

CITY OF OSAGE BEACH, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2006

Prepared by:

KARRI BELL
City Treasurer

TABLE OF CONTENTS

	<u>PAGE</u>
 <u>INTRODUCTORY SECTION:</u>	
Transmittal Letter.....	1 - 5
GFOA Certificate of Achievement.....	6
Organizational Chart.....	7
Officials.....	8
 <u>FINANCIAL SECTION:</u>	
Independent Auditors' Report.....	9 - 10
Management's Discussion and Analysis.....	11 - 21
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	22
Statement of Activities.....	23
 Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	24
Statement of Revenues, Expenses and Changes in Fund Balances – Governmental Funds.....	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	26
Statement of Net Assets – Proprietary Funds.....	27
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	28
Statement of Cash Flows – Proprietary Funds.....	29 - 30
Statement of Net Assets – Component Unit Funds.....	31
Statement of Changes in Net Assets – Component Unit Funds.....	32
 Notes to the Financial Statements.....	 33 - 57
 Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund.....	58
Transportation Fund.....	59
Capital Improvement Fund.....	60
 Notes to the Required Supplementary Information.....	 61

TABLE OF CONTENTS

(Cont'd.)

	<u>PAGE</u>
<u>STATISTICAL SECTION:</u>	
Net Assets by Component – Last Four Fiscal Years (Table 1)	62
Changes in Net Assets – Last Four Fiscal Years (Table 2)	63 - 64
Governmental Activities Tax Revenues By Source – Last Four Years (Table 3)	65
Fund Balances of Governmental Funds – Last Four Fiscal Years (Table 4)	66
Changes in Fund Balances of Governmental Funds – Last Four Fiscal Years (Table 5)	67
Taxable Sales by Category (Table 6)	68
Direct and Overlapping Sales Tax Rates – Last Ten Years (Table 7)	69
Principal Revenue Remitters by Category – Current Year and Nine Years Ago (Table 8)	70
Ratios of Outstanding Debt by Type – Last Ten Years (Table 9)	71
Ratios of General Bonded Debt Outstanding - Last Four Years (Table 10)	72
Direct and Overlapping Government Activities Debt – As of December 31, 2006 (Table 11)	73

TABLE OF CONTENTS

(Cont'd.)

PAGE

STATISTICAL SECTION: (Cont'd.)

Legal Debt Margin Information - Last Ten Years (Table 12).....	74
Water and Sewer Fund – Pledged Revenue Coverage – Last Ten Fiscal Years (Table 13).....	75
Demographic Statistics – Last Ten Years (Table 14).....	76
Principal Employers – Current and Eight Years Ago (Table 15).....	77
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years (Table 16).....	78
Operating Indicators by Function – Last Ten Fiscal Years (Table 17).....	79
Capital Asset Statistics by Function – Last Ten Fiscal Years (Table 18).....	80

FEDERAL COMPLIANCE SECTION:

Schedule of Expenditures of Federal Awards.....	81 - 82
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.....	83 – 84
Report on Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	85 - 86
Schedule of Findings and Questioned Costs.....	87 - 88

INTRODUCTORY SECTION



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

June 25, 2007

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

The Comprehensive Annual Financial Report (CAFR) of the City of Osage Beach, Missouri, for the fiscal year ended December 31, 2006, is herewith submitted. The information presented in the CAFR is the responsibility of the City's management. The report was prepared by the Finance Department in close cooperation with the external auditor, Evers & Company, CPA's LLC. The Finance Department believes that the financial statements, supporting schedules, and statistical information fairly present the financial condition of the City. We further believe that all presented data is accurate in all aspects and that all necessary disclosures have been included to enable the reader to gain a reasonable understanding of the City's financial affairs.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the City of Osage Beach's elected officials and management team. The financial section includes the basic financial statements and required supplemental information, as well as the independent auditors' report on these financial statements. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

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

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

The Reporting Entity and Its Services

The City of Osage Beach, incorporated in 1959, as 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 4,259, however during the tourist season it increases by 50,000 to 100,000. The governing body consists of an elected six-member Board of Aldermen and a Mayor who in turn appoint a City Administrator, City Clerk, Police Chief, Building Official, City Treasurer, City Planner and City Engineer.

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

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

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 bases 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.

Reporting Standards and Formats

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

Significant Events and Accomplishments

The City of Osage Beach is experiencing rapid growth in private sector investment in our community. This necessitates public investment in infrastructure and services to support this growth. 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.

Highlights of major events and accomplishments during fiscal year 2006 were as follows:

Services – The addition of a Search and Drug Detection Canine will allow officers the ability to better interdict dangerous drugs in more routine investigations and detentions. The canine will also be utilized in public relations and education programs as well as consensual random exploratory sniffing at schools and businesses.

Growth – The City welcomed 104 new businesses during the year. The City issued 237 building permits. This represents private investment in our community of \$37,883,837.

Community Events – The Sixth Annual Fall Festival sponsored its third Annual Little Mr. and Ms. Osage Beach Contest.

The City conducted the Fourth Annual Community Clean-Up, which removed 24 tons of debris, plus one roll off box of used appliances, from the City. The City also provided a dumpster at Public Works for white goods drop off. Over 16,000 pounds of washers, dryers and refrigerators were collected.

The 11th Annual Polar Bear Plunge into the Lake of the Ozarks for Special Olympics was held at Public Beach No. 2. This event raised \$98,300, with 100% of the proceeds going to support Special Olympics Missouri.

Cash Management

Cash of the governmental and enterprise funds, in the main operating bank account temporarily not used in operations are invested in certificates of deposit through a local commercial bank or instruments backed by a Federal Agency or U.S. Treasury obligations. Interest rates earned from these investments ranged from 4.60% to 5.75%. Income generated from these investments totaled \$870,384.

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; injuries to employees; and natural disasters. The City purchases commercial insurance to provide coverage to general liability, property damage, and workers' compensation. Settled claims have not exceeded this commercial insurance coverage in any of the past three years. The City utilizes St. Paul Travelers for property insurance. The City belongs to several pools for insurance coverage, which helps contain the cost. The pools include MOPERM for general liability, MARCIT for health, dental and workers compensation.

Economic Condition and Outlook

The City depends greatly on sales tax revenue. Recognized as both a retail center and a tourist destination, Osage Beach retail sales greatly exceed the norm for cities of comparable size. Osage Beach is the home of the Osage Beach Premium Outlet center with over 100 stores, numerous national chains and locally owned specialty retail. The permanent and second homeowner population of Osage Beach continues to grow. This growth in turn will increase retail sales. The length of the tourist season is growing with expansion of conference and convention business. The local economy remained strong and retail sales increased.

Future Events

A major highway project will change traffic conditions for generations to come, according to the Missouri Department of Transportation. They plan to spend \$180,000,000 in the lake area. Most of these funds are going to be used to build an expressway, which would assist traffic through Osage Beach for the next 20-30 years. The project is divided into sections and is estimated to be complete in 2010. The City of Osage Beach is negotiating terms with the Missouri Department of Transportation to take over the existing Highway 54 when the expressway is complete.

City street improvement projects include Passover Road, Case Road, Bluff Pedestrian Walk, Summit Circle/Deer Run, Low, Lighthouse and Redbud Roads, Cove Road, Barry Prewitt Parkway and D Road, drainage projects on Sunset, Cayman, Greenwood Circle and Quiver Lane. The budget also includes Hickory Lane, which will be reimbursed by the Osage Beach Special Road District.

Water projects include Buff Well and pump house, Columbia College pump house, new service to Airport Road, Westside Water, Connecting Water, Highway 42 Parallel Water, El Terra Extension and the School to Kaiser Extension. These projects will ensure service to the north and east areas of the City and support new development. The City will also reroute water utilities to make way for the new Highway 54 Expressway. The cost of the utility reroute will be reimbursed by the Missouri Department of Transportation.

The City is looking forward to issuing \$2,550,000, the last of its voter authorized Water Revenue bonds, through the State Revolving Fund program in the spring of 2007.

Sewer projects include lift stations in the Tan-Tar-A area, Passover Road, unsewered areas on Airport Road, upgrade Industrial Drive system, Oak Creek Lift Station, Woodland Shores, Kaiser extension, reroute sewer utilities to make way for the Highway 54 Expressway. The cost of the utility reroute will be reimbursed by the Missouri Department of Transportation.

The City awarded a contract to G.C. Construction to build the City Park No. 2 Softball Complex in the amount of \$2,973,915. This construction will include improvements, including excavation, utility infrastructure, ball fields, fence, building and backstop. The project is estimated to be completed by the fall of 2007.

The City purchased and will begin to implement new financial software. This software will service all of the City's financial needs including integrating areas of the City that had previously utilized stand-alone-software. The new integration will include the City's Municipal Court and Building Permits.

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Osage Beach for its comprehensive annual financial report for the fiscal year ended December 31, 2005. This was the seventh 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.

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 Finance Department staff for assisting and contributing to its preparation.

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

Respectfully submitted.

A handwritten signature in cursive script that reads "Karri Bell".

Karri Bell
City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Osage Beach
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

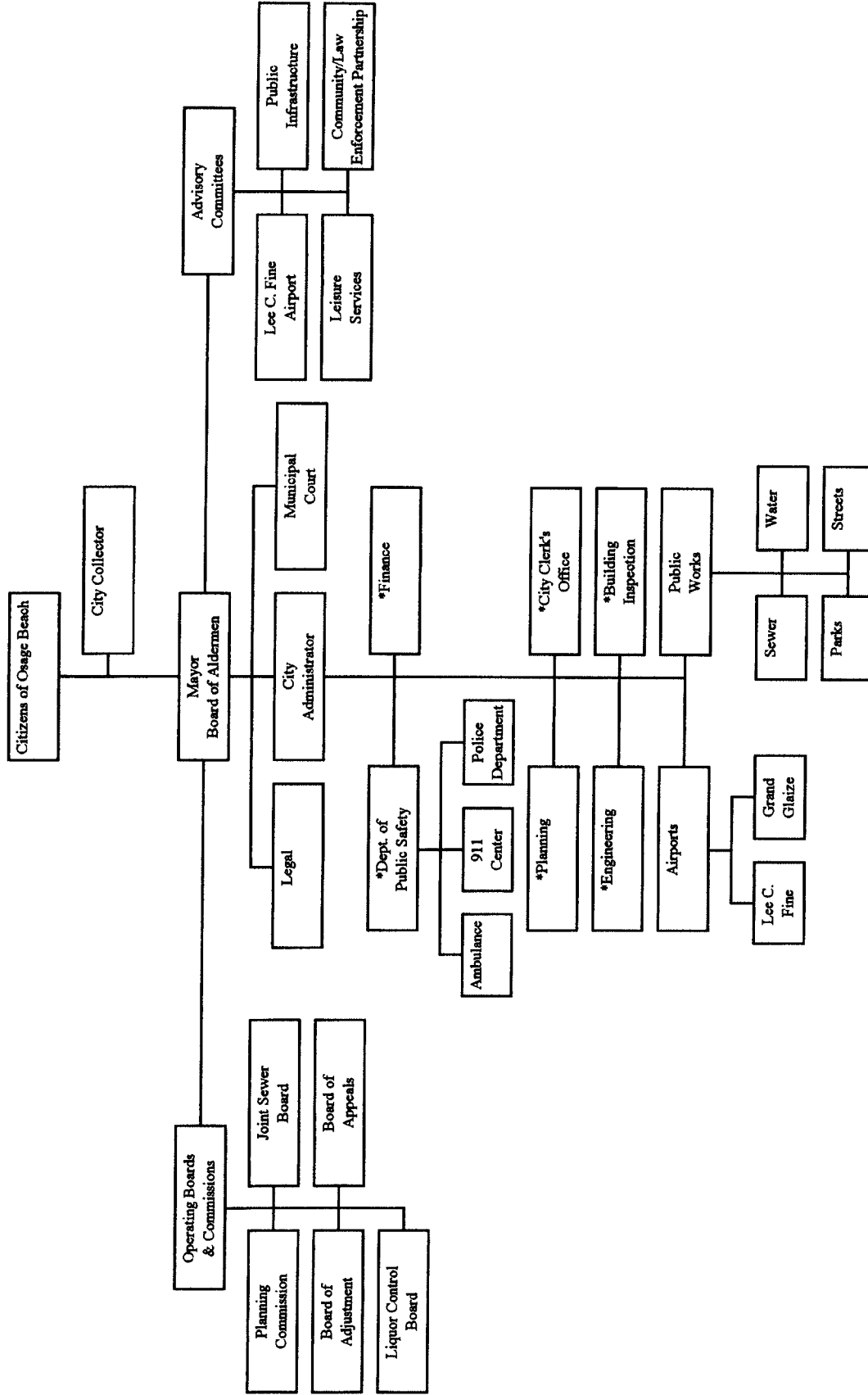
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Osage Beach Organizational Chart



*Department Head appointed by Mayor and approved by Board of Aldermen

CITY OF OSAGE BEACH

Elected Officials

Mayor	Penny Lyons
Ward One.....	Rich Martin
.....	Ron Schmitt
Ward Two	Janell Bednara
.....	Steven Kahrs
Ward Three.....	John Olivarri
.....	Eric Medlock
City Collector	John M. Berry

Management Team

City Administrator	Nancy Viselli
City Treasurer	Karri Bell
Building Official	Val Valent
City Clerk	Diann Warner
City Engineer	Nick Edelman
City Planner	Cary Patterson
Director of Public Safety	David Severson
Airport Manager	Phil Phillips
Assistant City Administrator	Jeana Albertson
Human Resources Specialist	Cindy Leigh
Information Systems Operations Manager	James Davis
Public Works Superintendent	Rick King

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Evers & Company, CPA's L.L.C.

FINANCIAL SECTION



Evers & Company, CPA's, L.L.C.

Certified Public Accountants and Consultants

Elmer L. Evers
Jerome L. Kauffman
Richard E. Elliott
Dale A. Siebeneck
Keith L. Taylor
Jo L. Moore

INDEPENDENT AUDITORS' REPORT

To the 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, each major fund, and the aggregate remaining fund information of the **City of Osage Beach, Missouri**, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **City of Osage Beach, Missouri's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Osage Beach, Missouri**, as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2007 on our consideration of the **City of Osage Beach, Missouri's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 11 through 21 and pages 58 through 60, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Osage Beach, Missouri's** basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **City of Osage Beach, Missouri**. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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 express no opinion on them.

EVERS & COMPANY, CPA's, LLC

EVERS & COMPANY, CPA's, L.L.C.
Jefferson City, Missouri

June 25, 2007

Management Discussion and Analysis

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, 2006. 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

City of Osage Beach's growth continues to surpass projections. Because of the growth, the City has addressed maintaining and improving infrastructure to support and meet the new development needs. The City provides a full range of governmental and proprietary services, including streets, water, sewer treatment, police, ambulance services and airport services.

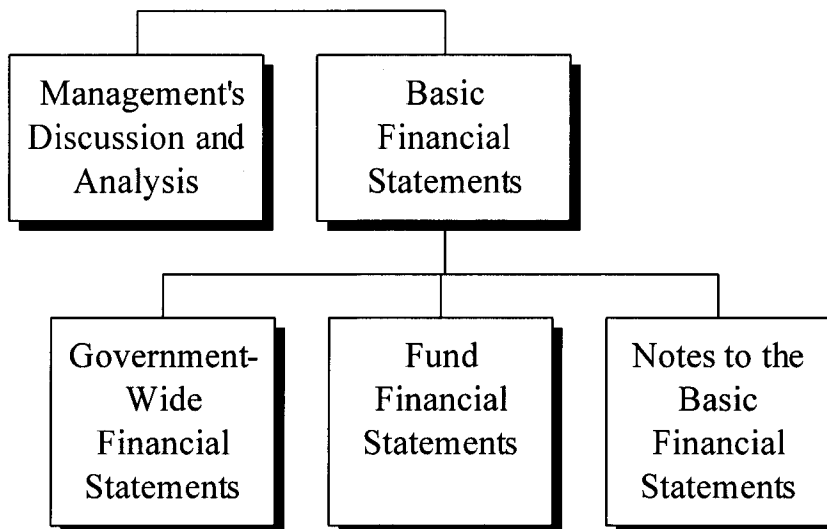
- The assets of the City of Osage Beach exceeded its liabilities at the close of the fiscal year by \$75,714,508.
- The City's total net assets increased by \$12,337,151, primarily due to a healthy economy, growth and developers contributions primarily from the Prewitt's Point Tax Incremental Financing projects.
- At the close of the fiscal year, the fund balances for the Governmental Funds totaled \$12,426,642, a decrease of \$45,915.
- Proprietary Fund net assets totaled \$38,919,833, an increase of \$3,982,317 mainly due to capital contributions from the Prewitt Point Tax Increment Financing water and sewer projects, an increase of transfers from the Capital Improvement Tax Fund. A dry summer also contributed to an increase in water and sewer revenues.
- The City issued \$18,590,000 of Tax Increment Revenue Bonds to finalize the Prewitt's Point Tax Increment Financing reimbursement of infrastructure that included roads, water and sewer projects.
- The City's total debt (not including the T.I.F) decreased by \$1,645,000 (4.2 percent) during the current fiscal year.
- The City received \$57,304 Emergency Management grant funds to purchase communication equipment that will assist in the City's emergency response capabilities.
- Gross Sales Tax receipts ended the year with a 3% increase over fiscal year 2005.
- The City hired Charlesworth and Associates to assist in the bid process of the City liability, property and workman's compensation insurance. A change in the City's property insurance provider will save the City \$23,715 in fiscal year 2007 and the bid process saved the City \$5,053 of liability premiums.

Overview of Financial Statements

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

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

Required Components of Annual Financial Report



Basic Financial Statements

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

The next statements are 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. After the required supplemental information, supplemental information is provided to show details of the City's capital assets used in governmental activities.

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 in regards to inter-fund activity, payables and receivables.

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government’s financial position. At the close of December 31, 2006, the City of Osage Beach’s assets exceeded its liabilities by \$75,714,508. The increase of \$12,337,151 includes \$6,847,116 from road projects located in Prewitt’s Point Tax Incremental Financing and \$356,549 of private developer road (Palisades), which was received by contributions from developers.

Three-quarters of the City of Osage Beach’s net assets (74 %) reflect its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Osage Beach uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Osage Beach’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

NET ASSETS

The following table reflects the condensed Statement of Net Assets as of December 31, 2005 and December 31, 2006:

City of Osage Beach Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and other assets	12,846,051	13,213,198	31,212,243	31,642,038	44,058,294	44,855,236
Capital assets	25,744,163	17,567,730	62,388,258	59,627,726	88,132,421	77,195,456
Total assets	38,590,214	30,780,928	93,600,501	91,269,764	132,190,715	122,050,692
Liabilities:						
Long-term liabilities outstanding	1,140,701	1,315,000	52,031,309	52,198,527	53,172,010	53,513,527
Other liabilities	654,838	1,026,087	2,649,359	4,133,721	3,304,197	5,159,808
Total liabilities	1,795,539	2,341,087	54,680,668	56,332,248	56,476,207	58,673,335
Net assets:						
Invested in capital assets net of related debt	24,452,788	16,012,730	31,692,173	16,037,165	56,144,961	32,049,895
Restricted	5,169,389	5,444,585	1,039,125	6,801,445	6,208,514	12,246,030
Unrestricted	7,172,498	6,982,526	6,188,535	12,098,906	13,361,033	19,081,432
Total net assets	36,794,675	28,439,841	38,919,833	34,937,516	75,714,508	63,377,357

Total assets for the City as a whole are \$132,190,715. This includes \$38,590,214 for governmental activities and \$93,600,501 for business-type activities. Of these total assets, \$88,132,421 are capital assets and \$44,058,294 are classified as other assets. For governmental activities, \$25,744,163 are capital assets and other assets total \$12,846,051. Capital assets for business-type activities are \$62,388,258 and other assets are \$31,212,243. The increase in total net assets from 2005 to 2006 is a reflection of capital investment in the community from Tax Increment Financing infrastructure projects and the City's street, water and sewer projects.

Total liabilities for the City as a whole are \$56,476,207. This includes \$1,795,539 governmental activities and \$54,680,668 for business-type activities. Of these total liabilities, \$53,172,010 is long-term liabilities and \$3,304,197 is other liabilities. For governmental activities, \$1,140,701 is long-term and \$654,838 is other liabilities. Long-term liabilities for business-type activities are \$52,031,309 and other liabilities are \$2,649,359. All of the long-term liabilities are for debt issued for major capital projects. Debt issues are not extended longer than the useful life of the project for which the debt is being issued. Total liabilities changed very little during the year. The small change is mainly a reflection of the accounts payable being less at year end.

Total net assets for the City as a whole are \$75,714,508. This includes \$36,794,675 for governmental activities and \$38,919,833 for business-type activities. Of the total net assets, \$13,361,033 is unrestricted net assets, \$7,172,498 for governmental activities and \$6,188,535 for business-type activities. Net assets invested in capital assets net of related debt are \$56,144,961. The majority of this capital investment last year was in the business-type activities but with the addition of the street projects from Prewitt's Point Tax Increment Financing, the total net assets have shifted to make governmental activities more equal to the business-type activities.

The following table reflects the condensed schedule of changes in net assets as of December 31, 2005 and December 31, 2006:

**City of Osage Beach
Statement of Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for services	786,752	725,566	5,227,793	4,701,739	6,014,545	5,427,305
Operating grants and Contributions	83,969	14,539	957,794	827,218	1,041,763	841,757
Capital grant and Contributions	7,203,665		1,901,582		9,105,247	
General Revenues:						
Sales taxes	9,461,972	8,271,408			9,461,972	8,271,408
Franchise taxes	602,872	606,054			602,872	606,054
Other taxes	200,080	188,239			200,080	188,239
Unrestricted investment earnings	546,027	378,696	408,943	274,248	954,970	652,944
Other revenues	178,140	152,983			178,140	152,983
Gain (loss) on sale of assets	(67,494)		(15,866)		(83,360)	
Total revenues	18,995,983	10,337,485	8,480,246	5,803,205	27,476,229	16,140,690
Expenses:						
Administration	2,774,733	2,042,939			2,774,733	2,042,939
Public Safety	2,676,484	2,456,013			2,676,484	2,456,013
Streets and Highways	1,567,449	1,456,232			1,567,449	1,456,232
Capital Improvement	226,831				226,831	
Park and recreation	144,529	255,247			144,529	255,247
Information Technology	329,674	234,900			329,674	234,900
Water and Sewer			4,113,129	3,966,988	4,113,129	3,966,988
Ambulance			425,918	473,746	425,918	473,746
Airports			1,011,665	904,081	1,011,665	904,081
Interest – Long Term Debt	40,053	44,300	1,828,613	1,241,043	1,868,666	1,285,343
Total expenses	7,759,753	6,489,631	7,379,325	6,585,858	15,139,078	13,075,489
Increase (Decrease) in net assets before transfers	11,236,230	3,847,854	1,100,921	(782,653)	12,337,151	3,065,201
Transfers	(2,881,396)	(2,199,990)	2,881,396	2,199,990		
Increase (Decrease) in net assets before transfers	8,354,834	1,647,864	3,982,317	1,417,337	12,337,151	3,065,201
Net Assets, beginning of year	28,439,841	26,791,976	34,937,516	33,520,179	63,377,357	60,312,155
Net Assets, end of year	36,794,675	28,439,841	38,919,833	34,937,516	75,714,508	63,377,357

The following statement of activities shows the costs of each major activity of the City. The purpose of this statement is to measure gross expenses against charges for services and grants and other funding.

Net Cost of Osage Beach's Governmental Activities

	Total costs of services	Net costs of services
General Government	2,774,733	(2,690,764)
Public Safety	2,676,484	(1,893,133)
Streets and Highways	1,567,449	5,639,617
Parks & Recreation	144,529	(144,529)
Information Technology	329,674	(329,674)
Capital Improvement	226,831	(226,831)
Interest on Long-Term Debt	40,053	(40,053)
Total	7,759,753	314,633

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. Specifically, unreserved fund balance can be a useful measure of a government's net resources for spending at the end of the fiscal year.

General Fund. The General Fund is the chief operating fund of the City of Osage Beach. The General Fund includes legislative expenses, General Administration, Engineering, Finance, City Clerk, Building Official, Police, Communications, Parks, Economic Development, and Planning activities of the City. All of these activities are provided to, and benefit all of the citizens equally and equitably. This area tends to work on the quality of life and the protection of the citizens and assets of the citizens as a group. At the end of the current fiscal year, total fund balance of the General Fund was \$7,248,199 an increase of \$220,227 over the beginning balance of \$7,027,972. The fund balance increase was mainly due to increase of sales tax revenue. The unreserved general fund balance at year-end was \$7,248,199.

Transportation Fund. This Fund is established pursuant to the Missouri Constitution Article IV, Section 30(a)(2) [State Gas Tax], Revised Missouri Statutes 94.745 (City ½ cent sales tax). It is used for Transportation purposes within the City of Osage Beach. This Fund provides for the maintenance and expansion of transportation needs of our citizens. Included in this Fund are repair and maintenance of the existing public road system, and upgrades to the local transportation system. At the end of the current fiscal year, total fund balance of the Transportation Fund was \$3,582,428 an increase of \$50,181 from the beginning balance of \$3,532,247. The unreserved Transportation Fund balance at year-end was \$3,582,428. The small fund balance increase was mainly due to a combination of healthy sales tax revenue and an accumulation of funds for the Passover Road project.

Capital Improvements Tax Fund. This Fund is established as required under the Revised Missouri Statutes 94.577. The monies collected here are from a ½ cent general sales tax. The Mayor and Board of Aldermen, by ordinance, have committed these funds to help offset the bond costs of the water and sewer systems. As of the close of the current fiscal year, the City of Osage Beach's capital improvement fund reported an ending fund balance of \$1,596,015, a decrease of \$316,323 from the beginning balance of \$1,912,338. The unreserved Capital Improvement Fund balance at year-end was \$1,596,015. The fund balance decrease was due to the amount of transfers being made to the combined water and sewer fund was more than the amount of sales tax that was received.

Proprietary Funds

Combined Water and Sewer Fund – The addition of the Water revenue and expenses to this fund was established in 1998. This Fund was established under the Bond Ordinances to segment the operations of the Combined Water and Sewer Fund from other activities of the City. The Combined Water and Sewer Funds are based on a User Fee system where the individuals and businesses utilizing the service pay a fee based upon a portion of the estimated cost of operation of the Water and Sewer Fund. This fee is subsidized by revenue transferred in from the Capital Improvements Tax Fund to offset debt service costs. At the end of the current fiscal year, total net assets of the Water and Sewer Fund was \$36,072,470 an increase of \$3,942,365 over the beginning balance of \$32,130,105. The unrestricted net assets in Water and Sewer Fund, at year-end, was \$5,639,357. The increase in net assets is partially due to the increase of transfers from the Capital Improvement Fund and the addition of capital contributions from the completed Prewitt's Point Tax Increment Finance projects.

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 Fund receives its revenue from user fees. Currently, fees are not sufficient to cover the cash flow of operation, nor do they cover the non-cash cost (depreciation). The differences in cash payouts are made up by transfers from the General Fund. At the end of the current fiscal year, total net assets of the Ambulance Fund was \$329,969. The unrestricted Ambulance net assets at year-end was \$323,723. The increase in net assets of \$51,448 is the result of an increase in transfers from General Fund.

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, total net asset balance of the Lee C. Fine Airport Fund was \$1,954,977 an increase of \$32,922 from the beginning balance of \$1,922,055. The unrestricted net assets of Lee C. Fine Airport Fund at year-end was \$190,346. The increase in net assets is a result of transfers from General Fund.

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. The differences in cash payouts are made up by transfers from the General Fund. At the end of the current fiscal year, total net assets of the Grand Glaize Airport Fund was \$562,417 a decrease of \$44,418 from the beginning balance of \$606,835. The unrestricted net assets of Grand Glaize Fund was \$35,109. The decrease of net assets is a combination of increased operating expenses and a decrease in transfers from General Fund.

General Fund

Budget Highlights: Each fiscal year, the City formally adopts its budget prior to the beginning of the fiscal year. If necessary, the original budget is amended to re-appropriate unspent funds before the current fiscal year ends. No budget amendments were necessary for the fiscal year ending December 31, 2006. On a budgetary basis, which can be found in the Required Supplementary Information, the revenues and other sources over expenditures and other uses resulted in an increase of \$220,227 in fund balance. Actual revenue exceeded budgeted revenue by \$618,188, due to a higher than expected sales tax revenue. Interest revenue was also higher due to increase interest rates and more funds were available to invest because budgeted park projects were not completed. Actual expenditures were under the budgeted amount by \$2,876,458, also mainly due to capital park projects not being completed.

Capital Asset and Debt Administration

Capital assets. The amount invested in capital assets for the City as of December 31, 2006, is \$88,132,421, net of accumulated depreciation. This amount includes all infrastructure assets acquired during 2006 and prior years for water, sewer, and street infrastructure. The following chart breaks down the City's capital asset balance into the various categories of assets. Additional information regarding the City's capital assets can be found in Note 4 of this report.

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	1,491,257	1,178,057	589,950	572,262	2,081,207	1,750,319
Construction in Progress	1,004,440	526,723	1,075,511	4,613,954	2,079,951	5,140,677
Buildings and Improvements	6,515,262	6,664,534	2,795,835	2,815,410	9,311,097	9,479,944
Equipment	2,532,028	2,119,087	312,275	291,179	2,844,303	2,410,266
Transportation Equipment			607,296	643,532	607,296	643,532
Infrastructure	24,253,557	16,068,408			24,253,557	16,068,408
Water System			31,216,015	27,761,267	31,216,015	27,761,267
Sewer System			47,029,103	42,382,325	47,029,103	42,382,325
Sub-Total	35,796,544	26,556,809	83,625,985	79,079,929	119,422,529	105,636,738
Less accumulated depreciation	(10,052,381)	(8,989,079)	(21,237,727)	(19,452,203)	(31,290,108)	(28,441,282)
Capital assets net of depreciation	25,744,163	17,567,730	62,388,258	59,627,726	88,132,421	77,195,456

Major capital asset transactions during the year include the following:

- Relocation of cable lines and lighting improvements.
- Transportation projects completed included Shore Acres Drive, Proctor Drive and Mariners Circle. Street lights were added at various locations.
- Water and sewer service was installed for the residents of Indian Trace and Cherokee Lane.
- An unsewered area project was completed on Low Road and Pogue Hollow.
- Projects completed in the Prweitt's Point Tax Increment Financing area.

Debt Administration

The gross debt at December 31, 2006 was \$37,320,000, a decrease of \$1,645,000. The debt consists of general long-term debt of \$1,315,000 of the Transportation General Obligation Bonds and \$36,005,000 of the Sewerage and Waterworks Revenue Bonds.

**City of Osage Beach
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	1,315,000	1,555,000			1,315,000	1,555,000
Revenue bonds			36,005,000	37,410,000	36,005,000	37,410,000
Total	1,315,000	1,555,000	36,005,000	37,410,000	37,320,000	38,965,000

Missouri statutes limit the amount of general obligation debt that a unit of government can issue to twenty percent of the total assessed value of taxable property located within the City's boundaries. The legal debt margin for the City of Osage Beach is \$43,435,138. Additional information regarding the City's long-term debt can be found in Note 4 of this report.

Economic Factors and Next Year's Budgets and Rates

At the end of 2006, the City issued 897 business licenses to various businesses; 641 contractor's licenses and 218 liquor licenses. The Building Inspection Department issued 129 commercial permits and 108 residential permits, representing investment in our community of \$37,883,837. The Building Department has performed an "average" of 200 building inspections per month. In addition, 18 demolition permits were issued in 2006. Over 94 water customers and 73 sewer customers have been added in 2006.

All of these factors were considered in preparing the City of Osage Beach's budget for the 2007 fiscal year.

The City of Osage Beach has appropriated \$10,750,462 for spending in the General Fund 2007 fiscal year budget. Of the total appropriated in General Fund, \$4,558,787 is budgeted for capital expenditures. The majority of capital expenditure is to build the City's new park. The budget includes a 3% expected increase in sales tax revenue during the 2007 fiscal year.

After three years of research and study by City staff and a favorable recommendation from the Public Infrastructure Committee, a rate structure change in both water and sewer will be considered by the Board of Aldermen. This change reflects a need by the City to move away from a sewer rate structure that was based flat and estimated usage calculations and to have water and sewer structure mirror each other. Although no rate increase is being sought, the change in the rate structure may decrease actual costs to some customers while increasing costs to others.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	Tax Increment Financing
ASSETS				
Cash and cash equivalents	\$ 553,181	\$ 485,451	\$ 1,038,632	\$ 2,749
Investments	10,100,000	5,428,089	15,528,089	
Receivables (net allowance for doubtful accounts):				
Accounts	-	394,581	394,581	-
Taxes	1,417,665	-	1,417,665	829,244
Interest	39,467	11,898	51,365	-
Grant	57,304	-	57,304	-
Inventory	-	133,732	133,732	-
Prepaid items	400	-	400	-
Restricted assets:				
Cash and cash equivalents	113,409	1,097,137	1,210,546	3,603,242
Investments	541,000	23,035,271	23,576,271	-
Deferred charges (net of accumulated amortization)	23,625	626,084	649,709	785,845
Capital assets not being depreciated:				
Construction in Progress	1,004,440	1,075,511	2,079,951	-
Land and easements	1,491,257	589,950	2,081,207	-
Capital assets net of accumulated depreciation:				
Buildings and improvements	5,165,678	2,292,475	7,458,153	-
Water and sewage systems	-	57,986,603	57,986,603	-
Machinery and equipment	1,733,261	443,719	2,176,980	-
Infrastructure	16,349,527	-	16,349,527	-
Total assets	<u>\$ 38,590,214</u>	<u>\$ 93,600,501</u>	<u>\$ 132,190,715</u>	<u>\$ 5,221,080</u>
LIABILITIES				
Accounts payable	\$ 308,286	\$ 143,695	\$ 451,981	\$ 2,749
Accrued payroll	51,512	14,116	65,628	-
Accrued expenses	-	66,982	66,982	-
Unearned revenue	-	17,341	17,341	-
Payable from restricted assets:				
Accrued interest	9,054	862,225	871,279	105,995
Due to others	18,158	-	18,158	-
Bail bond deposits	17,228	-	17,228	-
Building deposits	600	-	600	-
Payable to DNR	-	18,128,430	18,128,430	-
Noncurrent liabilities:				
Due within one year	250,000	1,545,000	1,795,000	555,000
Due in more than one year	1,140,701	33,902,879	35,043,580	24,560,000
Total liabilities	<u>1,795,539</u>	<u>54,680,668</u>	<u>56,476,207</u>	<u>25,223,744</u>
NET ASSETS				
Invested in capital assets, net of related debt	24,452,788	31,692,173	56,144,961	-
Restricted for:				
Highways and streets	3,582,428	-	3,582,428	-
Debt service	609,369	1,039,125	1,648,494	3,235,742
Capital improvement	977,592	-	977,592	367,500
Unrestricted	7,172,498	6,188,535	13,361,033	(23,605,906)
Total net assets (deficit)	<u>36,794,675</u>	<u>38,919,833</u>	<u>75,714,508</u>	<u>(20,002,664)</u>
Total liabilities and net assets	<u>\$ 38,590,214</u>	<u>\$ 93,600,501</u>	<u>\$ 132,190,715</u>	<u>\$ 5,221,080</u>

See accompanying notes to the basic financial statements.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
FUNCTIONS/PROGRAMS:							
Primary government:							
Governmental Activities:							
General government	\$ 2,774,733	\$ -	\$ 83,969	\$ -	\$ (2,690,764)	\$ -	\$ -
Public safety	2,676,484	783,351	-	-	(1,893,133)	-	-
Park and recreation	144,529	-	-	-	(144,529)	-	-
Information technology	329,674	-	-	-	(329,674)	-	-
Streets and highways	1,567,449	3,401	-	7,203,665	5,639,617	-	-
Capital Improvement	226,831	-	-	-	(226,831)	-	-
Interest on long-term debt	40,053	-	-	-	(40,053)	-	-
Total governmental activities	7,759,753	786,752	83,969	7,203,665	314,633	-	314,633
Business-type activities:							
Water	2,758,943	1,356,971	629,674	1,193,143	-	420,845	420,845
Sewer	3,182,799	2,789,840	328,120	708,439	-	643,600	643,600
Ambulance	425,918	231,997	-	-	-	(193,921)	(193,921)
Airports	1,011,665	848,985	-	-	-	(162,680)	(162,680)
Total business-type activities	7,379,325	5,227,793	957,794	1,901,582	-	707,844	707,844
Total primary government	\$ 15,139,078	\$ 6,014,545	\$ 1,041,763	\$ 9,105,247	\$ 314,633	\$ 707,844	\$ 1,022,477
Component Unit:							
Tax increment financing	\$ 18,104,357	\$ -	\$ -	\$ -			(18,104,357)
General revenues:							
County road taxes					45,805	-	45,805
Property taxes					-	-	-
Sales taxes					9,461,972	-	9,461,972
Franchise taxes					602,872	-	602,872
Motor vehicle fuel & license					154,275	-	154,275
Unrestricted investment earnings					546,027	408,943	954,970
Other income					178,140	-	178,140
Gain (loss) on sale of capital assets					(67,494)	(15,866)	(83,360)
Transfers					(2,881,396)	2,881,396	-
Total general revenues and transfers					8,040,201	3,274,473	11,314,674
Change in net assets					8,354,834	3,982,317	12,337,151
Net assets (deficit) - beginning					28,439,841	34,937,516	63,377,357
Net assets (deficit) - ending					\$ 36,794,675	\$ 38,919,833	\$ 75,714,508
Net assets (deficit) - ending							\$ (20,002,664)

See accompanying notes to the basic financial statements.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2006

	<u>General</u>	<u>Transportation</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 49,193	\$ 330,225	\$ 173,763	\$ 553,181
Investments	6,600,000	3,000,000	500,000	10,100,000
Accounts receivable: (net of allowance for doubtful accounts)				
Accounts				
Taxes	758,549	329,558	329,558	1,417,665
Interest	25,606	12,326	1,535	39,467
Grant	57,304	-	-	57,304
Prepaid items	400	-	-	400
Restricted assets:				
Cash and cash equivalents	35,986	-	77,423	113,409
Investments	-	-	541,000	541,000
Total assets	<u>\$ 7,527,038</u>	<u>\$ 3,672,109</u>	<u>\$ 1,623,279</u>	<u>\$ 12,822,426</u>
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts payable	\$ 195,713	\$ 85,309	\$ 27,264	\$ 308,286
Accrued payroll	47,140	4,372	-	51,512
Payable from restricted assets:				
Due to others	18,158	-	-	18,158
Bail bond deposits	17,228	-	-	17,228
Building deposits	600	-	-	600
Total liabilities	<u>278,839</u>	<u>89,681</u>	<u>27,264</u>	<u>395,784</u>
Fund Balances:				
Reserved for:				
Debt service	-	-	618,423	618,423
Unreserved	7,248,199	3,582,428	977,592	11,808,219
Total fund balances	<u>7,248,199</u>	<u>3,582,428</u>	<u>1,596,015</u>	<u>12,426,642</u>
Total liabilities and funds balances	<u>\$ 7,527,038</u>	<u>\$ 3,672,109</u>	<u>\$ 1,623,279</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,744,163
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(1,376,130)</u>

Net assets of governmental activities	<u>\$ 36,794,675</u>
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See accompanying notes to the basic financial statements.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General</u>	<u>Transportation</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes:				
Sales	\$ 4,763,854	\$ 2,349,070	\$ 2,349,048	\$ 9,461,972
Franchise	602,872	-	-	602,872
Motor vehicle fuel & license	-	154,275	-	154,275
County road taxes	-	45,805	-	45,805
Licenses, fines, permits & fees	783,351	3,401	-	786,752
Interest	341,018	176,153	28,856	546,027
Intergovernmental	83,969	-	-	83,969
Other	178,140	-	-	178,140
Total revenues	<u>6,753,204</u>	<u>2,728,704</u>	<u>2,377,904</u>	<u>11,859,812</u>
EXPENDITURES:				
Current:				
General government	2,478,779	-	-	2,478,779
Public safety	2,597,737	-	-	2,597,737
Park and recreation	100,418	-	-	100,418
Information technology	329,543	-	-	329,543
Streets and highways	-	789,009	-	789,009
Capital Improvement	-	-	226,831	226,831
Capital outlay:				
Equipment	612,500	-	-	612,500
Streets and highways	-	1,608,321	-	1,608,321
Debt service:				
Interest and fiscal agent fees	-	41,193	-	41,193
Principal	-	240,000	-	240,000
Total expenditures	<u>6,118,977</u>	<u>2,678,523</u>	<u>226,831</u>	<u>9,024,331</u>
Excess (deficiency) of revenues over (under) expenditures	634,227	50,181	2,151,073	2,835,481
OTHER FINANCING SOURCES (USES)				
Transfers out	(414,000)	-	(2,467,396)	(2,881,396)
Total other financing sources and uses	<u>(414,000)</u>	<u>-</u>	<u>(2,467,396)</u>	<u>(2,881,396)</u>
Net change in fund balances	220,227	50,181	(316,323)	(45,915)
Fund Balances - beginning	<u>7,027,972</u>	<u>3,532,247</u>	<u>1,912,338</u>	<u>12,472,557</u>
Fund Balances - ending	<u>\$ 7,248,199</u>	<u>\$ 3,582,428</u>	<u>\$ 1,596,015</u>	<u>\$ 12,426,642</u>

See accompanying notes to the basic financial statements.

**CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI**

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2006

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

Net change in fund balances - total governmental funds	\$ (45,915)
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	8,243,927
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.	(67,494)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	240,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(15,684)
Change in net assets of governmental activities	<u><u>\$ 8,354,834</u></u>

See accompanying notes to the basic financial statements.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds				
	Water/Sewer	Ambulance	Lee C. Fine	Grand Glaize	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 75,692	\$ 228,027	\$ 158,291	\$ 23,442	\$ 485,452
Investments	5,428,089	-	-	-	5,428,089
Accounts receivable, net of allowance	284,142	107,237	1,143	2,059	394,581
Accrued interest receivable	11,898	-	-	-	11,898
Inventory	79,468	-	40,600	13,664	133,732
Total current assets	5,879,289	335,264	200,034	39,165	6,453,752
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	1,097,137	-	-	-	1,097,137
Investments	23,035,271	-	-	-	23,035,271
Total restricted assets	24,132,408	-	-	-	24,132,408
Deferred charges, net of accumulated amortization	626,084	-	-	-	626,084
Capital assets					
Construction in progress	1,075,511	-	-	-	1,075,511
Land & easements	530,350	-	-	59,600	589,950
Building and improvements	235,271	-	1,975,783	584,781	2,795,835
Office furniture, fixtures and equipment	145,246	56,729	33,977	76,323	312,275
Transportation equipment	341,093	149,334	116,869	-	607,296
Water system towers and lines	31,216,016	-	-	-	31,216,016
Sewage collection system and treatment plant	47,029,103	-	-	-	47,029,103
Less: accumulated depreciation	(20,482,517)	(199,817)	(361,998)	(193,396)	(21,237,728)
Total noncurrent assets	84,848,565	6,246	1,764,631	527,308	87,146,750
Total assets	\$ 90,727,854	\$ 341,510	\$ 1,964,665	\$ 566,473	\$ 93,600,502
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 140,720	\$ 1,097	\$ 1,657	\$ 222	\$ 143,696
Accrued payroll	8,179	2,537	1,686	1,714	14,116
Accrued expenses	66,982	-	-	-	66,982
Deferred revenue	14,550	-	2,626	165	17,341
Current liabilities payable from restricted assets:					
Accrued interest	862,225	-	-	-	862,225
Current portion of revenue bonds	1,545,000	-	-	-	1,545,000
Total current liabilities	2,637,656	3,634	5,969	2,101	2,649,360
Noncurrent liabilities:					
Compensated absences	9,501	7,907	3,719	1,955	23,082
Payable to DNR	18,128,430	-	-	-	18,128,430
Revenue bonds (see note 4)	33,879,797	-	-	-	33,879,797
Total noncurrent liabilities	52,017,728	7,907	3,719	1,955	52,031,309
Total liabilities	54,655,384	11,541	9,688	4,056	54,680,669
NET ASSETS					
Invested in capital assets, net of related debt	29,393,988	6,246	1,764,631	527,308	31,692,173
Restricted for debt service	1,039,125	-	-	-	1,039,125
Unrestricted	5,639,357	323,723	190,346	35,109	6,188,535
Total net assets	36,072,470	329,969	1,954,977	562,417	38,919,833
Total liabilities and net assets	\$ 90,727,854	\$ 341,510	\$ 1,964,665	\$ 566,473	\$ 93,600,502

See accompanying notes to the basic financial statements.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds				
	Water/Sewer	Ambulance	Lee C. Fine	Grand Glaize	Totals
Operating revenues:					
Charges for sales and services	\$ 4,146,811	\$ 231,997	\$ 645,519	\$ 203,466	\$ 5,227,793
Total operating revenues	4,146,811	231,997	645,519	203,466	5,227,793
Operating expenses:					
Cost of sales and services	747,797	23,697	407,997	124,523	1,304,014
Administration	118,721	47,348	5,576	4,264	175,909
Repairs and maintenance	530,059	18,432	30,074	14,328	592,893
Personnel services	653,103	293,157	172,646	123,573	1,242,479
Insurance	77,646	32,395	21,944	18,956	150,941
Depreciation and amortization	1,985,803	10,889	58,317	29,467	2,084,476
Total operating expenses	4,113,129	425,918	696,554	315,111	5,550,712
Operating income (loss)	33,682	(193,921)	(51,035)	(111,645)	(322,919)
Nonoperating revenues (expenses):					
Interest income	404,953	-	3,957	33	408,943
Intergovernmental	957,794	-	-	-	957,794
Interest expense and fees	(1,828,613)	-	-	-	(1,828,613)
Gain (loss) on sale of capital assets	5,571	(8,631)	-	(12,806)	(15,866)
Total nonoperating revenues (expenses)	(460,295)	(8,631)	3,957	(12,773)	(477,742)
Income (loss) before contributions and transfers	(426,613)	(202,552)	(47,078)	(124,418)	(800,661)
Capital contributions	1,901,582	-	-	-	1,901,582
Transfers in	2,467,396	254,000	80,000	80,000	2,881,396
Change in net assets	3,942,365	51,448	32,922	(44,418)	3,982,317
Total net assets - beginning	32,130,105	278,521	1,922,055	606,835	34,937,516
Total net assets - ending	\$36,072,470	\$ 329,969	\$ 1,954,977	\$ 562,417	\$38,919,833

See accompanying notes to the basic financial statements.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds				
	Water/Sewer	Ambulance	Lee C. Fine	Grand Glaize	Totals
Cash Flow from Operating Activities:					
Receipts from customers and users	\$ 4,145,702	\$ 233,523	\$ 647,674	\$ 202,536	\$ 5,229,435
Payments to suppliers	(1,928,886)	(121,978)	(469,320)	(167,246)	(2,687,430)
Payments for personnel services	(653,936)	(292,049)	(167,905)	(125,696)	(1,239,586)
Net cash provided (used) by operating activities	1,562,880	(180,504)	10,449	(90,406)	1,302,419
Cash Flows from Noncapital Related					
Financing Activities:					
Interfund transfers	2,467,396	254,000	80,000	80,000	2,881,396
Reserve DNR Proceeds	112,388	-	-	-	112,388
Operating subsidy received	957,795	-	-	-	957,795
Net cash provided (used) by noncapital financing activities	3,537,579	254,000	80,000	80,000	3,951,579
Cash Flows from Capital and Related					
Financing Activities:					
Principal paid on capital debt	(1,405,000)	-	-	-	(1,405,000)
Interest paid	(1,828,113)	-	-	-	(1,828,113)
Purchase of capital assets	(2,797,661)	(16,099)	(6,995)	-	(2,820,755)
Proceeds from sales of capital assets	9,364	-	-	-	9,364
Net cash provided (used) by financing activities	(6,021,410)	(16,099)	(6,995)	-	(6,044,504)
Cash Flow from Investing Activities:					
Interest received	402,748	-	3,957	33	406,738
Proceeds from sale of investments	29,093,910	-	-	-	29,093,910
Purchase of investments	(28,463,360)	-	-	-	(28,463,360)
Net cash provided (used) by investing activities	1,033,298	-	3,957	33	1,037,288
Net increase (decrease) in cash and cash equivalents	112,347	57,397	87,411	(10,373)	246,782
Cash and cash equivalents, January 1	1,060,482	170,630	70,880	33,815	1,335,807
Cash and cash equivalents, December 31	\$ 1,172,829	\$ 228,027	\$ 158,291	\$ 23,442	\$ 1,582,589

See accompanying notes to the basic financial statements.

**CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds				
	Water/Sewer	Ambulance	Lee C. Fine	Grand Glaize	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 33,682	\$ (193,921)	\$ (51,035)	\$ (111,645)	\$ (322,919)
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	1,985,803	10,889	58,317	29,467	2,084,476
(Increase) decrease in:					
Accounts receivable-net	(3,334)	1,526	(396)	(920)	(3,124)
Inventory	10,889	-	1,018	1,447	13,354
Increase (decrease) in:					
Accounts payable	(527,528)	(106)	(4,747)	(6,622)	(539,003)
Accrued expenses	61,976	-	-	-	61,976
Accrued payroll	(1,120)	(955)	1,132	(1,118)	(2,061)
Accrued compensation	287	2,063	3,609	(1,005)	4,954
Deferred revenue	2,225	-	2,551	(10)	4,766
Net cash provided (used) by operating activities	<u>\$ 1,562,880</u>	<u>\$ (180,504)</u>	<u>\$ 10,449</u>	<u>\$ (90,406)</u>	<u>\$ 1,302,419</u>
Noncash investing, capital and financing activities:					
Contributions of capital assets from developers	<u>\$ 1,901,582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,901,582</u>

See accompanying notes to the basic financial statements.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

STATEMENT OF NET ASSETS
COMPONENT UNIT FUNDS

DECEMBER 31, 2006

	<u>Tax Increment Financing Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,749
Accounts receivable, net allowance for doubtful accounts	
Taxes	829,244
Restricted assets	
Cash and cash equivalents	3,603,242
Deferred charges (net of accumulated amortization)	<u>785,845</u>
Total assets	<u><u>\$ 5,221,080</u></u>
 LIABILITIES	
Accounts payable	\$ 2,749
Payable from restricted assets	
Accrued interest	105,995
Revenue bonds (see note 4)	<u>25,115,000</u>
Total liabilities	<u>25,223,744</u>
 NET ASSETS	
Restricted for:	
Debt service	3,235,742
Construction	367,500
Unrestricted, (deficit)	<u>(23,605,906)</u>
Total net assets	<u>(20,002,664)</u>
Total liabilities and net assets	<u><u>\$ 5,221,080</u></u>

See accompanying notes to the basic financial statements.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

STATEMENT OF CHANGES IN NET ASSETS
COMPONENT UNIT FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Tax Increment Financing Fund</u>
ADDITIONS:	
General revenues:	
Property taxes	\$ 663,120
Sales taxes	1,670,668
Unrestricted investment earnings	100,428
Total general revenues	<u>2,434,216</u>
 Total additions	 2,434,216
 DEDUCTIONS:	
Tax Increment Financing	<u>(18,104,357)</u>
 Change in net assets	 (15,670,141)
 Net assets (deficit), beginning	 <u>(4,332,523)</u>
 Net assets (deficit), ending	 <u><u>\$ (20,002,664)</u></u>

See accompanying notes to the basic financial statements.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The government is a municipal corporation governed by an elected mayor and six-member Board of Aldermen. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. This discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely Presented Component Unit

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- * the organization is legally separate (can sue and be sued in their own name)
- * the City holds the corporate powers of the organization
- * the City appoints a voting majority of the organization's board
- * the City is able to impose its will on the organization
- * the organization has the potential to impose a financial benefit/burden on the City
- * there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Osage Beach has one component unit, the Tax Increment Financing Fund which has been discretely presented in the City's basic financial statements. The Tax Increment Financing Fund does not issue separate financial statements.

The Tax Increment Financing District is responsible for encouraging development of commercial enterprises in the District. The members of the District's governing board are appointed by the various political subdivisions which levy taxes in the District. The City does not appoint a voting majority to the District's board. However, the District is fiscally dependent upon the City because the City must approve any debt issuances.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont'd.)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 financial statements are provided for governmental funds, proprietary funds, and the component unit. 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont'd.)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Cont'd.)

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

Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *Transportation Fund* accounts for the sales and motor fuel taxes that are used for the maintenance and construction of the City streets.

The *Capital Improvement Tax Fund* accounts for the capital improvement sales taxes which are used to subsidize the payment of the water and sewer fund revenue bonds and other capital needs as authorized by an election held in November 1987.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont'd.)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Cont'd.)

The government reports the following major proprietary funds:

The *Water and Sewer Fund accounts* for the operation of the sewage treatment plant, sewage pumping stations, sewage collection systems and the water distribution system.

The *Ambulance Fund* accounts for the operation of the City's ambulance response service.

The *Lee C. Fine and Grand Glaize Funds* account for the operation of the City's two airports.

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's proprietary funds functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, *general revenues* include all taxes.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont'd.)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Cont'd.)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Assets, Liabilities and Equity

1. **Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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.

All investments are reported at fair value, determined by quoted market prices. Certificates of deposit with original maturity in excess of three months are included in investments.

Interest earned on pooled cash and investments is allocated to funds based on fund investment balances.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont'd.)

Assets, Liabilities and Equity (Cont'd.)

2. Receivables and Payables

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

All trade and tax receivables are shown net of an allowance for uncollectibles.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

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

4. Restricted Assets

Certain assets of the City's Governmental Funds are classified as restricted because their use is completely restricted by grant agreements, law, bond ordinances or by other external parties.

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond principal and interest" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond reserve" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. The "revenue bond depreciation and replacement" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont'd.)

Assets, Liabilities and Equity (Cont'd.)

5. 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. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer fund during the current year was \$1,828,613. Of this amount, \$0 was included as part of the cost of capital assets under construction in connection with water and sewage construction projects.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Office Furniture, Fixtures and Equipment	5 – 10 years
Transportation Equipment	5 years
Sewage Collection Systems	20 – 40 years
Treatment Plant	40 years
Water Systems	40 years

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont'd.)

Assets, Liabilities and Equity (Cont'd.)

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation is granted at the end of each year of service. The vacation leave granted for the previous year must be used prior to the anniversary date of employment of the subsequent year when it is granted or the employee forfeits all rights to use or ownership. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and component unit financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$1,376,130 difference are as follows:

Bonds payable	\$1,315,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(23,625)
Accrued interest payable	9,054
Compensated absences	<u>75,701</u>
Net adjustment to reduce fund – total governmental funds	
To arrive at net assets – governmental activities	<u>\$1,376,130</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation explains that “Governmental funds report capital outlays 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 details of this \$8,243,927 difference are as follows:

Capital outlay	\$9,424,486
Depreciation expense	<u>(1,180,559)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$8,243,927</u>

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (Cont'd.)

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.” The details of this \$(67,494) difference is as follows:

The statement of activities reports <i>losses</i> arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on a disposal of capital assets.	<u>\$(67,494)</u>
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Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> .	<u>\$(67,494)</u>
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Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$240,000 difference are as follows:

Principal repayments:	
General obligation debt	<u>\$ 240,000</u>
Net adjustment to decrease <i>net changes in fund balances – total</i> government funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 240,000</u>

**CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (Cont'd.)

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(15,684) difference are as follows:

Compensated absences	\$(11,475)
Accrued interest	1,140
Amortization of issuance costs	<u>(5,349)</u>
Net adjustment to decrease <i>net changes in fund balances – total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (15,684)</u></u>

NOTE 3 – CONTINGENT LIABILITIES:

The City has been named as a defendant in various lawsuits. Although the outcome of these lawsuits are not presently determinable, in the opinion of the City’s management, the potential losses, in excess of insurance coverage, if any, will not have a materially adverse effect on the City’s financial position, as a whole.

NOTE 4 - DETAILED NOTES ON ALL FUNDS:

A. Deposits and Investments

As of December 31, 2006, the City had the following investments and maturities:

Primary Government:

Investment Type	Investment Maturity (in years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Money Market Accounts	\$ 21,569	\$ 21,569	\$ -	\$ -	\$ -
Certificates of Deposit	16,518,000	16,518,000	-	-	-
Mutual Funds	144,404	144,404	-	-	-
Guaranteed Invest. Contracts	<u>22,586,360</u>	<u>-</u>	<u>3,963,980</u>	<u>-</u>	<u>18,622,380</u>
Total	<u><u>\$ 39,270,333</u></u>	<u><u>\$ 16,683,973</u></u>	<u><u>\$ 3,963,980</u></u>	<u><u>\$ -</u></u>	<u><u>\$18,622,380</u></u>

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS: (Cont'd.)

A. Deposits and Investments (Cont'd.)

Component Unit:

Investment Type	Investment Maturity (in years)				
	Fair Value	Less Than 1	1-5	5-10	More Than 10
Mutual Funds	\$ 3,603,242	\$ 3,603,242	\$ -	\$ -	\$ -
Total	\$ 3,603,242	\$ 3,603,242	\$ -	\$ -	\$ -

Money market accounts totaling \$21,569 and mutual funds totaling \$144,404 for the City and \$3,603,242 for the Tax Increment Financing Fund are classified as cash and cash equivalents in the Statement of Net Assets but as investments for custodial risk disclosure.

Interest rate risk. Interest rate risk is the risk that the fair value 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 choices. The City's investments met the state statute requirements.

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, 57.52% are guaranteed investment contracts.

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City of Osage Beach's deposits may not be returned to the city. All bank balances, including money market accounts, and certificate of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the City's agents in the City's name.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS: (Cont'd.)

A. Deposits and Investments (Cont'd.)

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

B. Restricted Assets

Bond ordinances and other external parties require certain assets to be segregated and classified as restricted assets.

Assets restricted for specific purposes are as follows:

	Governmental Activities	Business- Type Activities	Tax Increment Financing
Bail bond deposits	\$ 17,228	\$ -	\$ -
Building permit deposits	600	-	-
Amounts held for others	18,158	-	-
Principal and interest account	-	1,385,456	-
Bond reserve account	618,423	-	2,279,902
Construction	-	4,102,628	367,500
Arbitrage rebate	-	66,982	-
DNR investments	-	18,128,430	-
Depreciation and replacement account	-	448,912	-
Bond revenue account	-	-	955,840
	<u>\$ 654,409</u>	<u>\$ 24,132,408</u>	<u>\$ 3,603,242</u>

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4- DETAILED NOTES ON ALL FUNDS: (Cont'd.)

C. Receivables

Receivables as of year end for the City's individual funds, including the applicable allowance for uncollectible accounts, are as follows:

Primary Government:

	<u>General</u>	<u>Transportation</u>	<u>Capital Improvement</u>
Receivables:			
Taxes	\$ 758,549	\$ 329,558	\$ 329,558
Interest	25,606	12,326	1,535
Grant	57,304	-	-
Gross Receivables	841,459	341,884	331,093
Less: Allowance for Uncollectibles	-	-	-
Net Total Receivables	<u>\$ 841,459</u>	<u>\$ 341,884</u>	<u>\$ 331,093</u>

	<u>Water/Sewer</u>	<u>Ambulance</u>	<u>Lee C. Fine</u>	<u>Grand Glaize</u>
Receivables:				
Accounts	\$ 287,123	\$ 157,728	\$ 1,143	\$ 2,059
Interest	11,898	-	-	-
Gross Receivables	299,021	157,728	1,143	2,059
Less: Allowance for Uncollectibles	(2,981)	(50,491)	-	-
Net Total Receivables	<u>\$ 296,040</u>	<u>\$ 107,237</u>	<u>\$ 1,143</u>	<u>\$ 2,059</u>

Discretely Presented Component Unit:

	<u>Tax Increment Financing</u>
Receivables:	
Taxes	\$ 829,244
Gross Receivables	829,244
Less: Allowance for Uncollectibles	-
Net Total Receivables	<u>\$ 829,244</u>

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS: (Cont'd.)

D. Capital Assets

Capital Asset activity for the year ended December 31, 2006 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,178,057	\$ 313,200	\$ -	\$ 1,491,257
Construction in Progress	526,723	585,703	(107,986)	1,004,440
Total capital assets, not being depreciated	<u>1,704,780</u>	<u>898,903</u>	<u>(107,986)</u>	<u>2,495,697</u>
Capital assets, being depreciated:				
Buildings and Improvements	6,664,534	35,479	(184,751)	6,515,262
Machinery and Equipment	2,119,087	412,941	-	2,532,028
Infrastructure	16,068,408	8,185,149	-	24,253,557
Total Capital assets being depreciated	<u>24,852,029</u>	<u>8,633,569</u>	<u>(184,751)</u>	<u>33,300,847</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,121,270)	(228,314)	-	(1,349,584)
Machinery and Equipment	(746,979)	(169,045)	117,257	(798,767)
Infrastructure	(7,120,830)	(783,200)	-	(7,904,030)
Total accumulated depreciation	<u>(8,989,079)</u>	<u>(1,180,559)</u>	<u>117,257</u>	<u>(10,052,381)</u>
Total capital assets, being depreciated, net	<u>15,862,950</u>	<u>7,453,010</u>	<u>(67,494)</u>	<u>23,248,466</u>
Governmental activities capital assets, net	<u>\$ 17,567,730</u>	<u>\$ 8,351,913</u>	<u>\$ (175,480)</u>	<u>\$ 25,744,163</u>

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

Governmental Activities	
General government	\$ 288,159
Public safety	70,046
Streets and highways	778,437
Parks and recreation	43,917
	<u>\$ 1,180,559</u>

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS: (Cont'd.)

D. Capital Assets (Cont'd.)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land and Easements	\$ 572,262	\$ 17,688	\$ -	\$ 589,950
Construction in Progress	4,613,954	967,897	(4,506,340)	1,075,511
Total capital assets, not being depreciated	5,186,216	985,585	(4,506,340)	1,665,461
Capital assets, being depreciated:				
Buildings and Improvements	2,815,410	-	(19,575)	2,795,835
Equipment	291,179	64,000	(42,904)	312,275
Transportation Equipment	643,532	71,217	(107,453)	607,296
Water System, Towers and Lines	27,761,267	3,454,748	-	31,216,015
Sewage Collection System & Treatment Plant	42,382,325	4,653,128	(6,350)	47,029,103
Total Capital assets being depreciated	73,893,713	8,243,093	(176,282)	81,960,524
Less accumulated depreciation for:				
Buildings and Improvements	(413,505)	(90,155)	300	(503,360)
Office Furniture, Fixtures & Equipment	(102,725)	(2,229)	38,875	(66,079)
Transportation Equipment	(454,036)	(61,265)	105,528	(409,773)
Water System Towers & Lines	(2,790,534)	(711,634)	-	(3,502,168)
Sewage Collection System and Treatment Plant	(15,691,403)	(1,071,294)	6,350	(16,756,347)
Total accumulated depreciation	(19,452,203)	(1,936,577)	151,053	(21,237,727)
Total capital assets, being depreciated, net	54,441,510	6,306,516	(25,229)	60,722,797
Business-type activities capital assets, net	<u>\$ 59,627,726</u>	<u>\$ 7,292,101</u>	<u>\$ (4,531,569)</u>	<u>\$ 62,388,258</u>

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

Business-type Activities	
Water	\$ 724,185
Sewer	1,113,720
Ambulance	10,888
Airports	87,784
	<u>\$ 1,936,577</u>

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS: (Cont'd.)

D. Capital Assets (Cont'd.)

Construction Commitments:

The City has active construction projects as of December 31, 2006. The projects include street construction, park construction and construction of water and sewer facilities. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Commitment</u>
Street Construction	\$ 1,453,962	\$ 279,017
Park Construction	426,228	2,907,157
Water Construction	117,592	1,007,784
Sewer Construction	970,214	2,580,989
	<u>\$ 2,967,996</u>	<u>\$ 6,774,947</u>

The street construction projects are funded primarily with sales tax revenue. The park construction projects are funded by general fund revenue. Water construction will be reimbursed with funds expected from the 2007 State Revolving Funds and cash from operating revenues of the water system. Sewer construction was primarily funded with revenue bond proceeds remaining in the 2005 State Revolving Funds and cash from operating revenues of the sewer system.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS: (Cont'd.)

E. Long-Term Debt

Governmental Activities:

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. The original amount of general obligation bonds issued in prior years was \$2,025,000. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	1.250-3.20%	\$ 1,315,000

The general obligation bonds and interest thereon will be paid by the Street Fund.

Annual debt service requirements to maturity for general obligation bonds, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 250,000	\$ 36,215	\$ 286,215
2008	255,000	30,715	285,715
2009	260,000	24,340	284,340
2010	270,000	17,060	287,060
2011	280,000	8,960	288,960
Total	<u>\$ 1,315,000</u>	<u>\$ 117,290</u>	<u>\$ 1,432,290</u>

**CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 4 - DETAILED NOTES ON ALL FUNDS: (Cont'd.)

E. Long-Term Debt (Cont'd.)

General Obligation Bonds (Cont'd.)

The Missouri State Constitution permits a City, by vote of four-sevenths of the voting electorate, to incur general obligation indebtedness for "City purposes" not to exceed ten percent of the assessed value of taxable tangible property and to incur additional general obligation indebtedness not to exceed, in the aggregate, an additional ten percent 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 sewer systems, and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the assessed valuation of taxable property.

At December 31, 2006, the Constitutional general obligation debt limit, based on the assessed valuation at December 31, 2006, of approximately \$217,175,688 was \$43,435,138.

The legal debt margin of the City at December 31, 2006, was:

Constitutional debt limit	\$ 43,435,138
General obligation bonds payable	(1,315,000)
Excess Legal debt margin	<u>\$ 42,120,138</u>

Business-type Activities:

Revenue Bonds

The government also issues bonds where the government pledges a portion of income derived from the acquired or constructed assets to pay debt service. The original amounts of revenue bonds issued in prior years was \$40,610,000. Revenue bonds outstanding, excluding an unamortized premiums of \$1,132,412 and unamortized advance refunding costs of \$1,712,615 at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
State Revolving Fund - Series 2001 A	4.00-5.00%	\$ 4,120,000
Combined Waterworks and Sewerage System Series 2002B	2.00-5.00%	21,185,000
Combined Waterworks and Sewerage System Series 2003 B	2.00-4.7%	5,870,000
Combined Waterworks and Sewerage System Series 2005 C	3.00-5.25%	4,830,000
		<u>\$ 36,005,000</u>

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS: (Cont'd.)

E. Long-Term Debt (Cont'd.)

Revenue Bonds (Cont'd.)

The following is a summary of Net Revenue Bonds Payable for December 31, 2006:

Bonds Payable at December 31, 2006	\$ 36,005,000
Advanced Refunding (net of accumulated amortization)	(1,712,615)
Unamortized Premiums/Discounts	1,132,412
Net Revenue Bonds Payable December 31, 2006	<u><u>35,424,797</u></u>

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest	Total
2007	\$ 1,545,000	\$ 1,718,069	\$ 3,263,069
2008	1,585,000	1,669,794	3,254,794
2009	1,635,000	1,617,106	3,252,106
2010	1,705,000	1,545,181	3,250,181
2011	1,750,000	1,481,672	3,231,672
2012	1,830,000	1,397,847	3,227,847
2013	1,915,000	1,307,844	3,222,844
2014	1,990,000	1,210,766	3,200,766
2015	2,080,000	1,107,267	3,187,267
2016	2,175,000	1,000,609	3,175,609
2017	2,285,000	888,901	3,173,901
2018	2,380,000	769,101	3,149,101
2019	2,490,000	641,163	3,131,163
2020	2,610,000	506,801	3,116,801
2021	2,730,000	374,704	3,104,704
2022	2,860,000	234,238	3,094,238
2023	950,000	99,615	1,049,615
2024	1,185,000	49,415	1,234,415
2025	305,000	14,488	319,488
	<u><u>\$ 36,005,000</u></u>	<u><u>\$ 17,634,573</u></u>	<u><u>\$ 53,639,573</u></u>

**CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 4 - DETAILED NOTES ON ALL FUNDS: (Cont'd.)

E. Long-Term Debt (Cont'd.)

Tax Increment Financing:

On February 28, 2002, the City of Osage Beach issued Tax Increment Bonds (Prewitt's Point Project) Series 2002 in the aggregate principal amount of \$7,775,000. These bonds were issued for the City's component unit, Tax Increment Financing. These bonds are limited obligations of the City payable solely from revenues pledged pursuant to the bond indenture. The bonds do not have a required redemption schedule, however, the bonds mature on May 1, 2023. The amount of bonds outstanding as of December 31, 2006 is \$6,525,000.

On December 13, 2006 the City of Osage Beach issued Tax Increment Revenue Bonds (Prewitt's Point Project) Series 2006 in the aggregate principal of \$18,590,000. These bonds were issued for the City's component unit, Tax Increment Financing. These Series 2006 Bonds are limited obligations of the City, payable solely from Bond proceeds, Payments in Lieu of Taxes, Economic Activity Tax Revenue and moneys 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.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS: (Cont'd.)

E. Long-Term Debt (Cont'd.)

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest	Total
2007	\$ 555,000	\$ 772,984	\$ 1,327,984
2008	590,000	866,613	1,456,613
2009	665,000	838,697	1,503,697
2010	730,000	806,437	1,536,437
2011	785,000	771,403	1,556,403
2012	860,000	732,610	1,592,610
2013	925,000	689,770	1,614,770
2014	1,010,000	643,330	1,653,330
2015	1,080,000	593,170	1,673,170
2016	1,125,000	540,250	1,665,250
2017	1,095,000	485,875	1,580,875
2018	1,170,000	429,250	1,599,250
2019	1,250,000	368,750	1,618,750
2020	1,355,000	303,625	1,658,625
2021	1,445,000	233,625	1,678,625
2022	1,560,000	158,500	1,718,500
2023	2,390,000	59,750	2,449,750
	<u>\$ 18,590,000</u>	<u>\$ 9,294,639</u>	<u>\$ 27,884,639</u>

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS: (Cont'd.)

E. Long-Term Debt (Cont'd.)

Changes in long-term liabilities for the year ended December 31, 2006 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation bonds	\$ 1,555,000	\$ -	\$ (240,000)	\$ 1,315,000	\$ 250,000
*Compensated absences	64,226	25,297	(13,822)	75,701	-
Governmental activity Long-term liabilities	<u>\$ 1,619,226</u>	<u>\$ 25,297</u>	<u>\$ (253,822)</u>	<u>\$ 1,390,701</u>	<u>\$ 250,000</u>
Business-type Activities:					
Revenue bonds	\$ 37,410,000	\$ -	\$ (1,405,000)	\$ 36,005,000	\$ 1,545,000
Compensated absences	18,128	7,955	(3,001)	23,082	-
Business-type activity Long-term liabilities	<u>\$ 37,428,128</u>	<u>\$ 7,955</u>	<u>\$ (1,408,001)</u>	<u>\$ 36,028,082</u>	<u>\$ 1,545,000</u>
Tax Increment Financing:					
Revenue bonds	\$ 7,070,000	\$ 18,590,000	\$ (545,000)	\$ 25,115,000	\$ 555,000
Tax Increment Financing activity Long-term liabilities	<u>\$ 7,070,000</u>	<u>\$ 18,590,000</u>	<u>\$ (545,000)</u>	<u>\$ 25,115,000</u>	<u>\$ 555,000</u>

*Compensated absences have been typically liquidated in the general fund.

F. Defeased Bonds Outstanding

Business-type Activities:

In prior years, the City defeased certain Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On December 31, 2006 \$16,425,000 of bonds outstanding are considered defeased.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS: (Cont'd.)

G. Interfund Receivables, Payable and Transfers

The composition of interfund balances as of December 31, 2006 is as follows:

Advances from/to other funds:

<u>Received By</u>	<u>Paid By</u>	<u>Amount</u>
Ambulance	General Fund	\$ 254,000
Grand Glaize	General Fund	80,000
Lee C. Fine	General Fund	80,000
Water/Sewer	Capital Improvement Fund	2,467,396

The purpose for the transfers from the general fund to the Ambulance Fund, Grand Glaize Fund, and Lee C. Fine Fund were to subsidize the operations of those funds. The purpose for the transfer from the Capital Improvement Fund to the Water/Sewer Fund is to subsidize the payment of Water/Sewer Revenue Bonds.

NOTE 5 – 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; injuries to employees; 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 three years.

NOTE 6 - JOINT VENTURE OSAGE BEACH/LAKE OZARK SEWAGE TREATMENT PLANT:

On August 5, 1981, City of Osage Beach agreed to a joint ownership 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 shall be split proportionately between the two cities. For the year ended December 31, 2006, the City paid \$350,659 for their share of STP expenses. A separate audit is performed on this entity and a copy may be reviewed at the Board office.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 7 – 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. Assessed valuation and tax levy for the Tax Increment Financing property as of September 15, 2006 was as follows:

	<u>2006</u>
Assessed Valuation Tax Increment Financing	
Miller County	<u>\$15,233,990</u>
	<u>\$ 15,233,990</u>
 Tax Levy per \$100 Assessed Valuation	
General Fund	<u>\$.0397</u>

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 the bond indenture.

NOTE 8 – 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, employees do not contribute to the plan. The City contributed \$219,744 to the plan for the year ended December 31, 2006.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes				
Sales	\$ 4,600,000	\$ 4,600,000	\$ 4,763,854	\$ 163,854
Franchise	595,000	595,000	602,872	7,872
Licenses, permits & fees	742,364	742,364	783,351	40,987
Interest	131,240	131,240	341,018	209,778
Intergovernmental	16,562	16,562	83,969	67,407
Other	49,850	49,850	178,140	128,290
Total Revenues	<u>6,135,016</u>	<u>6,135,016</u>	<u>6,753,204</u>	<u>618,188</u>
EXPENDITURES:				
Current				
General government	1,993,656	1,993,656	2,478,779	(485,123)
Public safety	2,837,661	2,837,661	2,597,737	239,924
Park and recreation	140,792	140,792	100,418	40,374
Information technology	359,524	359,524	329,543	29,981
Capital outlay				
Equipment	3,663,802	3,663,802	612,500	3,051,302
Total expenditures	<u>8,995,435</u>	<u>8,995,435</u>	<u>6,118,977</u>	<u>2,876,458</u>
Excess (deficiency) of revenues over (under) expenditures	(2,860,419)	(2,860,419)	634,227	3,494,646
OTHER FINANCING SOURCES (USES)				
Transfers out	(814,000)	(814,000)	(414,000)	400,000
Total other financing sources (uses)	<u>(814,000)</u>	<u>(814,000)</u>	<u>(414,000)</u>	<u>400,000</u>
Net change in fund balance	(3,674,419)	(3,674,419)	220,227	3,894,646
Fund balance - beginning	<u>7,027,972</u>	<u>7,027,972</u>	<u>7,027,972</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,353,553</u>	<u>\$ 3,353,553</u>	<u>\$ 7,248,199</u>	<u>\$ 3,894,646</u>

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes				
Sales	\$ 2,300,000	\$ 2,300,000	\$ 2,349,070	\$ 49,070
Motor vehicle fuel & license	152,000	152,000	154,275	2,275
County road taxes	36,000	36,000	45,805	9,805
Licenses, permits & fees	100	100	3,401	3,301
Interest	60,000	60,000	176,153	116,153
Intergovernmental	2,136,500.0	2,136,500	-	(2,136,500)
Other	12,000	12,000	-	(12,000)
Total Revenues	<u>4,696,600</u>	<u>4,696,600</u>	<u>2,728,704</u>	<u>(1,967,896)</u>
EXPENDITURES:				
Current				
Streets and Highways	638,147	638,147	789,009	(150,862)
Capital outlay				
Streets and Highways	4,775,425	4,775,425	1,608,321	3,167,104
Debt Service				
Principal	240,000	240,000	240,000	-
Interest and fiscal agent fees	41,275	41,275	41,193	82
Total expenditures	<u>5,694,847</u>	<u>5,694,847</u>	<u>2,678,523</u>	<u>3,016,324</u>
Net change in fund balance	(998,247)	(998,247)	50,181	1,048,428
Fund balance - beginning	<u>3,532,247</u>	<u>3,532,247</u>	<u>3,532,247</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,534,000</u>	<u>\$ 2,534,000</u>	<u>\$ 3,582,428</u>	<u>\$ 1,048,428</u>

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Sales Tax	\$ 2,300,000	\$ 2,300,000	\$ 2,349,048	\$ 49,048
Interest	6,250	6,250	28,856	22,606
Total revenues	<u>2,306,250</u>	<u>2,306,250</u>	<u>2,377,904</u>	<u>71,654</u>
EXPENDITURES:				
Current				
Capital Improvement	<u>-</u>	<u>-</u>	<u>226,831</u>	<u>(226,831)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	2,151,073	(226,831)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,700,000)</u>	<u>(2,700,000)</u>	<u>(2,467,396)</u>	<u>232,604</u>
Total other financing sources (uses)	<u>(2,700,000)</u>	<u>(2,700,000)</u>	<u>(2,467,396)</u>	<u>232,604</u>
Net change in fund balance	(393,750)	(393,750)	(316,323)	(304,258)
Fund balance - beginning	<u>1,912,338</u>	<u>1,912,338</u>	<u>1,912,338</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,518,588</u>	<u>\$ 1,518,588</u>	<u>\$ 1,596,015</u>	<u>\$ (304,258)</u>

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year-end.

Prior to January 1, the proposed budget is presented to the City's Board of Aldermen for review. The Board of Aldermen hold public hearings and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function and department. 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. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

STATISTICAL SECTION

CITY OF OSAGE BEACH, MISSOURI

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

	FISCAL YEAR			
	2003	2004	2005	2006
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 14,723,034	\$ 14,763,649	\$ 16,012,730	\$ 24,452,788
Restricted	4,443,505	5,316,741	5,444,585	5,178,443
Unrestricted	6,279,125	6,711,585	6,982,526	7,163,444
Total governmental activities net assets	<u>\$ 25,445,664</u>	<u>\$ 26,791,975</u>	<u>\$ 28,439,841</u>	<u>\$ 36,794,675</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 18,235,911	\$ 22,500,841	\$ 16,037,165	\$ 31,692,173
Restricted	5,237,113	2,156,307	6,801,445	1,039,125
Unrestricted	8,937,140	8,863,032	12,098,906	6,188,535
Total Business-type activities net assets	<u>\$ 32,410,164</u>	<u>\$ 33,520,180</u>	<u>\$ 34,937,516</u>	<u>\$ 38,919,833</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 32,958,945	\$ 37,264,490	\$ 32,049,895	\$ 56,144,961
Restricted	9,680,618	7,473,048	12,246,030	6,217,568
Unrestricted	15,216,265	15,574,617	19,081,432	13,351,979
Total primary government net assets	<u>\$ 57,855,828</u>	<u>\$ 60,312,155</u>	<u>\$ 63,377,357</u>	<u>\$ 75,714,508</u>

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

CITY OF OSAGE BEACH, MISSOURI

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

	FISCAL YEAR			
	2003	2004	2005	2006
Expenses				
Governmental Activities:				
General government	\$ 1,801,310	\$ 1,986,201	\$ 2,042,939	\$ 2,774,733
Public Safety	2,227,219	2,261,432	2,456,013	2,676,484
Park and Recreation	158,651	190,979	255,247	144,529
Information Technology	-	-	234,900	329,674
Streets and Highways	1,137,973	1,517,385	1,456,232	1,567,449
Capital Improvements	76,510	47,157	44,300	226,831
Interest on Long-term debt	5,401,663	6,003,154	6,489,631	40,053
Total governmental activities expenses				7,759,753
Business-type activities:				
Water	2,140,322	2,759,351	2,775,059	2,758,943
Sewer	2,770,352	2,664,023	2,432,972	3,182,799
Ambulance	569,338	633,519	473,746	425,918
Airports	669,123	792,893	904,081	1,011,665
Total Business-type activities expenses	6,149,135	6,849,786	6,585,858	7,379,325
Total primary government expenses	\$ 11,550,798	\$ 12,852,940	\$ 13,075,489	\$ 15,139,078
Program Revenues				
Governmental Activities:				
Charges for services:				
Public Safety	\$ 658,775	\$ 712,135	\$ 725,566	\$ 786,752
Operating grants and contributions	51,919	6,542	14,539	83,969
Capital grants and contributions	-	-	-	7,203,665
Total governmental activities program revenues	710,694	718,677	740,105	8,074,386
Business-type activities:				
Charges for services:				
Water	915,431	1,062,358	1,334,960	1,356,971
Sewer	2,542,169	2,744,828	2,398,491	2,789,840
Ambulance	251,865	250,202	244,243	231,997
Airports	498,309	545,889	724,045	848,985
Operating grants and contributions	926,607	917,900	827,218	957,794
Capital grants and contributions	-	-	-	1,901,582
Total business-type activities program revenues	5,134,381	5,521,177	5,528,957	8,087,169
Total primary government program revenues	\$ 5,845,075	\$ 6,239,854	\$ 6,269,062	\$ 16,161,555

CITY OF OSAGE BEACH, MISSOURI

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

	Fiscal Year		
	2003	2004	2005
Net (Expense)/Revenue			
Governmental activities	\$ (4,688,753)	\$ (5,284,477)	\$ (5,749,526)
Business-type activities	(1,014,754)	(1,328,609)	(1,056,901)
Total primary government net expenses	<u>\$ (5,703,507)</u>	<u>\$ (6,613,086)</u>	<u>\$ (6,806,427)</u>
			<u>\$ 1,022,477</u>
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Taxes			
County road taxes	\$ 36,245	\$ 38,411	\$ 36,793
Sales taxes	7,355,893	7,906,614	8,271,408
Franchise taxes	587,203	610,049	606,054
Motor vehicle fuel & license	148,404	152,407	151,446
Unrestricted investment earnings	144,040	176,199	378,696
Other income	1,980	63,109	152,983
Gain (loss) on sale of capital assets	-	-	-
Transfers	(2,216,000)	(2,316,000)	(2,199,990)
Total governmental activities	<u>6,057,765</u>	<u>6,630,789</u>	<u>7,397,390</u>
Business-type activities			
Unrestricted investment earnings	72,939	122,624	274,248
Gain (loss) on sale of capital assets	-	-	-
Transfers	2,216,000	2,316,000	2,199,990
Total business-type activities	<u>2,288,939</u>	<u>2,438,624</u>	<u>2,474,238</u>
Total primary government	<u>\$ 8,346,704</u>	<u>\$ 9,069,413</u>	<u>\$ 9,871,628</u>
			<u>\$ 11,314,674</u>
Change in Net Assets			
Governmental activities	1,369,012	1,346,312	1,647,864
Business-type activities	1,274,185	1,110,015	1,417,337
Total primary government	<u>\$ 2,643,197</u>	<u>\$ 2,456,327</u>	<u>\$ 3,065,201</u>
			<u>\$ 12,337,151</u>

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

CITY OF OSAGE BEACH, MISSOURI

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

FISCAL YEAR	COUNTY ROAD TAX	SALES TAX	FRANCHISE TAX	MOTOR VEHICLE FUEL & LICENSE TAX	TOTAL
2003	\$ 36,245	\$ 7,355,893	\$ 587,203	\$ 148,404	\$ 8,127,745
2004	38,411	7,906,614	610,049	152,407	8,707,481
2005	36,793	8,271,408	606,054	151,446	9,065,701
2006	45,805	9,461,972	602,872	154,275	10,264,924

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

CITY OF OSAGE BEACH, MISSOURI

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

	FISCAL YEAR			
	2003	2004	2005	2006
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	6,315,332	6,750,885	7,027,972	7,248,199
Total general fund	<u>\$ 6,315,332</u>	<u>\$ 6,750,885</u>	<u>\$ 7,027,972</u>	<u>\$ 7,248,199</u>
All Other Governmental Funds				
Reserved	\$ 541,000	\$ 541,000	\$ 628,176	\$ 618,423
Unreserved, reported in:				
Special revenue funds	3,902,505	4,775,741	4,816,409	4,560,020
Total all other governmental funds	<u>\$ 4,443,505</u>	<u>\$ 5,316,741</u>	<u>\$ 5,444,585</u>	<u>\$ 5,178,443</u>

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

CITY OF OSAGE BEACH, MISSOURI

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS
(modified accrual basis of accounting)

	FISCAL YEAR			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 8,127,745	\$ 8,707,481	\$ 9,065,701	\$ 10,264,924
Licenses, fines, permits & fees	660,991	712,135	725,566	786,752
Interest	144,040	176,199	378,696	546,027
Intergovernmental	51,919	6,542	14,539	83,969
Other	1,980	63,109	152,983	178,140
Total Revenues	<u>8,986,675</u>	<u>9,665,466</u>	<u>10,337,485</u>	<u>11,859,812</u>
Expenditures				
General Government	\$ 1,619,544	\$ 1,809,180	\$ 1,795,000	\$ 2,478,779
Public Safety	2,158,769	2,187,311	2,384,832	2,597,737
Park and Recreation	134,295	165,613	223,003	100,418
Information Technology	-	-	234,900	329,543
Streets and Highways	420,447	748,431	724,328	789,009
Capital Improvement				226,831
Capital Outlay	1,407,396	847,251	2,090,261	2,220,821
Debt Service				
Interest and fiscal agent fees	93,974	47,891	45,240	41,193
Principal	195,000	235,000	235,000	240,000
Total Expenditures	<u>6,029,425</u>	<u>6,040,677</u>	<u>7,732,564</u>	<u>9,024,331</u>
Excess of revenues over(under)	<u>2,957,250</u>	<u>3,624,789</u>	<u>2,604,921</u>	<u>2,835,481</u>
Other financing sources (uses)				
Bond Proceeds	2,025,000	-	-	-
Payment to bond refunding escrow agent	(2,042,155)	-	-	-
Transfers in	496,688	-	-	-
Transfers out	(2,712,688)	(2,316,000)	(2,199,990)	(2,881,396)
Total other financing sources (uses)	<u>(2,233,155)</u>	<u>(2,316,000)</u>	<u>(2,199,990)</u>	<u>(2,881,396)</u>
Net Change in Fund Balances	<u>\$ 724,095</u>	<u>\$ 1,308,789</u>	<u>\$ 404,931</u>	<u>\$ (45,915)</u>
Debt service as a percentage of noncapital expenditures	6.25%	5.45%	4.97%	4.12%

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

CITY OF OSAGE BEACH, MISSOURI

TAXABLE SALES BY CATEGORY
(in thousands of Dollars)

SIC Codes	FISCAL YEAR													
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006				
Construction (17)	\$	-	\$	-	\$	-	\$	435	\$	-	\$	368	\$	141
Printing, Publishing, & Allied In (27)		-	-	-	-	-	-	-	-	-	-	55	-	-
Misc. Manufacturing Industries (39)		-	-	-	48	60	223	5	15	48	15	48	15	15
Communications (48)	3,501	3,529	3,799	4,078	4,391	4,309	4,764	4,868	5,201	5,668	5,668	5,201	5,668	5,668
Wholesale Trade Durable Goods (50)	1,640	1,602	2,498	1,581	1,421	1,484	820	922	1,858	953	953	1,858	953	953
Wholesale Trade Nondurable Goods (51)	-	-	-	72	107	80	28	169	265	324	324	265	324	324
Building Materials(52)	2,098	2,982	3,082	3,245	3,203	13,248	19,685	12,188	13,406	14,452	14,452	13,406	14,452	14,452
General Merchandise Stores (53)	746	634	877	681	648	65,133	44,525	1,358	1,662	16,968	16,968	1,662	16,968	16,968
Food Stores (54)	7,869	8,445	10,393	13,143	13,433	13,465	11,827	12,792	31,890	33,704	33,704	31,890	33,704	33,704
Automotive Store & Service Stations (55)	1,103	1,335	2,209	2,403	2,013	4,935	6,493	5,142	6,942	7,155	7,155	6,942	7,155	7,155
Apparel & Accessory Stores (56)	60,110	56,194	56,949	54,269	51,863	50,016	36,509	41,609	49,033	54,708	54,708	49,033	54,708	54,708
Furniture & Home Furnishings (57)	10,359	10,698	12,108	12,083	18,254	40,631	45,523	61,504	68,894	73,372	73,372	68,894	73,372	73,372
Eating & Drinking (58)	35,362	35,417	37,130	35,465	36,798	38,648	41,468	46,300	51,529	51,869	51,869	51,529	51,869	51,869
Misc. Retail (59)	89,380	103,643	111,416	117,190	122,309	57,510	52,316	48,240	43,955	46,043	46,043	43,955	46,043	46,043
Hotel, Rooming Houses, Camp/Other (70)	11,683	12,080	12,312	12,996	13,016	12,166	11,411	11,249	9,904	9,817	9,817	9,904	9,817	9,817
Personal Services (72)	6	-	-	-	-	132	64	-	-	8	8	-	-	8
Misc. Business Services (73)	304	498	673	1,584	2,192	2,488	2,436	2,152	2,223	2,297	2,297	2,223	2,297	2,297
Automotive Repair Services (75)	965	1,569	1,716	1,707	1,860	1,897	1,780	1,717	1,794	2,023	2,023	1,794	2,023	2,023
Misc. Repair Services (76)	-	-	-	-	-	-	134	352	-	-	-	-	-	-
Amusement/Recreation Services (79)	4,118	4,254	4,314	4,100	3,971	3,858	3,791	3,965	4,431	4,311	4,311	4,431	4,311	4,311
Health Services (80)	-	-	7	-	-	-	-	-	-	81	81	-	-	81
Misc. Services (89)	4,948	5,499	5,820	7,112	8,359	10,240	11,033	11,788	12,383	14,286	14,286	12,383	14,286	14,286
Suppressed Totals ¹	45,135	48,083	60,713	64,288	64,831	61,407	104,057	164,184	163,272	146,639	146,639	163,272	146,639	146,639
Total	\$ 279,327	\$ 296,462	\$ 326,016	\$ 336,045	\$ 348,729	\$ 381,870	\$ 399,104	\$ 430,514	\$ 469,113	\$ 484,834	\$ 484,834	\$ 469,113	\$ 484,834	\$ 484,834

City Direct Sales Tax Rate

2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

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

CITY OF OSAGE BEACH, MISSOURI

DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN YEARS

FISCAL YEAR	CITY DIRECT RATE	CAMDEN & MILLER COUNTY RATE	MILLER CO. AMBULANCE RATE	TDD PREWITT PT. RATE	STATE SALES TAX RATE
1997	2%	1%	0.00%	0.00%	5.225%
1998	2%	1%	0.00%	0.00%	5.225%
1999	2%	1%	0.00%	0.00%	5.225%
2000	2%	1%	0.00%	0.00%	5.225%
2001	2%	1%	0.00%	0.00%	5.225%
2002	2%	1%	0.00%	0.00%	5.225%
2003	2%	1%	0.00%	0.00%	5.225%
2004	2%	1%	0.50%	0.50%	5.225%
2005	2%	1%	0.50%	0.50%	5.225%
2006	2%	1%	0.50%	0.50%	5.225%

CITY OF OSAGE BEACH, MISSOURI

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

Fiscal Year 2006										Fiscal Year 1997				
		Percentage Of Total City Sales					Percentage Of Total City Sales							
SIC Code	SIC Description	Taxable Sales	Tax Collected	Entity Count	Rank	Tax	Taxable Sales	Tax Collected	Entity Count	Rank	Tax			
57	Furniture & Home Furnishings	\$73,372	\$1,467	43	1	21.70%	\$10,359	\$207	20	5	4.42%			
56	Apparel & Accessory Stores	54,708	1,094	44	2	16.18%	60,109	1,202	50	2	25.67%			
58	Eating & Drinking	51,869	1,037	68	3	15.34%	35,362	707	58	3	15.10%			
59	Misc. Retail	46,043	921	211	4	13.61%	89,379	1,788	167	1	38.17%			
54	Food Stores	33,704	674	17	5	9.97%	7,869	157	6	6	3.36%			
53	General Merchandise Stores	16,968	339	22	6	5.02%	746	15	24	14	0.32%			
52	Building Materials	14,452	289	13	7	4.27%	2,097	42	7	10	0.90%			
89	Misc. Services	14,286	286	59	8	4.22%	4,948	99	13	7	2.11%			
70	Hotel, Rooming Houses, Camp/Other	9,817	196	30	9	2.90%	11,682	234	37	4	4.99%			
55	Automotive Store & Service Stations	7,155	143	22	10	2.12%	1,102	22	16	12	0.47%			
48	Communications	5,668	113	70	11	1.68%	3,500	70	32	9	1.49%			
79	Amusement/Recreation Services	4,311	86	9	12	1.27%	4,118	82	7	8	1.76%			
73	Misc. Business Services	2,297	46	35	13	0.68%	304	6	9	15	0.13%			
75	Automotive Repair Services	2,023	40	26	14	0.60%	965	19	16	13	0.41%			
50	Wholesale Trade Durable Goods	953	19	16	15	0.28%	1,640	33	6	11	0.70%			
51	Wholesale Trade Nondurable Goods	324	6	6	16	0.10%	-	-	-	17	0.00%			
17	Construction	141	3	4	17	0.04%	-	-	-	18	0.00%			
80	Health Services	81	2	6	18	0.02%	-	-	-	19	0.00%			
39	Misc. Manufacturing Industries	15	0	10	19	0.00%	-	-	-	20	0.00%			
72	Personal Services	8	0	7	20	0.00%	5	0	5	16	0.00%			
Suppressed Totals ¹		146,639	2,933			43.36%	25,824	516			11.03%			
Total		\$338,195	\$6,764				\$234,185	\$4,684						

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

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

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

CITY OF OSAGE BEACH, MISSOURI

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES			TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME		PER CAPITA
	GENERAL OBLIGATION BONDS	WATER BONDS	SEWER BONDS	CAMDEN COUNTY	MILLER COUNTY				
1997	\$ 3,070,000	\$ -	\$ 4,545,000	\$	7,615,000	12.89%	14.73%	\$2,372	
1998	2,920,000	8,000,000	3,745,000		14,665,000	21.85%	26.64%	4,380	
1999	2,750,000	13,000,000	2,878,430		18,628,430	25.16%	31.35%	5,401	
2000	2,575,000	18,000,000	1,979,111		22,554,111	25.67%	33.43%	6,159	
2001	2,395,000	28,000,000	1,019,793		31,414,793	33.99%	42.96%	8,309	
2002	2,205,000	29,696,974	5,000,000		36,901,974	37.67%	48.48%	9,489	
2003	2,025,000	30,105,000	4,785,000		36,915,000	35.25%	47.50%	9,301	
2004	1,790,000	29,140,000	4,565,000		35,495,000	32.13%	41.64%	8,700	
2005	1,555,000	28,115,000	9,295,000		38,965,000	31.70%	41.87%	9,149	
2006	1,315,000	27,055,000	8,950,000		37,320,000	30.68%	40.24%	8,763	

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

CITY OF OSAGE BEACH, MISSOURI

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

FISCAL YEAR	GENERAL OBLIGATION BONDS	PERCENTAGE OF SALES TAX RECEIVED	PER CAPITA
2003	\$2,025,000	27.53%	\$510
2004	1,790,000	22.64%	439
2005	1,555,000	18.80%	365
2006	1,315,000	15.37%	309

Note:

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

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

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

CITY OF OSAGE BEACH, MISSOURI

DIRECT AND OVERLAPPING GOVERNMENT ACTIVITIES DEBT
As of December 31, 2006

NAME OF GOVERNMENTAL UNIT	DEBT OUTSTANDING	PERCENTAGE APPLICABLE TO CITY OF OSAGE BEACH ¹	AMOUNT APPLICABLE TO CITY OF OSAGE BEACH
City of Osage Beach	\$1,315,000	100%	\$1,315,000
Camdenton R-III School District	31,080,000	15.0%	4,662,000
School of the Osage R-II	22,560,000	1.5%	338,400
Osage Beach Fire Protection District	1,010,000	52.3%	528,230
			<u>\$6,843,630</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

LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$19,340,544	\$23,240,652	\$24,849,742	\$25,494,259	\$28,383,427	\$29,951,824	\$34,283,562	\$37,194,816	\$43,720,535	\$43,435,138
Total Net debt applicable to limit	3,070,000	2,920,000	2,750,000	2,575,000	2,395,000	2,205,000	2,025,000	1,790,000	1,555,000	1,315,000
Legal debt margin	\$16,270,544	\$20,320,652	\$22,099,742	\$22,919,259	\$25,988,427	\$27,746,824	\$32,258,562	\$35,404,816	\$42,165,535	\$42,120,138

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

15.87%	12.56%	11.07%	10.10%	8.44%	7.36%	5.91%	4.81%	3.56%	3.03%
--------	--------	--------	--------	-------	-------	-------	-------	-------	-------

Legal Debt Margin Calculation for Fiscal Year 2006

Total Assessed Value	\$217,175,688
Debt limit (20% of total assessed value)	43,435,138
Debt applicable to limit:	
General obligation bonds	1,315,000
Legal debt margin	\$42,120,138

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

WATER & SEWER FUND
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

FISCAL YEAR	GROSS REVENUE ³	DIRECT OPERATING EXPENSE ⁴	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS ¹		COVERAGE RATIO	CAPT. IMPROV. SALES TAX ²
				PRINCIPAL	INTEREST		
1997	\$ 2,299,099	\$ 1,145,178	\$ 1,153,921	\$ 760,000	\$ 329,644	1.06	\$1,361,164
1998	2,224,048	1,347,078	876,970	800,000	225,083	0.86	1,444,569
1999	2,662,017	1,333,986	1,328,031	850,000	558,388	0.94	1,546,520
2000	2,786,220	1,502,383	1,283,837	905,000	851,672	0.73	1,642,490
2001	2,628,278	1,707,244	921,034	965,000	989,798	0.47	1,680,996
2002	2,670,078	1,941,652	728,426	1,240,000	698,307	0.38	1,550,000
2003	4,300,977	1,865,894	2,435,083	770,000	1,237,855	1.21	1,675,000
2004	4,705,646	1,960,020	2,745,626	1,185,000	1,608,897	0.98	1,725,000
2005	4,825,174	2,057,580	2,767,594	1,245,000	1,241,043	1.11	1,899,996
2006	5,509,558	2,127,326	3,382,232	1,405,000	1,828,613	1.05	2,467,396

¹ Water & Sewer Revenue Bonds. In 2002 the City refunded the original 1998, 1999, 2000 and 2001 bond issues

² The Water & Sewer Fund Deficit is subsidized by Capital Improvement Sales Tax.

³ Gross Revenue includes interest income.

⁴ Excludes depreciation expense.

CITY OF OSAGE BEACH, MISSOURI

DEMOGRAPHIC STATISTICS LAST TEN YEARS

FISCAL YEAR	Population ¹	Personal Income ²		Per Capita		Personal Income ²		Per Capita		Unemployment	
		Camden County (expressed in thousands)	Miller County (expressed in thousands)	Camden County (expressed in thousands)	Miller County (expressed in thousands)	Camden County (expressed in thousands)	Miller County (expressed in thousands)	Camden County (expressed in thousands)	Miller County (expressed in thousands)	Rate ³	Rate ³
1997	3,210	\$ 59,062	\$ 51,697	\$ 20,444	\$ 16,445			6.2%		6.2%	7.0%
1998	3,348	67,120	55,051	21,696	16,781			5.2%		5.2%	6.2%
1999	3,449	74,035	59,414	22,640	17,406			4.3%		4.3%	4.6%
2000	3,662	87,873	67,476	24,687	18,377			4.2%		4.2%	5.0%
2001	3,781	92,411	73,122	25,015	18,996			5.8%		5.8%	6.4%
2002	3,889	97,966	76,113	25,439	19,048			6.4%		6.4%	7.2%
2003	3,969	104,731	77,718	26,443	19,637			6.0%		6.0%	6.4%
2004	4,080	110,479	85,247	26,862	20,891			5.9%		5.9%	6.8%
2005	4,259	122,902	93,067	28,084	21,758			5.3%		5.3%	6.0%
2006	4,259	121,632	92,735	28,084	21,758			4.8%		4.8%	5.2%

Sources:

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

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

³ Missouri Dept. of Labor & Industrial Relations. Percentage calculated on an annual average.

Notes:

Personal income and per capita personal income not available for the City of Osage Beach, so county information was utilized. Osage Beach population is in both Camden and Miller County but the exact division of population is unknown.

CITY OF OSAGE BEACH, MISSOURI

PRINCIPAL EMPLOYERS
CURRENT AND EIGHT YEARS AGO

Employer	2006			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Factory Outlet Village	800-1200	1	42.28%	700-1000	1	37.00%
Lake Regional Hospital	1100	2	58.14%	490	2	25.90%
Hy-Vee	435	3	22.99%	0		
Wal-Mart Supercenter	430	4	21.59%	400	3	21.14%
Central Bank of Lake of the Ozarks	165	5	8.72%	100	6	5.29%
Lowes	164	6	8.67%	0		
Target	150	7	7.93%	0		
Inn at the Grand Glaize	120	8	6.34%	110	5	5.81%
City of Osage Beach	112	9	5.92%	90	7	4.76%
Home Depot	100	10	5.29%	0		
Osage Beach Health Care Center	90		4.76%	70	8	3.70%
Camden Co. R-II School District	33		1.74%	60	9	3.17%
Marian Bay	0		0.00%	130	4	6.87%
Ozark Care Center	0		0.00%	48	10	2.54%

Source for total City employment from the 2000 United States census.

CITY OF OSAGE BEACH, MISSOURI

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

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
City Administrator	2	3	3	4	4	3.5	4	5	3	2
City Clerk's Office	4	4	4	4	4	4	4	4	4	4
Information Technology ²	0	0	0	0	0	0	0	0	2	2
Finance Department	3	5	5	5	5	5	5	5	5	5
Municipal Court	1	1	1	1	1	1	1	1	1	1
Building Department ¹	3	3	3	3	4	3	3	3	3.5	3.5
Human Resources ³	0	0	0	1	1	1	1	1	1	1
Planning Department	1	1	1	2	4	4	4	3	3	3
Engineering Department ¹	1	1	4	4	4	4	4	4	4.5	4.5
Police										
Law Enforcement	26	26	28	28	28	28	28	28	27	30
911 Center	8	9	9	9	10	10	10	10	10	11
Public Works										
Parks	1	1	1	1	4	4	4	4	2	2
Transportation	8	8	8	8	8	8	8	8	8	8
Water ¹	0	1	1	3	4	4	4	4	4	4.5
Sewer ¹	7	7	8	8	9	9	9	9	9	9.5
Ambulance										
	8	8	8	9	10	10	10	10	10	7
Airport										
Lee C. Fine ^{1/4}	0	0	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Grand Glaize ^{1/4}	0	0	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total	73	78	90	96	106	104.5	105	105	103	104

Source: Annual Budget

Note:

¹Some City Employee's wages are split between different departments.

²The Information Technology Department was created in 2005, it was previously part of the City Administrator Department

³The Human Resources Department was created in 2000, it was previously part of the City Administrator Department.

⁴Both Airports were purchased by the City in 1999.

CITY OF OSAGE BEACH, MISSOURI

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Reports of Incidents	432	386	462	473	430	476	460	553	590	535
Traffic Violations	1148	1056	1206	1713	2209	2477	1935	1905	2833	3176
Traffic Warnings	3621	2537	2380	3172	3106	2951	2308	1853	1214	2039
911 Center¹										
Number of Calls Answered	17866	17558	16192	15547	15359	15600	14993	13673	20509	24789
Ambulance										
Calls for service	996	1175	1094	967	977	1037	1086	988	860	815
Highways and Streets										
Road Repairs	89	99	106	111	98	126	117	186	171	41
Building										
Inspections	156	168	169	209	171	205	198	234	202	237
Wastewater										
Average Daily Sewage Treatment (thousands of Gallons)	1,151	1,216	1,090	1,119	1,266	1,262	1,281	1,339	1,292	1,254
Airports²										
<u>Lee C. Fine:</u>										
Number of Landings	0	0	0	0	0	3644	3480	5977	5833	6148
<u>Grand Glaize:</u>										
Number of Landings	0	0	0	0	0	3650	5786	4882	6253	5925

Sources: Varies Government Departments

Notes:

¹Number of Calls represents both emergency and non-emergency calls.

²Prior to 2002 number of landings were not tracked at either Airport.

CITY OF OSAGE BEACH, MISSOURI

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
<u>Police:</u>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	20	20	22	22	22	26	26	26	21	21
<u>Ambulance Protection:</u>										
Number of Vehicles	2	2	2	2	2	3	3	2	2	2
Highways and Streets										
Miles of Streets Paved	40	40	40	40	40	40	40	40	40	40
Miles of Sidewalks	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63
Number of Street Lights	466	466	466	466	466	466	466	466	466	466
Parks and Recreation										
Parks Acreage	10	102	102	102	102	102	102	102	102	102
Number of Parks	1	2	2	2	2	2	2	2	2	2
Water										
Water Mains (miles)	0	3	47.34	57.07	73.7	107.71	150.07	192.99	236.43	236.43
Fire Hydrants	0	0	26	115	196	364	447	456	459	468
Wells ¹	0	2	4	4	4	5	5	5	5	5
Water Towers ¹	0	1	2	2	2	3	3	3	3	4
Maximum Daily Capacity (thousands of Gallons)										
Sewer										
Sanitary Sewers (miles)	124.56	124.56	124.56	125.51	126.74	126.74	132.89	132.89	135.00	135.79
Storm Sewers (miles)										
Maximum Daily Treatment Capacity (thousands of Gallons)										
Pump Stations	1089	1089	1089	1089	1089	1089	1104	1105	1105	1137

Sources: Varies Government Departments

Notes:

¹The City of Osage Beach began providing water to its citizens in 1998

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**CITY OF
OSAGE BEACH, MISSOURI**

FEDERAL COMPLIANCE SECTION

For the Year Ended December 31, 2006

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CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
Federal Grantor/Pass-Through Grantor/Program Title			
U.S. Department of Transportation:			
National Highway Traffic Administration:			
Passed Through State of Missouri			
Department of Transportation, Highway Safety Division:			
Hazardous Moving Violation Project	20.600	06-154-AL-13	\$ 6,004
Speed Enforcement Project	20.600	06-PT-02-5	6,601
Click It or Ticket Project	20.600	GAC035	2,088
DWI Overtime Enforcement Wave	20.600	GAC034	892
Total U.S. Department of Transportation			<u>15,585</u>
U.S. Department of Justice:			
Passed Through State of Missouri			
Department of Public Safety			
Portable Radio Replacement Grant	16.592	2005-LBGJ-075	8,595
Total U.S. Department of Justice			<u>8,595</u>
Department of Homeland Security:			
Passed Through State of Missouri			
Emergency Management Agency			
Interoperable Communications Grant	97.067	2005-GE-T5-0022	57,304
FY05 Law Enforcement Live Scan Grant	97.067	2005-GE-T5-0022	32,000
Total U.S. Department of Homeland Security			<u>89,304</u>
Environmental Protection Agency:			
Passed Through State of Missouri			
Department of Natural Resources			
State Revolving Fund Capitalization Grant		C295504-01	
Wastewater	66.458		716,019
Total Environmental Protection Agency			<u>716,019</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS.....			<u>\$829,503</u>

The accompanying notes are an integral part of this schedule.

CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 – BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Osage Beach, Missouri and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – REVOLVING LOAN PROGRAM:

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

<u>Program</u>	<u>CFDA Number</u>	<u>Balance</u>
Capitalization grant for State Revolving Funds	66.458	\$ 716,019



Evers & Company, CPA's, L.L.C.

Certified Public Accountants and Consultants

Elmer L. Evers
Jerome L. Kauffman
Richard E. Elliott
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Keith L. Taylor
Jo L. Moore

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 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, each major fund, and the aggregate remaining fund information of the **City of Osage Beach, Missouri**, as of and for the year ended December 31, 2006, which collectively comprise the **City of Osage Beach Missouri's** basic financial statements and have issued our report thereon dated June 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted other matters that we reported to management of the **City of Osage Beach, Missouri** in a separate letter dated June 25, 2007

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

Evers & Company, CPA's, LLC

EVERS & COMPANY, CPA's, L.L.C.
Jefferson City, Missouri

June 25, 2007



Evers & Company, CPA's, L.L.C.

Certified Public Accountants and Consultants

Elmer L. Evers
Jerome L. Kauffman
Richard E. Elliott
Dale A. Siebeneck
Keith L. Taylor
Jo L. Moore

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the **City of Osage Beach, Missouri** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The **City of Osage Beach, Missouri's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the **City of Osage Beach, Missouri's** management. Our responsibility is to express an opinion on the **City of Osage Beach, Missouri's** compliance based on our audit.

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

In our opinion, the **City of Osage Beach, Missouri** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.



Internal Control Over Compliance

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

A *control deficiency* in **City of Osage Beach, Missouri's** internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the **City of Osage Beach, Missouri's** ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the **City of Osage Beach, Missouri's** internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the **City of Osage Beach, Missouri's** internal control.

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

This report is intended solely for the information of the Mayor, Board of Aldermen, management and federal award agencies and pass-through entities and is not intended to be and should not be used for anyone other than these specified parties.

Evers & Company, CPA's, LLC

EVERS & COMPANY, CPA's, L.L.C.
Jefferson City, Missouri

June 25, 2007

**CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ No
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

**CITY OF OSAGE BEACH
OSAGE BEACH, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

(Continued)

Section I - Summary of Auditor's Results

Identification of Major Programs:

CFDA Numbers(s)

66.458

Name of Federal Program or Cluster

Environmental Protection Agency -
Passed Through Missouri Department of
Natural Resources – State Revolving
Fund Capitalization Grants

Dollar Threshold Used to Distinguish between
Type A and Type B Programs:

\$ 300,000

Auditee qualified as low-risk?

____ Yes X No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

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