel prices for all departments.

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 Fund is based on a user fee system where the individuals and businesses utilizing the services 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 Sales 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 \$40,187,650, an increase of \$133,219 over the beginning balance of \$40,054,431. The unrestricted net position in the Water and Sewer Fund at year-end was \$5,032,476.

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 General Fund. At the end of the current fiscal year, total net position of the Ambulance Fund was \$140,544. The unrestricted Ambulance Fund net position at year-end was \$96,419, a decrease of \$64,410. Charges for services increased 6% compared to last year. The City approved rate increases for all categories of service and added charges for no-transport services. The increase in charges took effect April 2016. Transfers from the General Fund decreased by \$85,000.

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 position balance of the Lee C. Fine Airport Fund was \$3,477,457, an increase of \$436,012 from the beginning balance of \$3,041,445. The unrestricted net position of the Lee C. Fine Airport Fund at year-end was \$284,153. The profit margin for aviation fuel was down 14% and jet fuel was down 25% compared to 2015. Depreciation expense increased 21% due to a full year's depreciation for hangar building completed in 2015. General Fund transferred \$29,500 to assist in the funding of the 10% grant match for the apron project and engineering for the taxiway project.

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 \$1,054,361, a decrease of \$55,007 from the beginning balance of \$1,109,368. The unrestricted net position of Grand Glaize Fund was \$2,150. The primary reason for the decrease in net position was a tree clearing project, of which \$168,679 was received in 2016; the City grant match was 10% (\$16,869).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The amount invested in capital assets for the City as of December 31, 2016, was \$93,162,590, net of accumulated depreciation. This amount includes all infrastructure assets acquired during 2016 and prior years (construction in progress) for water, sewer, and street infrastructure. Capital assets decreased \$2,019,357 or 2% during the year. This change reflects a loss of net position in both governmental activities and business-type activities. The City is currently investing in capital assets and accepting capital grants/contributions, but not at a pace that equaled depreciation during the year. The following chart breaks down the City's capital asset balance into various categories of assets. Additional information regarding the City's capital assets can be found in Note 6.

CITY OF OSAGE BEACH CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,834,178	\$ 1,830,330	\$ 897,793	\$ 897,793	\$ 2,731,971	\$ 2,728,123
Construction in progress	1,144,580	425,453	260,227	68,389	1,404,807	493,842
Buildings and improvements	7,539,223	7,504,946	5,771,592	5,520,729	13,310,815	13,025,675
Equipment	4,072,470	4,200,108	1,820,306	1,738,165	5,892,776	5,938,273
Infrastructure	54,215,504	52,628,567	-	-	54,215,504	52,628,567
Water system	-	-	35,121,567	35,075,352	35,121,567	35,075,352
Sewer system	-	-	59,062,912	58,769,120	59,062,912	58,769,120
Less accumulated depreciation	(31,305,939)	(28,935,789)	(47,271,823)	(44,541,216)	(78,577,762)	(73,477,005)
Total capital assets	\$ 37,500,016	\$ 37,653,615	\$ 55,662,574	\$ 57,528,332	\$ 93,162,590	\$ 95,181,947

Major capital asset transactions during the year included the following:

- The Police Department purchased and set-up one 2016 and one 2017 Ford Interceptor, for a total of \$66,611.
- The Police Department purchased sixteen (16) Panasonic Arbitrator in-car video cameras, complete with accessories and software for \$94,176. The radios being replaced were seven years old and experiencing multiple issues.
- Technology of \$64,610 was added to capital assets during the year and benefits all City departments.
- Police, Ambulance and Information Technology shared the purchase of six Panasonic CF 54 mobile laptop computers/Toughbooks. This purchase included accessories and a 3 year accident damage warranty for a total cost of \$18,007.

- Osage Beach City Park purchased a new walk-in cooler/freezer for concession supply needs in the amount of \$17,339.
- Osage Beach City Park added electric service and a new Tekstar full color LED display sign at the entrance to the park, the total cost for the project was \$34,154.
- In an effort to perform more of the turf maintenance in-house, the City approved the purchase of a Toro Workman HDX-D4WD utility vehicle for \$27,655.
- Transportation - The City completed Osage Beach Parkway/Barry Prewitt intersection improvements, Winn Road, storm drainage improvements (Azalea Court and Summit Circle), Hatchery Road overlay, City Park entrance and Phase IV of the City sidewalk projects. Osage Beach Special Road District contributed all of the construction funds for the Winn Road improvements in the amount of \$100,638 and \$250,000 for the Nichols Road reconstruction (completed 2017).
- Water – Utilizing City crews, water service was extended to the Osage Beach City Park. The cost of the materials and parts (\$34,225) was added to the City’s fixed assets.
- Sewer – Utilizing City crews, Prewitt’s Point lift-station was upgraded. The cost of the materials and parts (\$30,339) was added to the City’s fixed assets.
- Sewer - Various lift-station improvements, Rockway Pump Station upgrades and purchases of sewer pump replacement inventory equaling \$369,102 were added to capital assets for the year.
- Transportation and Sewer purchased a Kubota SVL75 skid steer for \$54,757.
- Water and Sewer purchased a Kubota KX057 mini excavator for \$66,973.
- Lee C Fine Airport – With 90% grant funding, the City was awarded and completed 75% of the South West Apron project; total project cost is \$224,679. The design engineering for the taxiway was completed for \$222,073.

Debt Administration

The gross debt on December 31, 2016, was \$19,394,034, a decrease of \$2,327,721 compared to 2015. The debt consists of Sewerage and Waterworks Revenue Bonds and a Note for an ambulance purchase in 2015. The final payoff year for these bonds is 2027.

CITY OF OSAGE BEACH OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds	\$ -	\$ -	\$ 19,310,000	\$ 21,610,000	\$ 19,310,000	\$ 21,610,000
Note payable	-	-	84,034	111,755	84,034	111,755
Total debt	\$ -	\$ -	\$ 19,394,034	\$ 21,721,755	\$ 19,394,034	\$ 21,721,755

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 \$57,258,506. 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's permit activity remained steady compared to past years. At the end of 2016, the City issued 628 business licenses to various businesses; 401 contractor's licenses; 69 liquor licenses; 13 taxi licenses; and 12 dog licenses. The Building Inspection Department issued 80 commercial permits and 56 residential permits, representing investment in our community of \$11,636,686.

The City is recognized as both a retail and tourist destination and, like all communities, is impacted by the state and national economic activity; however, the City has continued to experience slight improved growth over the past years. Sales tax, the principal source of funding for the City, was at its highest in 2016 since 2007. The 2016 fiscal year budget represents a continued growth in the economy for the City. To help facilitate projected growth, the City has committed to step up its economic and community development efforts in 2016. For example, community event efforts, City promotional efforts, and economic development programs were enhanced in 2016.

The above factors were considered in preparing the City of Osage Beach's budget for the 2017 fiscal year.

The City of Osage Beach has appropriated \$7,284,868 for spending in the General Fund 2017 budget. Compared to the 2016 actual of \$6,432,766, budgeted expenses will increase 13%. Of the total appropriated in General Fund, \$810,789 is budgeted for capital expenditures. The budget includes a 2% increase in sales tax revenue during the 2017 fiscal year compared to estimated revenue in 2016. Merit increases will be granted to employees in 2017, based on the Matrix Plan and employee job performance. The City's capital expenditures include two police cars, radios, body armor, and \$270,540 for City Park equipment/improvements.

The City's water and sewer rates will increase January 2018.

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, Missouri 65065.

**City of Osage Beach
Statement of Net Position
December 31, 2016**

	Governmental Activities	Business-type Activities	Total	Tax Increment Financing District
ASSETS				
Cash and cash equivalents	\$ 7,521,693	\$ 4,594,312	\$ 12,116,005	\$ 2
Receivables, net	1,620,217	373,118	1,993,335	966,824
Due from other governments	349,952	281,578	631,530	-
Inventories	23,653	400,744	424,397	-
Prepays items	141,214	34,739	175,953	-
Restricted assets:				
Cash and cash equivalents	719,592	2,002,722	2,722,314	2,000,000
Investments	1,371	1,532,432	1,533,803	762,717
Capital assets:				
Non-depreciable	2,978,758	1,158,020	4,136,778	-
Depreciable, net	34,521,258	54,504,554	89,025,812	-
Total assets	<u>47,877,708</u>	<u>64,882,219</u>	<u>112,759,927</u>	<u>3,729,543</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	613,612	613,612	120,434
Total deferred outflows of resources	<u>-</u>	<u>613,612</u>	<u>613,612</u>	<u>120,434</u>
LIABILITIES				
Accounts payable	400,101	184,423	584,524	212,370
Accrued liabilities	59,219	24,520	83,739	-
Accrued interest	-	485,285	485,285	102,418
Restricted customer deposits	12,358	-	12,358	-
Funds held for others	3,959	-	3,959	-
Long-term liabilities:				
Due within one year				
Note payable	-	27,721	27,721	-
Bonds payable	-	2,410,000	2,410,000	1,095,000
Compensated absences	100,846	32,415	133,261	-
Due in more than one year				
Note payable	-	56,313	56,313	-
Bonds payable	-	17,341,616	17,341,616	11,590,134
Other post employment benefits obligation	185,466	27,200	212,666	-
Arbitrage rebate payable	-	46,326	46,326	-
Compensated absences	-	-	-	-
Total liabilities	<u>761,949</u>	<u>20,635,819</u>	<u>21,397,768</u>	<u>12,999,922</u>
NET POSITION				
Net investment in capital assets	37,500,016	36,440,536	73,940,552	-
Restricted for:				
Highways and streets	5,511,690	-	5,511,690	-
Debt service	661,791	1,317,701	1,979,492	2,762,717
Depreciation and replacement	-	1,686,577	1,686,577	-
Capital improvements	329,126	-	329,126	-
Unrestricted	3,113,136	5,415,198	8,528,334	(11,912,662)
Total net position	<u>\$ 47,115,759</u>	<u>\$ 44,860,012</u>	<u>\$ 91,975,771</u>	<u>\$ (9,149,945)</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Component Unit
Primary government								
Governmental Activities								
General government	\$ 2,908,660	\$ 188,250	\$ 25,322	\$ -	\$ (2,695,088)	\$ -	\$ (2,695,088)	\$ -
Public safety	3,143,046	210,874	-	-	(2,932,172)	-	(2,932,172)	-
Parks and recreation	610,252	32,749	-	174,546	(402,957)	-	(402,957)	-
Information technology	381,851	-	-	-	(381,851)	-	(381,851)	-
Streets and highways	3,536,724	-	-	534,546	(3,002,178)	-	(3,002,178)	-
Total governmental activities	10,580,533	431,873	25,322	709,092	(9,414,246)	-	(9,414,246)	-
Business-type activities								
Water/Sewer	6,684,891	4,202,405	537,637	24,218	-	(1,920,631)	(1,920,631)	-
Ambulance	599,568	235,158	-	-	-	(364,410)	(364,410)	-
Airports	1,217,135	899,751	-	597,889	-	280,505	280,505	-
Total business-type activities	8,501,594	5,337,314	537,637	622,107	-	(2,004,536)	(2,004,536)	-
Total primary government	<u>\$ 19,082,127</u>	<u>\$ 5,769,187</u>	<u>\$ 562,959</u>	<u>\$ 1,331,199</u>	<u>(9,414,246)</u>	<u>(2,004,536)</u>	<u>(11,418,782)</u>	<u>-</u>
Component Unit								
Tax Increment Financing District	<u>\$ 1,537,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(1,537,509)</u>
General revenues:								
Taxes								
County road taxes					70,833	-	70,833	-
Property taxes					-	-	-	676,735
Sales taxes					9,424,674	-	9,424,674	2,488,052
Franchise taxes					943,737	-	943,737	-
Motor vehicle fuel and license taxes					172,097	-	172,097	-
Payments from enterprise funds					271,500	-	271,500	-
Unrestricted investment earnings					38,010	28,409	66,419	5,024
Other income					118,731	87,415	206,146	-
Gain on sale of capital assets					10,052	3,026	13,078	-
Transfers					(2,335,500)	2,335,500	-	-
Total general revenues, special items, and transfers					8,714,134	2,454,350	11,168,484	3,169,811
Change in net position					(700,112)	449,814	(250,298)	1,632,302
Net position - beginning					47,815,871	44,410,198	92,226,069	(10,782,247)
Net position - ending					<u>\$ 47,115,759</u>	<u>\$ 44,860,012</u>	<u>\$ 91,975,771</u>	<u>\$ (9,149,945)</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Balance Sheet
Governmental Funds
December 31, 2016

	General	Transportation	Capital Improvement Sales Tax	Total Governmental Funds
ASSETS				
Cash and cash equivalents				
Unrestricted	\$ 2,551,707	\$ 4,969,814	\$ 172	\$ 7,521,693
Restricted	59,172	-	660,420	719,592
Investments				
Restricted	-	-	1,371	1,371
Receivables				
Taxes	838,060	386,596	386,596	1,611,252
Receivable from other governments	-	349,952	-	349,952
Other	8,965	-	-	8,965
Inventories	-	23,653	-	23,653
Prepaid items	134,056	7,158	-	141,214
Total assets	<u>\$ 3,591,960</u>	<u>\$ 5,737,173</u>	<u>\$ 1,048,559</u>	<u>\$ 10,377,692</u>
LIABILITIES				
Accounts payable	\$ 271,932	\$ 70,527	\$ 57,642	\$ 400,101
Accrued payroll	53,585	5,634	-	59,219
Payable from restricted assets:				
Due to others	3,959	-	-	3,959
Bail bond deposits	6,358	-	-	6,358
Building deposits	6,000	-	-	6,000
Total liabilities	<u>341,834</u>	<u>76,161</u>	<u>57,642</u>	<u>475,637</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - federal grant reimbursement	-	118,511	-	118,511
Total deferred inflows of resources	<u>-</u>	<u>118,511</u>	<u>-</u>	<u>118,511</u>
FUND BALANCES				
Nonspendable:				
Prepays	134,056	7,158	-	141,214
Inventories	-	23,653	-	23,653
Restricted for:				
Debt service	-	-	661,791	661,791
Highways and streets	-	5,511,690	-	5,511,690
Capital improvements	-	-	329,126	329,126
Unassigned	3,116,070	-	-	3,116,070
Total fund balances	<u>3,250,126</u>	<u>5,542,501</u>	<u>990,917</u>	<u>9,783,544</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,591,960</u>	<u>\$ 5,737,173</u>	<u>\$ 1,048,559</u>	<u>\$ 10,377,692</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, 2016

Fund balances - total governmental funds		\$ 9,783,544
Amounts reported for governmental activities in the Statement of Net Position 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	68,805,955	
Less accumulated depreciation	<u>(31,305,939)</u>	
		37,500,016
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Unavailable revenue		118,511
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		(100,846)
Other post employment benefits obligation		<u>(185,466)</u>
Net position of governmental activities		<u>\$ 47,115,759</u>

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, 2016

	<u>General</u>	<u>Transportation</u>	<u>Capital Improvement Sales Tax</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes				
Sales	\$ 4,745,594	\$ 2,339,539	\$ 2,339,541	\$ 9,424,674
Franchise	943,737	-	-	943,737
Motor vehicle fuel and license	-	172,097	-	172,097
County road taxes	-	70,833	-	70,833
Licenses, fines, permits and fees	431,873	-	-	431,873
Intergovernmental	113,716	576,694	-	690,410
Interest	16,413	18,695	2,902	38,010
Contributions	15,208	-	-	15,208
Payments from enterprise funds	271,500	-	-	271,500
Miscellaneous	118,731	-	-	118,731
Total revenues	<u>6,656,772</u>	<u>3,177,858</u>	<u>2,342,443</u>	<u>12,177,073</u>
EXPENDITURES				
Current:				
General government	2,314,939	-	-	2,314,939
Public safety	2,941,372	-	-	2,941,372
Parks and recreation	300,587	-	-	300,587
Information technology	319,004	-	-	319,004
Streets and highways	-	939,140	-	939,140
Capital improvements	-	-	324,353	324,353
Capital outlay				
Projects and equipment	556,864	-	-	556,864
Streets and highways	-	2,700,558	-	2,700,558
Total expenditures	<u>6,432,766</u>	<u>3,639,698</u>	<u>324,353</u>	<u>10,396,817</u>
Excess of revenues over expenditures	<u>224,006</u>	<u>(461,840)</u>	<u>2,018,090</u>	<u>1,780,256</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	34,000	-	-	34,000
Transfers out	(400,500)	-	(1,969,000)	(2,369,500)
Sale of capital assets	2,265	8,470	-	10,735
Total other financing (uses)	<u>(364,235)</u>	<u>8,470</u>	<u>(1,969,000)</u>	<u>(2,324,765)</u>
Net change in fund balances	(140,229)	(453,370)	49,090	(544,509)
Fund balances - beginning	3,390,355	5,995,871	941,827	10,328,053
Fund balances - ending	<u>\$ 3,250,126</u>	<u>\$ 5,542,501</u>	<u>\$ 990,917</u>	<u>\$ 9,783,544</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, 2016

Net change in fund balances - total governmental funds: \$ (544,509)

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	(2,822,015)	
Capital outlay capitalized as assets	2,669,100	
		(152,915)

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

Intergovernmental	28,795	
		28,795

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		(5,071)
Loss on disposal of capital assets		(683)
Other post employment benefits obligation		(25,729)
Change in net position of governmental activities	\$	(700,112)

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Net Position
Proprietary Funds
December 31, 2016

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,511,700	\$ 73,210	\$ 1,840	\$ 7,562	\$ 4,594,312
Accounts receivables (net of allowances for uncollectibles)	331,876	39,012	2,078	152	373,118
Receivables from other governments	-	-	281,578	-	281,578
Inventories	356,225	-	34,732	9,787	400,744
Prepaid expenses	27,697	1,617	3,771	1,654	34,739
Total current assets	5,227,498	113,839	323,999	19,155	5,684,491
Non-current assets:					
Restricted cash and cash equivalents	2,002,722	-	-	-	2,002,722
Restricted investments	1,532,432	-	-	-	1,532,432
Capital assets:					
Non-depreciable	552,250	-	260,227	345,543	1,158,020
Depreciable, net	50,736,650	128,159	2,933,077	706,668	54,504,554
Total non-current assets	54,824,054	128,159	3,193,304	1,052,211	59,197,728
Total assets	60,051,552	241,998	3,517,303	1,071,366	64,882,219
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	613,612	-	-	-	613,612
Total deferred outflows of resources	613,612	-	-	-	613,612
LIABILITIES					
Current liabilities:					
Accounts payable	142,679	4,094	30,631	7,019	184,423
Accrued payroll	12,295	5,569	1,403	2,049	21,316
Accrued interest payable	484,550	735	-	-	485,285
Other accrued expenses	3,204	-	-	-	3,204
Compensated absences	22,680	5,686	3,003	1,046	32,415
Note payable	-	27,721	-	-	27,721
Bonds payable	2,410,000	-	-	-	2,410,000
Total current liabilities	3,075,408	43,805	35,037	10,114	3,164,364
Non-current liabilities:					
Note payable	-	56,313	-	-	56,313
Bonds payable	17,341,616	-	-	-	17,341,616
Other post employment benefits payable	14,164	1,336	4,809	6,891	27,200
Arbitrage rebate payable	46,326	-	-	-	46,326
Total non-current liabilities	17,402,106	57,649	4,809	6,891	17,471,455
Total liabilities	20,477,514	101,454	39,846	17,005	20,635,819
NET POSITION					
Net investment in capital assets	32,150,896	44,125	3,193,304	1,052,211	36,440,536
Restricted for:					
Debt service	1,317,701	-	-	-	1,317,701
Depreciation and replacement	1,686,577	-	-	-	1,686,577
Unrestricted	5,032,476	96,419	284,153	2,150	5,415,198
Total net position	\$ 40,187,650	\$ 140,544	\$ 3,477,457	\$ 1,054,361	\$ 44,860,012

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, 2016

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
REVENUES					
Charges for services	\$ 4,202,405	\$ 235,158	\$ 608,417	\$ 110,646	\$ 5,156,626
Rental income	-	-	117,621	63,067	180,688
Operating grants and contributions	537,637	-	-	-	537,637
Total operating revenues	4,740,042	235,158	726,038	173,713	5,874,951
OPERATING EXPENSES					
Cost of sales and services	1,386,395	32,068	404,725	255,946	2,079,134
Administration	69,547	73,552	3,664	24,250	171,013
Personnel services	917,219	407,924	189,343	119,794	1,634,280
Repairs and maintenance	558,628	18,764	17,155	10,247	604,794
Insurance	71,680	21,558	16,931	12,735	122,904
Depreciation and amortization	2,671,899	43,465	132,665	28,264	2,876,293
Miscellaneous expenses	69	-	1,121	295	1,485
Total operating expenses	5,675,437	597,331	765,604	451,531	7,489,903
Operating loss	(935,395)	(362,173)	(39,566)	(277,818)	(1,614,952)
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	28,409	-	-	-	28,409
Interest expense	(893,275)	(2,237)	-	-	(895,512)
Miscellaneous revenue	87,415	-	-	-	87,415
Gain on sale of capital assets	3,026	-	-	-	3,026
Bond and financial services fees	(116,179)	-	-	-	(116,179)
Total non-operating revenue (expenses)	(890,604)	(2,237)	-	-	(892,841)
Loss before capital grants and transfers	(1,825,999)	(364,410)	(39,566)	(277,818)	(2,507,793)
Capital grants	24,218	-	446,078	151,811	622,107
Transfers in	1,935,000	300,000	29,500	71,000	2,335,500
Change in net position	133,219	(64,410)	436,012	(55,007)	449,814
Total net position	40,054,431	204,954	3,041,445	1,109,368	44,410,198
Total net position - ending	\$ 40,187,650	\$ 140,544	\$ 3,477,457	\$ 1,054,361	\$ 44,860,012

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Collections from customers and users	\$ 4,261,985	\$ 228,471	\$ 724,485	\$ 173,844	\$ 5,388,785
Payments for goods and services	(2,151,968)	(91,956)	(395,609)	(284,171)	(2,923,704)
Payments on behalf of employees for services	(928,488)	(404,288)	(188,609)	(118,768)	(1,640,153)
Payments for interfund services used	(38,100)	(54,200)	(27,900)	(18,100)	(138,300)
Other operating revenues	508,873	-	-	-	508,873
Net cash provided (used) by operating activities	1,652,302	(321,973)	112,367	(247,195)	1,195,501
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund transfers	1,935,000	300,000	29,500	71,000	2,335,500
Net cash provided by noncapital financing activities	1,935,000	300,000	29,500	71,000	2,335,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(388,110)	(3,935)	(505,240)	(3,350)	(900,635)
Capital grants	24,218	-	201,106	154,530	379,854
Sale of capital assets	3,026	-	-	-	3,026
Principal paid on capital debt	(2,300,000)	(29,958)	-	-	(2,329,958)
Interest paid on capital debt	(893,275)	-	-	-	(893,275)
Net cash provided (used) by capital and related financing activities	(3,554,141)	(33,893)	(304,134)	151,180	(3,740,988)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	28,409	-	-	-	28,409
Net change in short-term money market mutual funds	(27,224)	-	-	-	(27,224)
Proceeds from maturity of guaranteed investment contracts	229,839	-	-	-	229,839
Purchase of guaranteed investment contracts	(259,176)	-	-	-	(259,176)
Net cash provided (used) by investing activities	(28,152)	-	-	-	(28,152)
Net increase (decrease) in cash and cash equivalents	5,009	(55,866)	(162,267)	(25,015)	(238,139)
Cash and cash equivalents-beginning of year	6,509,413	129,076	164,107	32,577	6,835,173
Cash and cash equivalents-end of year	\$ 6,514,422	\$ 73,210	\$ 1,840	\$ 7,562	\$ 6,597,034
Reconciliation of operating loss to net cash provided by operating activities:					
Operating loss	\$ (935,395)	\$ (362,173)	\$ (39,566)	\$ (277,818)	\$ (1,614,952)
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Miscellaneous revenue	(28,764)	-	-	-	(28,764)
Depreciation and amortization	2,599,787	43,465	132,665	28,264	2,804,181
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	59,580	(6,688)	(1,553)	132	51,471
(Increase) decrease in inventory	83,220	-	(2,357)	3,352	84,215
(Increase) decrease in prepaids	(4,823)	(484)	(478)	(340)	(6,125)
Increase (decrease) in accounts payable and accrued liabilities	(121,303)	3,907	23,656	(785)	(94,525)
Total adjustments	2,587,697	40,200	151,933	30,623	2,810,453
Net cash provided (used) by operating activities	\$ 1,652,302	\$ (321,973)	\$ 112,367	\$ (247,195)	\$ 1,195,501
Reconciliation of cash and cash equivalents to Statement of Net Position:					
Cash and cash equivalents	\$ 4,511,700	\$ 73,210	\$ 1,840	\$ 7,562	\$ 4,594,312
Restricted cash and cash equivalents	2,002,722	-	-	-	2,002,722
	\$ 6,514,422	\$ 73,210	\$ 1,840	\$ 7,562	\$ 6,597,034

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 (GASB) 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 GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

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 if excluded.

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 is financially accountable for the District as the City appoints a voting majority to the District's board and is able to impose its will on the organization through approval or rejection of plans and projects recommended by the District's governing board.

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. Interfund services provided and used are not eliminated in the process of consolidation.

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 are 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 expenses 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. 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.

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.

F. Receivables

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

G. Inventories

Inventories, which consist of airport fuel and materials and supplies, are stated at cost using the average cost 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
Infrastructure – streets/roads	20 – 25 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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the government-wide statement of net position and statement of net position – proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category, which is grant reimbursements for the fiscal year that were not collected within 60 days of fiscal year end. This deferred inflow is reported in the governmental fund financial statements.

K. Long-Term Obligations

General long-term obligations consist of the non-current portion of bonds payable, note 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 are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in all statements as incurred.

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 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. Principal repayments are reported as debt service expenditures.

L. 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. However, in governmental funds other than the General Fund, it may be necessary to report a negative unassigned fund balance in that fund if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to these purposes.

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

Net investment in capital assets – 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”.

M. Estimates

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

2. LEGAL COMPLIANCE - BUDGET

The City’s policy is to prepare the operating budgets in accordance with U.S. generally accepted accounting principles. The City prepared budgets for all governmental fund types for the year ended December 31, 2016.

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, 2016. Deposits, categorized by level of custodial risk, were as follows as of December 31, 2016:

	Cash and Cash Equivalents	Certificates of Deposit	Petty Cash	Total
Bank balance				
Insured by the FDIC	\$ 256,000	\$ -	\$ -	\$ 256,000
Collateralized with securities pledged by the financial institution in the entity's name	1,270,154	12,930,000	-	14,200,154
Collateralized by securities held by the pledging financial institutions' trust department or agent but not in the depositor government's name	316,145	2,660,420	-	2,976,565
Uncollateralized	-	-	-	-
	<u>\$ 1,842,299</u>	<u>\$ 15,590,420</u>	<u>\$ -</u>	<u>\$ 17,432,719</u>
Carrying value	<u>\$ 1,245,051</u>	<u>\$ 15,590,420</u>	<u>\$ 2,850</u>	<u>\$ 16,838,321</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 Position		
	Primary Government	Component Unit	Total
Cash and cash equivalents	\$ 12,116,005	\$ 2	\$ 12,116,007
Restricted assets:			
Cash and cash equivalents	2,722,314	2,000,000	4,722,314
Total	<u>\$ 14,838,319</u>	<u>\$ 2,000,002</u>	<u>\$ 16,838,321</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	\$ 1,302,072	\$ -	\$ -	\$ 1,302,072	\$ 1,302,072
Guaranteed investment contracts					
Restricted	-	-	994,448	994,448	994,448
Total investments	<u>\$ 1,302,072</u>	<u>\$ -</u>	<u>\$ 994,448</u>	<u>\$ 2,296,520</u>	<u>\$ 2,296,520</u>

The money market mutual funds held by the City at December 31, 2016, are fixed income funds invested in U.S. Treasuries and other governmental securities.

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

	Government-Wide Statement of Net Position		
	Primary Government	Component Unit	Total
Restricted assets:			
Investments	\$ 1,533,803	\$ 762,717	\$ 2,296,520

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 \$994,448, \$992,464 is rated Aa2 and \$1,984 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, 57% are money market mutual funds and 43% are guaranteed investment contracts (substantially all issued by Natixis Global Asset Management).

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

Fair Value Measurements

For assets and liabilities required to be reported at fair value, U.S. generally accepted accounting principles prescribes a framework for measuring fair value and financial statement disclosures about fair value measurements. A fair value hierarchy has been established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value hierarchy as prescribed by U.S. generally accepted accounting principles is as follows:

- Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the Board has the ability to access.
- Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The City's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The City's assets and liabilities measured at fair value on a recurring basis as of December 31, 2016, aggregated by the level in the fair value hierarchy within which those measurements fall, are as follows:

Description	Total	Level 1	Level 2	Level 3
Measured at fair value:				
Money market mutual funds	\$ 1,302,072	\$ 1,302,072	\$ -	\$ -
Guaranteed investment contracts	994,448	-	994,448	-
Total investments	<u>\$ 2,296,520</u>	<u>\$ 1,302,072</u>	<u>\$ 994,448</u>	<u>\$ -</u>

Level 1 classifications above consist of money market mutual funds that are valued at the daily closing price as reported by the fund. These funds are primarily invested in U.S. Treasuries and other governmental securities.

Level 2 classifications above consist of guaranteed investment contracts that are valued based on third party pricing services for identical or similar assets.

No investments are classified as Level 3 above.

4. RESTRICTED CASH AND INVESTMENTS

At December 31, 2016, cash and investments were restricted for various uses as follows:

General Fund	
Restricted for bail bond deposits	\$ 6,358
Restricted for building permit deposits	6,000
Amounts held for others	3,959
Amounts paid under protest	42,855
Capital Improvement Sales Tax Fund	
Reserved for bond requirements	661,791
Water and Sewer Fund	
Restricted for bond requirements	3,535,154
TIF Fund	
Restricted for bond requirements	2,762,717

5. RECEIVABLES

Receivables are composed of the following at December 31, 2016:

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		
Taxes receivable	\$ 1,611,252	\$ -	\$ 1,611,252	\$ 966,824
Accounts receivable	-	476,628	476,628	-
Other receivable	8,965	-	8,965	-
	1,620,217	476,628	2,096,845	966,824
Allowance for uncollectible accounts	-	(103,510)	(103,510)	-
Accounts receivable	\$ 1,620,217	\$ 373,118	\$ 1,993,335	\$ 966,824

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance December 31, 2015	Additions	Retirements	Transfers	Balance December 31, 2016
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,830,330	\$ 3,848	\$ -	\$ -	\$ 1,834,178
Construction in progress	425,453	1,144,580	117,452	(308,001)	1,144,580
Total capital assets, not being depreciated	2,255,783	1,148,428	117,452	(308,001)	2,978,758
Capital assets, being depreciated:					
Buildings and improvements	7,504,946	34,277	-	-	7,539,223
Machinery and equipment	4,200,108	324,911	452,549	-	4,072,470
Infrastructure	52,628,567	1,278,936	-	308,001	54,215,504
Total capital assets, being depreciated	64,333,621	1,638,124	452,549	308,001	65,827,197
Less accumulated depreciation for:					
Buildings and improvements	3,712,631	203,263	-	-	3,915,894
Machinery and equipment	3,158,892	343,849	451,865	-	3,050,876
Infrastructure	22,064,266	2,274,903	-	-	24,339,169
Total accumulated depreciation	28,935,789	2,822,015	451,865	-	31,305,939
Total capital assets being depreciated, net	35,397,832	(1,183,891)	684	308,001	34,521,258
Total capital assets, net	\$ 37,653,615	\$ (35,463)	\$ 118,136	\$ -	\$ 37,500,016

	Balance December 31, 2015	Additions	Retirements	Transfers	Balance December 31, 2016
Business-type activities:					
Capital assets, not being depreciated:					
Land and easements	\$ 897,793	\$ -	\$ -	\$ -	\$ 897,793
Construction in progress	68,389	260,227	-	(68,389)	260,227
Total capital assets, not being depreciated	966,182	260,227	-	(68,389)	1,158,020
Capital assets, being depreciated:					
Buildings and improvements	5,520,729	248,363	-	2,500	5,771,592
Equipment	1,738,165	117,926	35,785	-	1,820,306
Water system, tower and lines	35,075,352	46,215	-	-	35,121,567
Sewage collection system and treatment plant	58,769,120	227,903	-	65,889	59,062,912
Total capital assets, being depreciated	101,103,366	640,407	35,785	68,389	101,776,377
Less accumulated depreciation for:					
Buildings and improvements	1,630,993	166,952	-	-	1,797,945
Equipment	973,062	173,584	35,785	-	1,110,861
Water system, tower and lines	11,401,966	896,762	-	-	12,298,728
Sewage collection system and treatment plant	30,535,195	1,529,094	-	-	32,064,289
Total accumulated depreciation	44,541,216	2,766,392	35,785	-	47,271,823
Total capital assets being depreciated, net	56,562,150	(2,125,985)	-	68,389	54,504,554
Business-type activities capital assets, net	\$ 57,528,332	\$ (1,865,758)	\$ -	\$ -	\$ 55,662,574

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

Governmental activities:	
General administration	\$ 241,518
Public safety	103,453
Streets and highways	2,197,901
Parks and recreation	279,143
Total depreciation expense - governmental activities:	<u>\$ 2,822,015</u>
Business-type activities:	
Water/Sewer	\$ 2,561,999
Ambulance	43,465
Airports	160,928
Total depreciation expense - business-type activities:	<u>\$ 2,766,392</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, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in one year
Primary Government:					
General Long-Term Debt					
Compensated absences	\$ 95,775	\$ 24,123	\$ 19,053	\$ 100,845	\$ 100,845
Enterprise Funds					
Note payable	111,755	-	27,721	84,034	27,721
Revenue bonds	21,610,000	-	2,300,000	19,310,000	2,410,000
Compensated absences	29,797	11,323	8,705	32,415	32,415
	<u>\$ 21,847,327</u>	<u>\$ 35,446</u>	<u>\$ 2,355,479</u>	<u>\$ 19,527,294</u>	<u>\$ 2,570,981</u>
Component Unit:					
Revenue bonds	<u>\$ 14,365,000</u>	<u>\$ -</u>	<u>\$ 1,660,000</u>	<u>\$ 12,705,000</u>	<u>\$ 1,095,000</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, 2016, of \$286,292,529, the constitutional total general obligation debt limit was \$57,258,506, which provides a general obligation debt margin of \$57,258,506.

Note Payable

Note payable balance consists of the following as of December 31, 2016:

\$141,995 note payable to a bank, bearing interest at 2.1%, principal and interest due annually through maturity of August 2019, secured by vehicle.	\$ 84,034
Less current portion	<u>27,721</u>
Long-term portion	<u>\$ 56,313</u>

Maturities of long-term debt for the fiscal years ended December 31 are as follows:

2017	\$ 27,721
2018	29,078
2019	<u>27,235</u>
Total long-term debt	<u>\$ 84,034</u>

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 \$21.6 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 2016 are over 118% of the annual principal and interest payments made in 2016. The total principal and interest remaining to be paid on the bonds is \$23,289,671. Principal and interest paid for the current year and total net revenues were \$3,193,275 and \$3,779,249, respectively.

Revenue bonds payable are comprised of the following individual issues:

	Original Amount	Interest Rate	Final Maturity Date	Balance December 31, 2016
2001A, Clean Water	\$ 5,000,000	4.0%-5.0%	1/1/2022	\$ 1,695,000
2002B, Drinking Water	24,585,000	2%-5.5%	7/1/2022	9,900,000
2003B, Drinking Water	6,075,000	2%-5.25%	1/1/2024	3,695,000
2005C, Clean Water	4,950,000	3.0%-5.25%	7/1/2025	2,505,000
2007A, Drinking Water	2,550,000	4.0%-4.75%	1/1/2027	1,515,000
				<u>\$ 19,310,000</u>

The following is a summary of net revenue bonds payable for December 31, 2016:

Bonds payable at December 31, 2016	\$ 19,310,000
Unamortized premiums (net of accumulated amortization of \$957,890)	441,616
	<u>19,751,616</u>
Less amount due within one year	<u>(2,410,000)</u>
Net revenue bonds payable December 31, 2016	<u>\$ 17,341,616</u>

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

Year Ending December 31	Principal	Interest	Total
2017	\$ 2,410,000	\$ 953,056	\$ 3,363,056
2018	2,505,000	828,256	3,333,256
2019	2,620,000	705,219	3,325,219
2020	2,740,000	555,572	3,295,572
2021	2,865,000	417,759	3,282,759
2022-2026	6,170,000	519,809	6,689,809
Total	\$ 19,310,000	\$ 3,979,671	\$ 23,289,671

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 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 \$2,440,000 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, 2016, is \$10,265,000.

The bond issues are structured so that bonds are redeemed as funds become available; accordingly, debt coverage will not exceed 100% over the life of the bonds. Principal and interest payments on the bonds are due semiannually. Debt service on principal and interest cannot exceed the life of the redevelopment area of May 1, 2023. For the current year, principal and interest paid and total incremental tax revenues for the TIF bonds are \$2,320,800 and \$2,197,728, respectively.

The following is a summary of net bonds payable for December 31, 2016:

Bonds payable at December 31, 2016	\$ 12,705,000
Unamortized discount (net of accumulated amortization of \$14,684)	(19,866)
	12,685,134
Less amount due within one year	(1,095,000)
Net revenue bonds payable December 31 2016	\$ 11,590,134

The annual requirements to amortize debt outstanding in the as of December 31, 2016, including interest payments, are as follows:

Year Ending December 31	Series 2006		Series 2012		Total
	Principal	Interest	Principal	Interest	
2017	\$ 1,095,000	\$ 485,875	\$ -	\$ 101,260	\$ 1,682,135
2018	1,170,000	429,250	-	\$ 101,260	1,700,510
2019	1,250,000	368,750	-	\$ 101,260	1,720,010
2020	1,355,000	303,625	-	\$ 101,260	1,759,885
2021	1,445,000	233,625	-	\$ 101,260	1,779,885
2022-2023	3,950,000	218,250	2,440,000	185,643	6,793,893
Total	\$ 10,265,000	\$ 2,039,375	\$ 2,440,000	\$ 691,943	\$ 15,436,318

The Series 2012 bonds do not have a required redemption schedule, but require 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, 2016, follows:

	TRANSFERRED TO					
	Governmental Funds		Enterprise Funds			
	General Fund	Water/Sewer Fund	Ambulance Fund	Lee C. Fine Fund	Grand Glaize Airport Fund	Total
TRANSFERRED FROM						
Governmental Funds:						
General Fund	\$ -	\$ -	\$ 300,000	\$ 29,500	\$ 71,000	\$ 400,500
Capital Improvement Sales Tax Fund	34,000	1,935,000	-	-	-	1,969,000
	<u>\$ 34,000</u>	<u>\$ 1,935,000</u>	<u>\$ 300,000</u>	<u>\$ 29,500</u>	<u>\$ 71,000</u>	<u>\$ 2,369,500</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 Sales Tax Fund to the General Fund was to help fund current year park infrastructure improvements as a result of flood damage. The purpose of the transfer from the Capital Improvement Sales Tax 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	\$ 133,200
Water/Sewer Fund	38,100
Ambulance Fund	54,200
Lee C. Fine Airport Fund	27,900
Grand Glaize Airport Fund	18,100
	<u>\$ 271,500</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, 2016, commitments under contracts were as follows:

Project	Spent-to-Date	Remaining Commitment
Transportation	\$ 1,657,949	\$ 793,528
Grand Glaize Airport	156,300	7,138
Lee C Fine Airport	210,816	2,056,649
	<u>\$ 2,025,065</u>	<u>\$ 2,857,315</u>

D. 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 2016.

On December 16, 2010, the Board of Aldermen approved the Dierbergs Osage Beach Tax Increment Financing Plan for a shopping center. This center consists of a Dierbergs Market, Dicks, Bed Bath & Beyond and miscellaneous stores. The 2011 notes payable represent special, limited obligations of the City, payable solely from the incremental sales and real estate taxes generated by Dierbergs redevelopment area. The City functions as a collecting agent for the taxes, which are then passed through to the bond trustee. As the City is not liable for this debt beyond remitting all collected taxes, it is not recorded on the statement of net position as of December 31, 2016. The notes bear interest at 6.5% with final maturity on December 15, 2033. The balance at December 31, 2016, represents outstanding notes of \$5,100,000 and accrued interest of \$290,117, for a total of \$5,390,117. The annual debt service repayments of the 2011 TIF notes are the combined amounts of economic activity taxes and payments in lieu of taxes collected by the special allocation fund. The notes terminate December 15, 2033, whether or not the principal and interest have been paid in full.

On February 18, 2016, the City entered into a TIF agreement with Arrowhead Development Group, LLC. Under this agreement, the City will reimburse the developer on a pay-as-you-go method with funds generated by the TIF project. The Agreement will redevelop the 226 acre site of the former Dogwood Hills Golf Course. It provides flexibility for the Developer with eight separate project areas for a mixed use development to be built over the next several years. The agreement provides for a TIF incentive to the developer for promote a \$386,731,340 project when all 8 projects are completed. The total amount of the TIF reimbursement requested is \$55,835,595 which is 14.5% of the total project costs. One half (50%) of the new real estate and sales taxes generated by the development shall be passed through to the taxing districts. To date, Project 1 is proceeding with lot development. This project includes a skilled nursing home and an assisted living facility. As of December 31, 2016, approved project costs total \$1,298,835 and accrued interest is \$26,352. No economic activity taxes or payments in lieu of taxes have been collected to date.

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, 2016.

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 \$254,986 to the plan for the year ended December 31, 2016. There were no forfeitures in the current year 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)*. As a result, the financial statements reflect a long-term liability of \$185,466 and \$27,200 and related expenses of \$25,729 and \$12,770 in governmental and business-type activities, respectively, as of and for the year ended December 31, 2016. 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, 2016, the annual OPEB costs and changes in the net obligation are as follows:

Annual accrued liability	\$ 164,085
Unfunded actuarial accrued liability	\$ 164,085
Amortization factor (Based on 30-year closed-level dollar)	17.022
Amortization of unfunded liability	\$ 10,298
Normal costs	15,406
Annual required contribution (ARC)	25,704
Interest to end of the year	8,987
Adjustment to the ARC	(11,732)
Annual OPEB cost	22,959
Net OPEB obligation, beginning of year	199,707
Expected employer contributions for 2016	(10,000)
Net OPEB obligation, end of year	\$ 212,666

Schedule of Employer Contributions

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 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
12/31/2014	\$ 27,863	\$ 4,000	14.4%	\$ 176,172
12/31/2015	27,535	4,000	14.5%	199,707
12/31/2016	22,959	10,000	43.6%	212,666

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, 2016:

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
7/1/2015	\$ -	\$ 164,085	\$ 164,085	0%	\$ 3,808,566	4.3%

Because the City is only required to have a full actuarial valuation every two years, the *Schedule of Funding Progress* presented above is only updated for the most recent actuarial valuation date of July 1, 2015.

The required schedule of funding progress included in required supplemental information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 2015, 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 4.5% discount rate. Actuarial assumptions also included annual healthcare cost trend rates of 7% initially, reduced by decrements to an ultimate rate of 5% after 7 years. Medical rates included a 2.0% percent inflation factor. Dental healthcare cost trend rates were not valued as the level of age-subsidy is not assumed to be material.

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, 2016, the City paid \$477,370 for its share of STP expenses. A separate audit is performed on this entity, and a copy may be reviewed at the City of Lake Ozark or City of Osage Beach City Hall.

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 22, 2016, was as follows:

	<u>For the 2016 Calendar Year</u>
Assessed valuation for Miller County:	
Tax Increment Financing	<u>\$ 10,016,155</u>
Tax rates per \$100 assessed valuation:	
General Fund	<u>\$ 0.0461</u>

15. TAX ABATEMENTS

Pursuant to the Real Property Tax Increment Allocation Act, Sections 99.800 through 99.865, RSMo, as amended (the “TIF Act”), cities and counties (governments) may adopt a redevelopment plan (“TIF plan”) that provides for the redevelopment of a “blighted area”, “conservation area” or “economic development area” located within the boundaries of the government to encourage increased property valuations. The Osage Beach Tax Increment Financing District (TIF District), a component unit of the City, recommends the designation of blighted areas, the redevelopment plan, and the developer, and the City has final approval. All of the TIF plans approved to date have been for the development of retail centers in blighted areas within the City by approved developers.

In general, once approved, the City enters into a development contract with the developer covering the development project, including ad valorem tax (sales tax) and property tax abatements. There are no provisions for recapture since the taxes abated are for property development and used to fund the project and service debt. Under these contracts, the governments in the TIF District grant two types of tax abatements:

- Sales tax abatements of 50 percent of the total additional revenue from taxes, penalties and interest which are imposed by the City or taxing districts and which are generated by economic activities within the areas of the TIF over the amount generated in the year before the TIF plan was adopted. Total sales taxes abated under the agreements totaled approximately \$1,297,411 in 2016.
- Property tax abatements attributable to the increase in assessed value of the property of property in the TIF district over the assessed value of the property before the development. Total property taxes abated under the agreements totaled approximately \$676,736 in 2016.

REQUIRED SUPPLEMENTARY INFORMATION

City of Osage Beach
Budget and Actual (with Variances)
General Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales	\$ 4,700,000	\$ 4,700,000	\$ 4,745,594	\$ 45,594
Franchise	960,000	960,000	943,737	(16,263)
Licenses, fines, permits and fees	451,600	451,600	431,873	(19,727)
Intergovernmental	36,000	36,000	113,716	77,716
Contributions	5,000	5,000	15,208	10,208
Interest	15,000	15,000	16,413	1,413
Payments from enterprise funds	228,000	228,000	271,500	43,500
Miscellaneous	142,100	142,100	118,731	(23,369)
Total revenues	<u>6,537,700</u>	<u>6,537,700</u>	<u>6,656,772</u>	<u>119,072</u>
EXPENDITURES				
Current:				
General government	2,339,086	2,412,556	2,314,939	97,617
Public safety	3,175,863	3,175,863	2,941,372	234,491
Park and recreation	366,111	366,111	300,587	65,524
Information technology	360,227	360,227	319,004	41,223
Capital outlay				
Projects and equipment	694,839	722,526	556,864	165,662
Total expenditures	<u>6,936,126</u>	<u>7,037,283</u>	<u>6,432,766</u>	<u>604,517</u>
Excess (deficiency) of revenues over expenditures	<u>(398,426)</u>	<u>(499,583)</u>	<u>224,006</u>	<u>723,589</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	34,000	(66,000)
Transfers out	(365,000)	(365,000)	(400,500)	(35,500)
Sale of capital assets	11,000	11,000	2,265	(8,735)
Total other financing sources (uses)	<u>(254,000)</u>	<u>(254,000)</u>	<u>(364,235)</u>	<u>(110,235)</u>
Net change in fund balance	<u>(652,426)</u>	<u>(753,583)</u>	<u>(140,229)</u>	<u>613,354</u>
Fund balance - beginning	<u>3,390,355</u>	<u>3,390,355</u>	<u>3,390,355</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,737,929</u>	<u>\$ 2,636,772</u>	<u>\$ 3,250,126</u>	<u>\$ 613,354</u>

City of Osage Beach
Budget and Actual (with Variances)
Transportation Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Sales	\$ 2,350,000	\$ 2,350,000	\$ 2,339,539	\$ (10,461)
Motor vehicle fuel and license	159,000	159,000	172,097	13,097
County road taxes	69,000	69,000	70,833	1,833
Intergovernmental	777,044	777,044	576,694	(200,350)
Interest	10,000	10,000	18,695	8,695
Total revenues	<u>3,365,044</u>	<u>3,365,044</u>	<u>3,177,858</u>	<u>(187,186)</u>
EXPENDITURES				
Current:				
Streets and highways	1,147,903	1,147,903	939,140	208,763
Capital outlay				
Streets and highways	<u>4,519,107</u>	<u>5,261,103</u>	<u>2,700,558</u>	<u>2,560,545</u>
Total expenditures	<u>5,667,010</u>	<u>6,409,006</u>	<u>3,639,698</u>	<u>2,769,308</u>
Excess (deficiency) of revenues over expenditures	<u>(2,301,966)</u>	<u>(3,043,962)</u>	<u>(461,840)</u>	<u>2,582,122</u>
OTHER FINANCING SOURCES				
Sale of capital assets	<u>14,000</u>	<u>14,000</u>	<u>8,470</u>	<u>(5,530)</u>
Total other financing sources	<u>14,000</u>	<u>14,000</u>	<u>8,470</u>	<u>(5,530)</u>
Net change in fund balance	<u>(2,287,966)</u>	<u>(3,029,962)</u>	<u>(453,370)</u>	<u>2,576,592</u>
Fund balance - beginning	<u>5,995,871</u>	<u>5,995,871</u>	<u>5,995,871</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,707,905</u>	<u>\$ 2,965,909</u>	<u>\$ 5,542,501</u>	<u>\$ 2,576,592</u>

**City of Osage Beach
Budget and Actual (with Variances)
Capital Improvement Sales Tax Fund
For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Sales	\$ 2,350,000	\$ 2,350,000	\$ 2,339,541	\$ (10,459)
Interest	4,000	4,000	2,902	(1,098)
Total revenues	<u>2,354,000</u>	<u>2,354,000</u>	<u>2,342,443</u>	<u>(11,557)</u>
EXPENDITURES				
Current:				
Capital improvements	<u>286,750</u>	<u>286,750</u>	<u>324,353</u>	<u>(37,603)</u>
Total expenditures	<u>286,750</u>	<u>286,750</u>	<u>324,353</u>	<u>(37,603)</u>
Excess of revenues over expenditures	<u>2,067,250</u>	<u>2,067,250</u>	<u>2,018,090</u>	<u>(49,160)</u>
OTHER FINANCING USES				
Transfers out	<u>(2,035,000)</u>	<u>(2,035,000)</u>	<u>(1,969,000)</u>	<u>66,000</u>
Total other financing uses	<u>(2,035,000)</u>	<u>(2,035,000)</u>	<u>(1,969,000)</u>	<u>66,000</u>
Net change in fund balance	32,250	32,250	49,090	(16,840)
Fund balance - beginning	<u>941,827</u>	<u>941,827</u>	<u>941,827</u>	<u>-</u>
Fund balance - ending	<u>\$ 974,077</u>	<u>\$ 974,077</u>	<u>\$ 990,917</u>	<u>\$ (16,840)</u>

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

For The Year Ended December 31, 2016

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, 2016.

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. The budget was amended during the year.

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

For The Year Ended December 31, 2016

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
7/1/2015	\$ -	\$ 164,085	\$ 164,085	0%	\$ 3,808,566	4.3%

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 2017.

STATISTICAL SECTION

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Net investment in capital assets	\$ 25,282,829	\$ 27,151,876	\$ 27,731,455	\$ 27,894,023	\$ 28,345,590	\$ 29,136,972	\$ 40,750,125	\$ 39,307,279	\$ 37,653,615	\$ 37,500,016
Restricted	8,238,113	7,751,150	7,005,298	6,760,655	5,420,281	4,824,565	5,499,168	6,010,852	6,931,150	6,502,607
Unrestricted	5,495,960	3,989,278	4,137,610	3,597,054	3,787,573	3,288,366	3,308,811	3,530,536	3,231,106	3,113,136
Total governmental activities net position	\$ 39,016,902	\$ 38,892,304	\$ 38,874,363	\$ 38,251,732	\$ 37,553,444	\$ 37,249,903	\$ 49,558,104	\$ 48,848,667	\$ 47,815,871	\$ 47,115,759
Business-type activities:										
Net investment in capital assets	\$ 31,011,943	\$ 32,056,850	\$ 32,892,194	\$ 33,970,840	\$ 34,151,316	\$ 33,596,269	\$ 34,434,359	\$ 35,337,942	\$ 36,016,361	\$ 36,440,536
Restricted	1,434,786	2,208,730	2,444,465	2,586,902	2,697,627	2,727,651	2,806,768	2,895,805	2,945,442	3,004,278
Unrestricted	8,717,005	8,109,199	6,682,522	6,200,856	5,480,505	6,667,923	5,537,936	5,791,462	5,448,395	5,415,198
Total business-type activities net position	\$ 41,163,734	\$ 42,374,779	\$ 42,019,181	\$ 42,758,598	\$ 42,329,448	\$ 42,991,843	\$ 42,779,063	\$ 44,025,209	\$ 44,410,198	\$ 44,860,012
Primary government:										
Net investment in capital assets	\$ 56,294,772	\$ 59,208,726	\$ 60,623,649	\$ 61,864,863	\$ 62,496,906	\$ 62,733,241	\$ 75,184,484	\$ 74,645,221	\$ 73,669,976	\$ 73,940,552
Restricted	9,672,899	9,959,880	9,449,763	9,347,557	8,117,908	7,552,216	8,305,936	8,906,657	9,876,592	9,506,885
Unrestricted	14,212,965	12,098,477	10,820,132	9,797,910	9,268,078	9,956,289	8,846,747	9,321,998	8,679,501	8,528,334
Total primary government net position	\$ 80,180,636	\$ 81,267,083	\$ 80,893,544	\$ 81,010,330	\$ 79,882,892	\$ 80,241,746	\$ 92,337,167	\$ 92,873,876	\$ 92,226,069	\$ 91,975,771

Note: The City implemented GASB 65 for the fiscal year ending December 31, 2013. As a result, beginning net position for the business-type activities was reduced by \$427,771. However, prior years were not restated.

CITY OF OSAGE BEACH, MISSOURI

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

	FISCAL YEAR									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General government	\$ 3,267,483	\$ 2,717,368	\$ 2,796,047	\$ 2,836,549	\$ 2,728,669	\$ 2,634,466	\$ 2,795,702	\$ 2,652,546	\$ 2,780,408	\$ 2,908,660
Public Safety	2,864,264	3,015,379	3,001,162	3,122,315	3,057,360	3,023,822	3,091,649	2,978,236	3,052,006	3,143,046
Park and Recreation	182,050	199,691	210,671	420,349	456,627	510,657	458,198	529,212	494,456	610,252
Information Technology	311,734	231,929	233,441	255,380	262,973	379,314	331,982	328,665	429,671	381,851
Streets and Highways	1,997,862	2,148,466	2,411,262	2,705,865	3,018,295	2,911,893	2,967,447	3,613,537	3,354,035	3,536,724
Interest on Long-term debt	36,215	28,204	21,563	15,360	175	-	-	-	-	-
Total governmental activities expenses	8,659,608	8,341,037	8,674,146	9,355,818	9,524,099	9,460,152	9,644,978	10,102,196	10,110,576	10,580,533
Business-type activities:										
Water/Sewer	6,299,866	6,378,167	6,608,497	6,201,919	6,353,915	6,308,541	6,384,114	6,005,376	6,510,125	6,684,891
Ambulance	484,609	505,773	489,201	530,342	508,179	502,076	549,256	550,425	559,263	599,568
Airports	1,009,081	1,233,308	943,157	1,222,842	1,298,290	1,453,944	1,267,451	1,152,138	1,136,262	1,217,135
Total business-type activities expenses	7,793,556	8,117,248	8,040,855	7,955,103	8,160,384	8,264,561	8,200,821	7,707,939	8,205,650	8,501,594
Total primary government expenses	\$ 16,453,164	\$ 16,458,285	\$ 16,715,001	\$ 17,310,921	\$ 17,684,483	\$ 17,724,713	\$ 17,845,799	\$ 17,810,135	\$ 18,316,226	\$ 19,082,127
Program Revenues										
Governmental Activities:										
Charges for services:										
General Government	\$ 305,473	\$ 196,634	\$ 183,234	\$ 230,490	\$ 182,720	\$ 177,475	\$ 287,269	\$ 193,175	\$ 196,614	\$ 188,250
Public Safety	303,239	304,684	277,441	241,182	248,011	207,181	231,185	243,122	252,439	210,874
Parks and recreation	-	-	-	-	-	13,969	4,059	7,122	18,650	32,749
Streets and highways	-	-	-	-	-	6,260	7	-	-	-
Operating grants and contributions	123,189	53,876	25,642	27,658	28,289	13,961	80,180	10,588	21,004	25,322
Capital grants and contributions	2,105,975	100,000	67,520	848,628	191,983	710,078	13,134,610	663,157	177,439	709,092
Total governmental activities program revenues	2,837,876	655,194	553,837	1,347,958	651,003	1,128,924	13,737,310	1,117,164	666,146	1,166,287
Business-type activities:										
Charges for services:										
Water/Sewer	3,461,417	3,360,415	3,006,674	3,473,822	3,462,061	3,701,841	3,813,025	4,040,992	3,926,031	4,202,405
Ambulance	187,255	195,809	164,749	163,800	195,689	169,359	178,696	213,254	221,469	235,158
Airports	787,253	1,007,987	694,795	887,587	1,030,363	944,568	916,094	921,421	935,702	899,751
Operating grants and contributions	968,395	940,233	851,576	862,516	808,004	762,814	712,858	661,112	622,627	537,637
Capital grants and contributions	3,410,267	627,991	883,607	624,873	57,020	739,451	429,451	706,897	372,655	622,107
Total business-type activities program revenues	8,814,587	6,132,435	5,601,401	6,012,598	5,553,137	6,318,033	6,050,124	6,543,676	6,078,484	6,497,058
Total primary government program revenues	\$ 11,652,463	\$ 6,787,629	\$ 6,155,238	\$ 7,360,556	\$ 6,204,140	\$ 7,446,957	\$ 19,787,434	\$ 7,660,840	\$ 6,744,630	\$ 7,663,345

CITY OF OSAGE BEACH, MISSOURI

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

	FISCAL YEAR									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense)/revenue										
Governmental activities	\$ (5,821,732)	\$ (7,685,843)	\$ (8,120,309)	\$ (8,007,860)	\$ (8,873,096)	\$ (8,331,228)	\$ 4,092,332	\$ (8,985,032)	\$ (9,444,430)	\$ (9,414,246)
Business-type activities	1,021,031	(1,984,813)	(2,439,454)	(1,942,505)	(2,607,247)	(1,946,528)	(2,150,697)	(1,164,263)	(2,127,166)	(2,004,536)
Total primary government net expenses	\$ (4,800,701)	\$ (9,670,656)	\$ (10,559,763)	\$ (9,950,365)	\$ (11,480,343)	\$ (10,277,756)	\$ 1,941,635	\$ (10,149,295)	\$ (11,571,596)	\$ (11,418,782)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
County road taxes	\$ 49,751	\$ 57,878	\$ 60,136	\$ 67,842	\$ 67,859	\$ 67,752	\$ 69,622	\$ 67,902	\$ 69,887	\$ 70,833
Sales taxes	9,560,428	8,910,793	8,449,041	8,388,738	8,553,918	8,765,944	8,745,521	9,065,925	9,157,986	9,424,674
Franchise taxes	680,236	849,517	823,723	832,706	848,634	851,346	941,599	952,678	993,059	943,737
Motor vehicle fuel & license	154,604	141,427	135,750	140,107	138,790	155,949	157,635	164,069	170,674	172,097
Payments from enterprise funds	133,728	143,377	500,702	465,145	390,300	459,400	479,312	194,600	212,000	271,500
Unrestricted investment earnings	571,408	317,626	137,682	72,809	69,197	52,263	50,401	36,444	22,338	38,010
Other income	170,512	31,556	89,447	44,042	208,145	68,815	79,236	63,338	156,215	118,731
Gain (loss) on sale of capital assets	(127,164)	5,071	1,878	16,840	9,632	11,218	543	85,639	14,475	10,052
Adjustment for capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	(2,640,000)	(2,896,000)	(2,095,991)	(2,643,001)	(2,111,667)	(2,405,000)	(2,308,000)	(2,355,000)	(2,385,000)	(2,335,500)
Total governmental activities	8,553,503	7,561,245	8,102,368	7,385,228	8,174,808	8,027,687	8,215,869	8,275,595	8,411,634	8,714,134
Business-type activities										
Unrestricted investment earnings	356,000	226,027	88,584	56,534	55,486	49,697	49,346	32,889	20,061	28,409
Other income	101,309	118,827	(3,920)	(24,980)	10,944	130,000	4,460	13,620	51,013	87,415
Gain (loss) on sale of capital assets	13,662	(44,996)	(96,799)	7,367	-	24,226	3,883	8,900	56,081	3,026
Adjustment for capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	2,640,000	2,896,000	2,095,991	2,643,001	2,111,667	2,405,000	2,308,000	2,355,000	2,385,000	2,335,500
Total business-type activities	3,110,971	3,195,858	2,083,856	2,681,922	2,178,097	2,608,923	2,365,689	2,410,409	2,512,155	2,454,350
Total primary government	\$ 11,664,474	\$ 10,757,103	\$ 10,186,224	\$ 10,067,150	\$ 10,352,905	\$ 10,636,610	\$ 10,581,558	\$ 10,686,004	\$ 10,923,789	\$ 11,168,484
Change in net position										
Governmental activities	\$ 2,731,771	\$ (124,598)	\$ (17,941)	\$ (622,632)	\$ (698,288)	\$ (303,541)	\$ 12,308,201	\$ (709,437)	\$ (1,032,796)	\$ (700,112)
Business-type activities	4,132,002	1,211,045	(355,598)	739,417	(429,150)	662,395	214,992	1,246,146	384,989	449,814
Total primary government	\$ 6,863,773	\$ 1,086,447	\$ (373,539)	\$ 116,785	\$ (1,127,438)	\$ 358,854	\$ 12,523,193	\$ 536,709	\$ (647,807)	\$ (250,298)

Note: The City implemented GASB 65 for the fiscal year ending December 31, 2013. As a result, no amortization of bond issuance costs was included in 2013 business-type expenses. However, prior years were not restated.

CITY OF OSAGE BEACH, MISSOURI

TABLE 3

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

	FISCAL YEAR									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,107	\$ 95,007	\$ 134,056
Restricted	-	-	-	-	-	-	-	-	-	-
Unassigned	5,567,287	4,093,564	4,251,360	3,750,291	3,967,259	3,488,474	3,467,352	3,274,396	3,295,348	3,116,070
Total General Fund	5,567,287	4,093,564	4,251,360	3,750,291	3,967,259	3,488,474	3,467,352	3,345,503	3,390,355	3,250,126
All Other Governmental Funds										
Nonspendable	-	-	-	-	-	-	-	5,726	6,548	30,811
Restricted	8,238,113	7,751,150	7,005,298	6,760,655	5,420,281	4,824,565	5,499,168	6,010,852	6,931,150	6,502,607
Total all other governmental funds	\$ 8,238,113	\$ 7,751,150	\$ 7,005,298	\$ 6,760,655	\$ 5,420,281	\$ 4,824,565	\$ 5,499,168	\$ 6,016,578	\$ 6,937,698	\$ 6,533,418

Note: GASB 54 was implemented during fiscal year 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 10,445,019	\$ 9,959,615	\$ 9,468,650	\$ 9,429,393	\$ 9,609,201	\$ 9,840,991	\$ 9,914,377	\$ 10,250,574	\$ 10,391,606	\$ 10,611,341
Licenses, fines, permits	608,712	510,911	460,675	471,672	430,731	404,885	522,520	443,419	467,703	431,873
Intergovernmental	2,229,164	153,876	25,642	659,184	216,422	459,077	209,925	322,940	522,477	690,410
Interest	571,408	317,626	137,682	72,809	65,297	52,263	50,401	36,444	22,338	38,010
Pay. from enter. funds	133,728	143,377	500,702	465,145	390,300	459,400	479,312	194,600	212,000	271,500
Miscellaneous	170,512	21,963	89,447	44,042	208,145	68,815	79,236	63,338	162,765	133,939
Total Revenues	14,158,543	11,107,368	10,682,798	11,142,245	10,920,096	11,285,431	11,255,771	11,311,315	11,778,889	12,177,073
Expenditures										
General Government	2,977,054	2,574,505	2,470,121	2,571,390	2,503,170	2,457,491	2,517,947	2,397,258	2,457,995	2,314,939
Public Safety	2,707,922	2,889,711	2,799,756	2,901,521	2,898,977	2,809,445	2,973,390	2,859,619	2,885,675	2,941,372
Park and Recreation	126,692	133,371	145,046	198,755	211,405	248,085	250,501	253,983	253,021	300,587
Information Technology	270,226	225,623	228,392	254,128	258,651	264,122	272,124	282,989	333,231	319,004
Streets and Highways	736,966	770,486	816,135	1,046,961	1,064,677	1,160,715	919,711	1,152,841	797,661	939,140
Capital outlay	3,068,778	3,332,422	2,448,424	2,008,876	2,722,098	3,026,290	1,364,162	1,707,908	1,716,624	3,581,775
Debt Service										
Interest and fees	36,215	29,798	24,758	17,310	2,489	-	-	-	-	-
Principal	250,000	255,000	260,000	270,000	280,000	-	-	-	-	-
Total Expenditures	10,173,853	10,210,916	9,192,632	9,268,941	9,941,467	9,966,148	8,297,835	8,654,598	8,444,207	10,396,817
Excess of revenues over(under) expenditures	3,984,690	896,452	1,490,166	1,873,304	978,629	1,319,283	2,957,936	2,656,717	3,334,682	1,780,256
Other financing sources (uses)										
Transfers in	-	-	50,176	-	-	-	-	150,000	175,000	34,000
Transfers out	(2,640,000)	(2,896,000)	(2,146,167)	(2,643,001)	(2,111,667)	(2,405,000)	(2,308,000)	(2,505,000)	(2,560,000)	(2,369,500)
Sale of Capital Assets	34,068	38,862	17,769	23,985	9,632	11,216	3,545	93,844	16,290	10,735
Total other fin. sources	(2,605,932)	(2,857,138)	(2,078,222)	(2,619,016)	(2,102,035)	(2,393,784)	(2,304,455)	(2,261,156)	(2,368,710)	(2,324,765)
Net Change in Fund Bal.	\$ 1,378,758	\$ (1,960,686)	\$ (588,056)	\$ (745,712)	\$ (1,123,406)	\$ (1,074,501)	\$ 653,481	\$ 395,561	\$ 965,972	\$ (544,509)
Debt service as a percentage of noncapital expenditures	3.95%	4.19%	4.02%	3.81%	3.66%	0.00%	0.00%	0.00%	0.00%	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
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
2013	69,622	8,745,521	941,599	157,635	9,914,377
2014	67,902	9,065,925	952,678	164,069	10,250,574
2015	69,887	9,157,986	993,059	170,674	10,391,606
2016	70,833	9,424,674	943,737	172,097	10,611,341

CITY OF OSAGE BEACH, MISSOURI

TABLE 6

TAXABLE SALES BY CATEGORY
(in thousands of Dollars)

SIC Codes	FISCAL YEAR									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agricultural Services (07)	\$ -	\$ -	\$ -	\$ 290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Special Trade (17)	-	171	114	191	515	1,040	1,954	468	524	574
Food And Kindred Products (20)	10	-	-	-	14	-	-	57	-	118
Printing, Publishing, and Allied In (27)	-	-	-	-	-	-	119	254	126	367
Elect/Electronic Machinery & Equip. (36)	7	23	5	7	10	4	531	1,461	3,276	5,807
Meas/Analy/Con Inst/Photo/Med/Optic (38)	-	-	44	25	21	24	52	108	63	95
Misc. Manufacturing Industries (39)	58	58	98	10	8	25	26	55	31	63
Communications (48)	5,785	5,805	5,639	5,082	4,874	3,680	3,153	3,339	2,417	3,330
Wholesale Trade Durable Goods (50)	1,583	1,482	1,116	2,553	2,994	1,839	5,562	10,802	8,797	12,989
Wholesale Trade Nondurable Goods (51)	440	457	506	263	274	1,239	1,299	1,263	944	526
Bldg. Materials, Hardware Store, Gdn Sply (52)	7,092	19,336	43,186	40,662	38,383	36,299	36,423	37,523	31,424	41,505
General Merchandise Stores (53)	86,938	84,593	77,173	74,394	73,715	75,572	74,982	73,951	57,227	78,936
Food Stores (54)	34,935	36,145	36,531	37,591	38,935	38,989	47,643	48,911	40,842	54,843
Automotive Store & Service Stations (55)	6,435	7,835	7,710	8,536	9,098	10,789	10,689	12,105	9,960	12,385
Apparel & Accessory Stores (56)	60,299	69,149	74,919	71,020	76,151	80,729	70,306	67,862	51,787	69,037
Furniture & Home Furnishings (57)	73,034	64,883	24,952	24,986	27,250	27,884	28,335	33,321	25,630	34,204
Eating & Drinking (58)	51,825	50,593	48,363	46,717	45,699	46,481	50,342	53,164	42,411	54,884
Miscellaneous Retail (59)	45,491	28,633	26,626	25,324	24,717	25,641	29,220	30,261	22,575	31,015
Real Estate (65)	-	257	466	668	691	579	555	553	-	-
Hotels, Rooming Houses, Camps/Other (70)	10,745	10,150	9,581	9,040	9,089	8,840	8,639	8,910	7,511	9,973
Personal Services (72)	7	16	130	167	237	236	224	963	666	774
Business Services (73)	2,743	2,899	3,257	3,583	3,988	4,514	3,792	4,469	4,755	6,132
Automotive Repair Services (75)	2,268	2,155	2,120	1,973	1,969	2,063	2,982	2,687	2,055	3,166
Miscellaneous Repair Services (76)	-	-	4	-	212	276	-	364	96	519
Amusement/Recreation Services (79)	4,322	4,868	4,713	4,752	4,953	4,768	4,600	4,193	2,181	2,978
Health Services (80)	349	336	173	272	539	537	512	659	574	932
Miscellaneous Services (89)	15,439	12,334	12,890	19,046	19,337	19,488	16,924	13,109	8,286	10,790
Suppressed Totals ¹	76,693	56,814	57,749	58,468	58,121	57,849	56,225	57,436	39,504	50,541
Total	\$ 486,498	\$ 458,992	\$ 438,065	\$ 435,330	\$ 441,794	\$ 449,385	\$ 455,089	\$ 468,246	\$ 363,662	\$ 486,483
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 six 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>STATE SALES TAX RATE</u>	<u>CAMDEN COUNTY RATE</u>	<u>MILLER COUNTY RATE</u>	<u>MILLER CO. AMBULANCE RATE</u>	<u>TDD PREWITT RATE</u>	<u>TDD OSAGE STAT. RATE</u>	<u>TDD DIERBERGS RATE</u>	<u>CID ARROWHEAD RATE</u>
2007	2%	4.225%	1.25%	1%	0.5%	0.5%	0.75%	0%	0%
2008	2%	4.225%	1.25%	1%	0.5%	0.5%	0.75%	0%	0%
2009	2%	4.225%	1.25%	1%	0.5%	1%	0.75%	0%	0%
2010	2%	4.225%	1.25%	1%	0.5%	1%	0.75%	0%	0%
2011	2%	4.225%	1.25%	1%	0.5%	1%	0.75%	0%	0%
2012	2%	4.225%	1.25%	1%	0.5%	1%	0.75%	0%	0%
2013	2%	4.225%	1.25%	1%	0.5%	1%	0.75%	1%	0%
2014	2%	4.225%	1.25%	1%	0.5%	1%	0.75%	1%	0%
2015	2%	4.225%	1.25%	1%	0.5%	1%	0.75%	1%	0%
2016	2%	4.225%	1.25%	1%	0.5%	1%	0.75%	1%	1%

CITY OF OSAGE BEACH, MISSOURI

TABLE 8

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

SIC Code	SIC Description	Fiscal Year 2016						Fiscal Year 2008					
		Taxable Sales	Tax Collected	Entity Count	Rank	Percentage Of Total City Sales Tax		Taxable Sales	Tax Collected	Entity Count	Rank	Percentage Of Total City Sales Tax	
53	General Merchandise Stores	\$ 78,936	\$ 1,579	26	1	16.23%		\$ 84,593	\$ 1,692	19	1	18.43%	
56	Apparel & Accessory Stores	\$ 69,037	\$ 1,381	82	2	14.19%		\$ 69,149	\$ 1,383	59	2	15.07%	
58	Eating & Drinking	\$ 54,884	\$ 1,098	60	3	11.28%		\$ 50,593	\$ 1,012	67	4	11.02%	
54	Food Stores	\$ 54,843	\$ 1,097	25	4	11.27%		\$ 36,145	\$ 723	25	5	7.88%	
52	Bldg. Materials, Hardware Store, Gdn Sply	\$ 41,505	\$ 830	38	5	8.53%		\$ 19,336	\$ 387	28	7	4.21%	
57	Furniture & Home Furnishings	\$ 34,204	\$ 684	83	6	7.03%		\$ 64,883	\$ 1,298	50	3	14.14%	
59	Miscellaneous Retail	\$ 31,015	\$ 620	261	7	6.38%		\$ 28,633	\$ 573	181	6	6.24%	
50	Wholesale Trade Durable Goods	\$ 12,989	\$ 260	64	8	2.67%		\$ 1,482	\$ 30	29	15	0.32%	
55	Automotive Store & Service Stations	\$ 12,385	\$ 248	57	9	2.55%		\$ 7,835	\$ 157	35	10	1.71%	
89	Miscellaneous Services	\$ 10,790	\$ 216	117	10	2.22%		\$ 12,334	\$ 247	69	8	2.69%	
70	Hotels, Rooming Houses, Camps/Other	\$ 9,973	\$ 199	57	11	2.05%		\$ 10,150	\$ 203	38	9	2.21%	
73	Miscellaneous Business Services	\$ 6,132	\$ 123	105	12	1.26%		\$ 2,899	\$ 58	54	13	0.63%	
36	Elect/Electronic Machinery & Equip.	\$ 5,807	\$ 116	46	13	1.19%		\$ -	\$ -	0	20	0.00%	
48	Communications	\$ 3,330	\$ 67	77	14	0.68%		\$ 5,805	\$ 116	70	11	1.26%	
75	Automotive Repair Services	\$ 3,166	\$ 63	33	15	0.65%		\$ 2,155	\$ 43	27	14	0.47%	
79	Amusement/Recreation Services	\$ 2,978	\$ 60	25	16	0.61%		\$ 4,868	\$ 97	13	12	1.06%	
80	Health Services	\$ 932	\$ 19	21	17	0.19%		\$ 336	\$ 7	21	17	0.07%	
72	Personal Services	\$ 774	\$ 15	29	18	0.16%		\$ 16	\$ 0	21	19	0.00%	
17	Construction Special Trade	\$ 574	\$ 11	15	19	0.12%		\$ 171	\$ 3	12	18	0.04%	
51	Wholesale Trade Nondurable Goods	\$ 526	\$ 11	48	20	0.11%		\$ 457	\$ 9	23	16	0.10%	
	Other Non Suppressed Totals	\$ 1,162	\$ 23			0.24%		\$ 315	\$ 6			0.07%	
	Suppressed Totals ¹	\$ 50,541	\$ 1,011			10.39%		\$ 56,814	\$ 1,136			12.38%	
	Total	\$ 486,483	\$ 9,730			100.00%		\$ 458,969	\$ 9,179			100.00%	

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 the taxable sales and tax collection numbers are suppressed to comply with state statutes.

CITY OF OSAGE BEACH, MISSOURI

TABLE 9

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES				% OF PER CAPITA INCOME OF OSAGE BEACH RESIDENTS WITHIN CAMDEN CTY	% OF PER CAPITA INCOME OF OSAGE BEACH RESIDENTS WITHIN MILLER CTY
FISCAL YEAR	GENERAL OBLIGATION BONDS		WATER/SEWER REVENUE BONDS		TOTAL PRIMARY GOVERNMENT	POPULATION	PER CAPITA	
2007	\$	1,065,000	\$	37,010,000	\$ 38,075,000	4,603	\$ 8,272	28%
2008		810,000		35,320,000	36,130,000	4,698	7,691	25%
2009		550,000		33,575,000	34,125,000	4,670	7,307	24%
2010		280,000		31,361,272	31,641,272	4,360	7,257	25%
2011		-		29,534,059	29,534,059	4,480	6,592	21%
2012		-		27,626,850	27,626,850	4,528	6,101	19%
2013		-		26,577,951	26,577,951	4,563	5,825	18%
2014		-		24,195,839	24,195,839	4,395	5,505	16%
2015		-		22,123,728	22,123,728	4,477	4,942	14%
2016		-		19,751,616	19,751,616	4,477	4,412	13%

Notes:

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.

Personal income and per capita personal income not available for the City of Osage Beach, 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
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS

TABLE 10

<u>FISCAL YEAR</u>	<u>GENERAL OBLIGATION BONDS</u>	<u>PERCENTAGE OF SALES TAX RECEIVED</u>	<u>PER CAPITA</u>
2007	\$ 1,065,000	11.14%	\$ 268
2008	810,000	9.59%	241
2009	550,000	6.56%	175
2010	280,000	3.34%	59
2011	-		-
2012	-		-
2013	-		
2014	-		
2015	-		
2016	-		

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, 2016

NAME OF GOVERNMENTAL UNIT	LONG-TERM DEBT OUTSTANDING	PERCENTAGE APPLICABLE TO CITY OF OSAGE BEACH ¹	AMOUNT APPLICABLE TO CITY OF OSAGE BEACH
Camdenton R-III School District	\$ 64,470,000	16%	\$ 10,315,200
School of the Osage R-II	37,550,000	4%	1,502,000
Osage Beach Fire Protection District	920,000	53%	487,600
Total direct and overlapping debt			<u>\$ 12,304,800</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**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$53,519,002	\$55,610,030	\$55,907,389	\$55,846,465	\$55,111,829	\$54,718,090	\$55,091,515	\$57,307,294	\$57,728,809	\$57,293,509
Total Net debt applicable to limit	1,065,000	810,000	550,000	280,000	-	-	-	-	-	-
Legal debt margin	\$52,454,002	\$54,800,030	\$55,357,389	\$55,566,465	\$55,111,829	\$54,718,090	\$55,091,515	\$57,307,294	\$57,728,809	\$57,293,509
Total net debt applicable to limit as a percentage of debt limit	1.99%	1.46%	0.98%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2013

Total Assessed Value	\$286,293,509
Debt limit (20% of total assessed value)	57,258,702
Debt applicable to limit:	<u>-</u>
Legal debt margin	<u>\$57,258,702</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 ⁴	INTEREST	TOTAL		
2007	\$4,778,742	\$2,217,517	\$2,561,225	\$1,405,000	\$1,714,615	\$3,119,615	0.82	\$2,380,000
2008	4,522,564	2,256,072	2,266,492	1,545,000	1,630,889	3,175,889	0.71	2,340,000
2009	3,946,471	2,494,769	1,451,702	1,690,000	1,587,512	3,277,512	0.44	1,776,667
2010	4,392,279	2,302,711	2,089,568	1,745,000	1,511,165	3,256,165	0.64	1,910,001
2011	4,336,457	2,501,602	1,834,855	1,815,000	1,433,717	3,248,717	0.56	1,800,000
2012	4,660,931	2,449,339	2,211,592	1,865,000	1,341,017	3,206,017	0.69	1,855,000
2013	4,583,572	2,615,319	1,968,253	1,945,000	1,243,608	3,188,608	0.62	1,925,000
2014	4,763,887	2,312,994	2,450,893	2,030,000	1,134,410	3,164,410	0.77	1,925,000
2015	4,568,719	2,698,936	1,869,783	2,200,000	1,049,403	3,249,403	0.58	1,935,000
2016	4,768,451	3,003,538	1,764,913	2,300,000	893,275	3,193,275	0.55	1,935,000

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.

⁴ Principal balance found in notes of audit, page 37

CITY OF OSAGE BEACH, MISSOURI

TABLE 14

DEMOGRAPHIC STATISTICS LAST TEN YEARS

FISCAL YEAR	Population ¹	Personal Income ² of Osage Beach Residents within Camden County*	Personal Income ² of Osage Beach Residents within Miller County *	Per Capita Personal Income ² Camden County	Per Capita Personal Income ² Miller County	Unemployment Rate ³ Camden County	Unemployment Rate ³ Miller County
2007	4,603	\$145,806	\$116,330	\$29,766	\$24,227	4.9%	5.3%
2008	4,698	153,591	123,967	30,748	25,580	6.3%	6.7%
2009	4,670	152,233	118,140	29,908	25,187	9.7%	11.7%
2010	4,360	130,082	112,216	29,240	25,818	12.0%	12.9%
2011	4,480	138,092	119,178	30,771	26,573	11.1%	11.5%
2012	4,528	144,281	124,013	31,754	27,483	9.6%	9.0%
2013	4,563	148,243	128,026	32,465	27,882	9.2%	8.7%
2014	4,395	148,316	129,935	33,609	29,362	8.1%	7.7%
2015	4,477	156,628	135,453	34,740	30,066	6.5%	6.0%
2016	4,477	156,628	135,453	34,740	30,066	5.7%	5.2%

Sources:

¹U.S. Census Bureau (July 1st of each estimated year)

² U.S. Department Of Commerce Bureau Of Economic Analysis

³ U.S. Dept. of Labor Bureau of Labor Statistics (percentage calculated on an annual average)

Reflects revised inputs, estimations, and new statewide controls

Notes:

* Denotes numbers expressed in thousands

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

<u>Employer</u>	<u>2016</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank⁴</u>	<u>Percentage of Total City Employment⁴</u>
Osage Beach Premium Outlets	800-1200	1	26.80%	800-1200	1	25.54%
Lake Regional Health System	1067	2	23.83%	1100	2	23.41%
² Camdenton R-III School District	705	3	15.75%	677		
¹ Tan-Tar-A Resort	425	4	9.49%	560		
Hy-Vee	375	5	8.38%	435	3	9.26%
² School of the Osage R-II School District	295	6	6.59%	250		
Wal-Mart Supercenter	265	7	5.92%	430	4	9.15%
³ Central Bank of Lake of the Ozarks	160	8	3.57%	165	5	3.51%
Lowe's Home Improvement	142	9	3.17%	164	6	3.49%
City of Osage Beach	128	10	2.86%	107	9	2.28%
Target	85		1.90%	150	7	3.19%
Inn at Grand Glaize	60		1.34%	120	8	2.55%
Home Depot	85		1.90%	100	10	2.13%

Sources:

Lake of the Ozarks Council of Local Governments and employer representatives

Notes:

All numbers include both full time and part time employment

¹Employer is not located within the Osage Beach City Limits

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

³Employment numbers represent all Central Bank locations of which three locations are within the Osage Beach City Limits

⁴Rank & percentage are left blank if data was not obtained for that employer in the corresponding year.

CITY OF OSAGE BEACH, MISSOURI

TABLE 16

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
City Administrator	2	2	2	2	2	2	2	3	3	3
City Clerk	4	4	4	4	4	3	3	3	3	3
City Treasurer	5	5	4	4	4	4	4	4	4	4
Municipal Court	1	1	1	1	1	1	1	1	1	1
City Attorney ²	0	1	1	1	1	1	1	1	1	1
Building Inspection ¹	3.5	4.5	3.5	3.5	3.5	3	3	3	3	2.5
Parks & Recreation	2	2	3	3	3	3	3	3	3	4
Human Resources	1	1	1	1	1	1	1	1	1	1
Planning Department ¹	3	3	2.5	2.5	2.5	2.5	2.25	2	2	1.5
Information Technology	2	2	2	2	2	2	2	2	2	2
Engineering Department ³	4.5	5.5	4	4	4	4.5	4.75	0	0	0
Police										
Law Enforcement	30	30	30	30	29	29	29	30	30	30
911 Center	11	11	11	11	11	11	11	11	11	11
Public Works										
Transportation ¹	8	8	8.3	8.3	8.3	10.3	10.3	10	10	10
Water ¹	4.5	4.5	5.3	5.3	5.3	5.3	5.3	7	7	7
Sewer ¹	9.5	9.5	8.4	8.4	8.4	8.4	8.4	10	10	10
Ambulance	7	7	7	7	7	6	6	6	7	8
Airport										
Lee C. Fine ¹	3.4	3.4	3.4	3.4	3.4	3.4	3.6	3.6	3.6	3.6
Grand Glaize ¹	2.6	2.6	2.6	2.6	2.6	2.6	2.4	2.4	2.4	2.4
Total	104	107	104	104	103	103	103	103	104	105

Source: Annual Budget

Note:

¹Some employees' wages are split between different departments.

²A full time City Attorney was hired in 2008, the City previously outsourced this service.

³In 2014, the City of Osage Beach integrated the Engineering Department into Public Works.

CITY OF OSAGE BEACH, MISSOURI

TABLE 17

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Incident Reports	2,540	2,312	2,023	1,975	1,727	1,644	1,464	1,660	1,832	1,851
Traffic Violations	2,412	2,838	1,858	1,793	1,712	1,290	1,783	1,856	2,145	1,975
Traffic Warnings	2,382	3,085	2,967	2,561	2,430	2,169	2,507	2,099	2,307	2,348
911 Center										
Number of Calls Answered ¹	20,624	20,509	20,946	19,927	20,420	23,133	21,160	21,458	20,859	21,463
Ambulance										
Calls for service	831	875	828	887	888	825	812	777	858	885
Building										
<u>Permits</u>										
Residential	105	83	87	76	57	86	67	77	70	49
Commercial	131	78	68	79	97	92	72	73	71	76
Water										
Total Water Sold (thousands of Gallons)	295,828	278,237	260,479	300,688	305,915	329,769	326,699	318,395	314,906	333,424
Wastewater										
Average Daily Sewage Treatment (thousands of Gallons)	1,302	1,300	1,229	1,093	987	1,030	1,006	1,176	1,320	1,304
Airports										
<u>Lee C. Fine:</u>										
Number of Take Offs & Landings	5,630	5,674	5,131	5,667	5,030	5,147	4,721	4,522	5,023	4,863
<u>Grand Glaize:</u>										
Number of Take Offs & Landings	5,248	4,161	3,937	3,196	3,059	2,587	2,348	2,129	2,431	2,768
Recycling										
Waste Oil (gallons)	962	1,763	1,673	2,138	1,750	951	551	634	1,029	2,427
White Goods (pounds) ²					15,080	9,420	8,500	5,168	5,620	7,860

Sources: Various City 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 Lake Ozark Fire & Ambulance. Due to contract expiration in early 2016, Osage Beach 911 ceased taking calls for Lake Ozark Fire & Ambulance.

²Prior to 2011, White Goods were not tracked.

CITY OF OSAGE BEACH, MISSOURI

TABLE 18

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
<u>Police:</u>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	22	22	22	22	21	21	21	21	21	22
<u>Ambulance Protection:</u>										
Number of Vehicles	2	2	2	2	2	2	2	2	2	2
Highways and Streets										
Miles of Streets Paved	37.00	37.38	37.38	37.78	37.78	38.08	44.65	44.65	45.45	45.92
Miles of Sidewalks	3.75	3.75	5.31	6.09	6.09	6.87	6.87	7.33	7.33	8.83
Number of Street Lights	495	500	517	517	538	628	638	638	640	640
Parks and Recreation										
Park Acreage	106	106	106	106	106	106	106	106	106	106
Number of Parks	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (miles)	238.56	239.36	241.56	241.84	245.80	246.84	246.84	246.84	248.15	249.00
Fire Hydrants	915	925	927	930	969	983	983	983	994	994
Wells	10	10	10	10	10	10	10	10	10	7
Water Towers	4	4	4	4	4	4	4	4	4	4
Sewer										
Sanitary Sewers (miles)	140.79	141.59	143.39	143.96	148.30	149.71	149.95	150.95	151.94	152.02
Pump Stations	1,138	1,145	1,174	1,178	1,186	1,218	1,224	1,229	1,239	1,242

Sources: Various City Government Departments

SINGLE AUDIT REPORTS

**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 Alderman 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, each major fund, and the aggregate remaining fund information of the City of Osage Beach (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 6, 2017.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2016-001, that we consider to be a significant deficiency.

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*.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williams Keepers LLC

June 6, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Osage Beach (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2016. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2016.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Williams Keyers LLC

June 6, 2017

CITY OF OSAGE BEACH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2016

	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Transportation			
Passed through the University of Central Missouri:			
Alcohol Open Container Requirements - DWI Overtime Enforcement Wave	20.607	16-154-AL-078	\$ 2,713
Alcohol Open Container Requirements - DWI Overtime Enforcement Wave	20.607	16-154-AL-141	1,856
Passed through Missouri Department of Transportation:			
Alcohol Open Container Requirements - Hazardous Moving Violation Project	20.600	16-PT-02-091	3,500
Airport Improvement Program - Lee C. Fine Airport	20.106	15-046B-1, 16-046B-1	448,330
Airport Improvement Program - Grand Glaize Airport	20.106	15-045A-1	151,804
Highway Planning and Construction - Osage Beach Parkway Sidewalk Improvement Phase 4	20.205	STP-9900 (596)	349,952
Total U.S. Department of Transportation			958,155
Total expenditures of federal awards			\$ 958,155

1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes only the current year federal grant activity of the City and is presented on the accrual basis of accounting. This information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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.

2. INDIRECT COST RATES

The City of Osage Beach has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF OSAGE BEACH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the City were prepared in accordance with U.S. GAAP.
2. A significant deficiency relating to the audit of the financial statements is 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*." This significant deficiency is not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal award programs were reported in the "Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance."
5. The auditors' report on compliance for the major federal award programs for the City expresses an unmodified opinion on the major federal program.
6. No audit findings relative to the major federal award programs for the City, that are required to be reported in accordance with 2 CFR section 200.516(a), are reported in Part C of this Schedule.
7. The programs tested as major programs include:

	Federal CFDA Number
State Block Grant - Grand Glaize Airport	20.106
State Block Grant - Lee C. Fine Airport	20.106

8. The dollar threshold used to distinguish between Type A and B programs was \$750,000.
9. The City did not qualify as a low risk auditee for the year ended December 31, 2016.

B. FINDINGS--FINANCIAL STATEMENT AUDIT

2016-001 Inventory Procedures (significant deficiency)

Statement of Condition: During the audit, we noted that procedures are not adequate to track, value and record inventory on a consistent basis in the City's records.

Criteria: Inventory should be recorded based on the original cost, with supporting documentation maintained to support that valuation. These inventory balances and any subsequent additions to or reductions of inventory should be tracked on a consistent basis for all inventory types. Furthermore, periodic reviews of the inventory listings need to be conducted to ensure actual quantities of inventory on hand are reflected in the inventory listings. These procedures help ensure both the quantity and costs of inventory are appropriately reflected in the City's records.

Effect of Condition: There is an increased risk that inventories are not valued at the appropriate amounts and that quantities recorded in the general ledger do not agree with actual quantities available. This City is unable to determine the total value of inventory at any given point in time.

Cause of Condition: The City currently does not have a centralized inventory system to maintain accurate and up-to-date information. Some records are maintained in the general ledger system but most are maintained on separate spreadsheets and not updated regularly.

Recommendation: We recommend that all inventory is recorded at cost, based on supporting documentation, and tracked in the City's inventory tracking system. We also recommend that periodic reviews and reconciliations of actual inventory quantities to the inventory system be conducted by City personnel.

Management's response: Management has addressed the above finding in the corrective action plan. According to this plan, the above recommendations will be implemented during 2017.

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, 2016**

There were no audit findings for the prior year.