

CITY OF OSAGE BEACH, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR

JANUARY 1, 2008 - DECEMBER 31, 2008



CITY OF OSAGE BEACH, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2008

Prepared by:

Karri Bell
City Treasurer

CITY OF OSAGE BEACH, MISSOURI
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2008

TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION	
Transmittal Letter	i - v
GFOA Certificate of Achievement	vi
Organizational Chart	vii
Officials	viii
FINANCIAL SECTION	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances –	
Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances of Governmental Funds to the	
Statement of Activities	20
Statement of Net Assets – Propriety Funds	21
Statement of Revenues, Expenses and Changes in Fund Net	
Assets – Propriety Funds	22
Statement of Cash Flows – Proprietary Funds	23
Notes to Basic Financial Statements	24 - 41
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund	42
Transportation Fund	43
Capital Improvement Fund	44
Notes to the Budgetary Comparison Schedules	45
STATISTICAL SECTION (Unaudited)	
Statistical Section Information	46
Table 1: Net Assets by Component – Last Five Fiscal Years	47
Table 2: Changes in Net Assets – Last Five Fiscal Years	48 - 49

Table 3: Fund Balances of Governmental Funds – Last Five Fiscal Years	50
Table 4: Changes in Fund Balances of Governmental Funds – Last Five Fiscal Years	51
Table 5: Governmental Activities Tax Revenues by Source – Last Five Years	52
Table 6: Taxable Sales by Category	53
Table 7: Direct and Overlapping Sales Tax Rates – Last Ten Years	54
Table 8: Principal Revenue Remitters by Category – Current Year and Nine Years Ago	55
Table 9: Ratios of Outstanding Debt by Type – Last Ten Years	56
Table 10: Ratios of General Bonded Debt Outstanding – Last Five Years	57
Table 11: Direct and Overlapping Government Activities Debt – As of December 31, 2007	58
Table 12: Legal Debt Margin Information – Last Ten Years	59
Table 13: Water and Sewer Fund – Pledged Revenue Coverage – Last Ten Fiscal Years	60
Table 14: Demographic Statistics – Last Ten Years	61
Table 15: Principal Employers – Current and Nine Years Ago	62
Table 16: Full-Time Equivalent City Governmental Employees by Function – Last Ten Fiscal Years	63
Table 17: Operating Indicators by Function – Last Ten Fiscal Years	64
Table 18: Capital Asset Statistics by Function – Last Ten Fiscal Years	65

SINGLE AUDIT REPORTS:

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	66 - 67
Report on Compliance With Requirements Applicable to Each Major Program And On Internal Control Over Compliance In Accordance with OMB Circular A-133	68 - 69
Schedule of Expenditures of Federal Awards	70
Schedule of Findings and Questioned Costs	71 - 72
Summary Schedule of Prior Year's Audit Findings	73

INTRODUCTORY SECTION



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

April 21, 2009

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, 2008, 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 auditors. The CAFR conforms to the standards of financial reporting as set forth by the Governmental Accounting Standards Board (GASB) and the guidelines as recommended by the Government Finance Officers Association (GFOA). The 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 City's financial statements have been audited by Williams Keepers LLC, a firm of licensed certified public accountants. The purpose of the audit conducted by Williams Keepers was to review and provide reasonable assurance that the City's financial statements for the fiscal year ended December 31, 2008 are free of material misstatements. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the government-wide and fund financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditors gave an unqualified opinion for the year ended December 31, 2008, which can be found in the first report on the financial section of this document.

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

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

The Reporting Entity and Its Services

The City of Osage Beach, organized in 1958, is a fourth-class city and political subdivision created and existing under the laws of the State of Missouri. The City is approximately 10 square miles in area and is located in Camden and Miller Counties, Missouri. The City lies along the shores of the Lake of the Ozarks, one of the largest man-made lakes in the world. The City has an estimated permanent population of 4,621; however, it is estimated that there are in excess of 100,000 people during the peak seasonal periods. The governing body consists of an elected six-member Board of Aldermen and a Mayor who in turn appoints a City Administrator, City Clerk, Police Chief, Building Official, City Treasurer, City Planner, City Engineer and City Attorney.

The City of Osage Beach is experiencing 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.

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

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

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

Accounting System and Budgetary Control

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

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

executed and recorded in line with management's policy and generally accepted accounting principles.

Budgetary control is maintained at the fund level.

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).

Cash Management

Cash of the governmental and enterprise funds, 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 .60% to 3.5%. Income generated from these investments totaled \$590,532.

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 and MARCIT for health, dental and workers' compensation.

Major Initiatives

Although the recent economic downturn is evident in the reduced number of building permits and the related cost of construction, the City of Osage Beach continues to be an active and growing community. Commercial construction totaled \$12,200,313, the largest development included a \$2,000,000 office complex, \$2,100,000 condominium complex, \$1,800,000 car wash and approximately \$1,000,000 remodeling for the Wal-Mart Supercenter. Residential construction totaled \$4,415,324. The largest residential development was for a home addition totaling \$691,906.

On June 5, 2008, the Board of Aldermen unanimously adopted a policy concerning the use of Tax Increment Financing (TIF). The purpose of the TIF policy is to let prospective developers know what the City expects, provide a set of expectations against which a proposal can be evaluated and to help frame and steer the decision-making process once an application has been received.

A Resolution adopting a Comprehensive Plan, the official guide for future physical development in the City, was approved by the Board of Aldermen after being adopted by the Planning Commission in 2007.

As a growing community, it is important for the City to maintain the ability to provide service to all customers. The Engineering department and public works staff is continuing to work with consultants to meet our needs for the future. During the past year, master plans for water, waste water and transportation have made significant progress.

Airport Layout Plans for Lee C. Fine and Grand Glaize airports were completed this year, using grant funding. These plans will help increase income to these facilities through grants for tree clearing, fencing, a rotating beacon and taxiway projects.

The Highway 54 Expressway through the City is currently under construction by the Missouri Department of Transportation at an estimated cost of \$158,000,000. When complete, traffic will flow more effectively through the City and property will be more accessible for development. During the year the “one way couple” between Highway 42 and Bluff Drive was under construction.

In 2007, the City received \$2,000,000 from the Missouri Department of Transportation to take over the current Highway 54, when the expressway is complete. The City General Obligation Bonds will be paid in full in 2010 and this increase in cash flow will assist the City in the take-over of the current Highway 54 and the increased costs associated with its maintenance. The City is currently purchasing a street sweeper and increasing storage space in preparation of this event.

The City, under the leadership of the Mayor, has made a commitment to stop the construction of a quarry within 50 feet of the Lake Ozark-Osage Beach Joint Sewer Treatment Plant. This is the only treatment plant the City has access to and it is doing all it can to protect this \$25,000,000 asset and the 18” and 24” force mains that carry 1.8 million gallons of raw sewage to the plant every day. The Board of Aldermen supported this action by approving an additional \$122,500 expense for the Treatment Plant to pay legal costs associated with stopping the quarry from receiving its permit. To date the courts have ruled in favor of the City.

Independent Audit

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

Awards

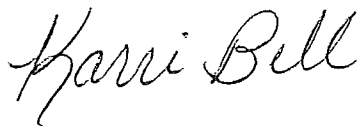
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Osage Beach for its comprehensive annual financial report for the fiscal year ended December 31, 2007. This was the ninth year that 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, 2007

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.



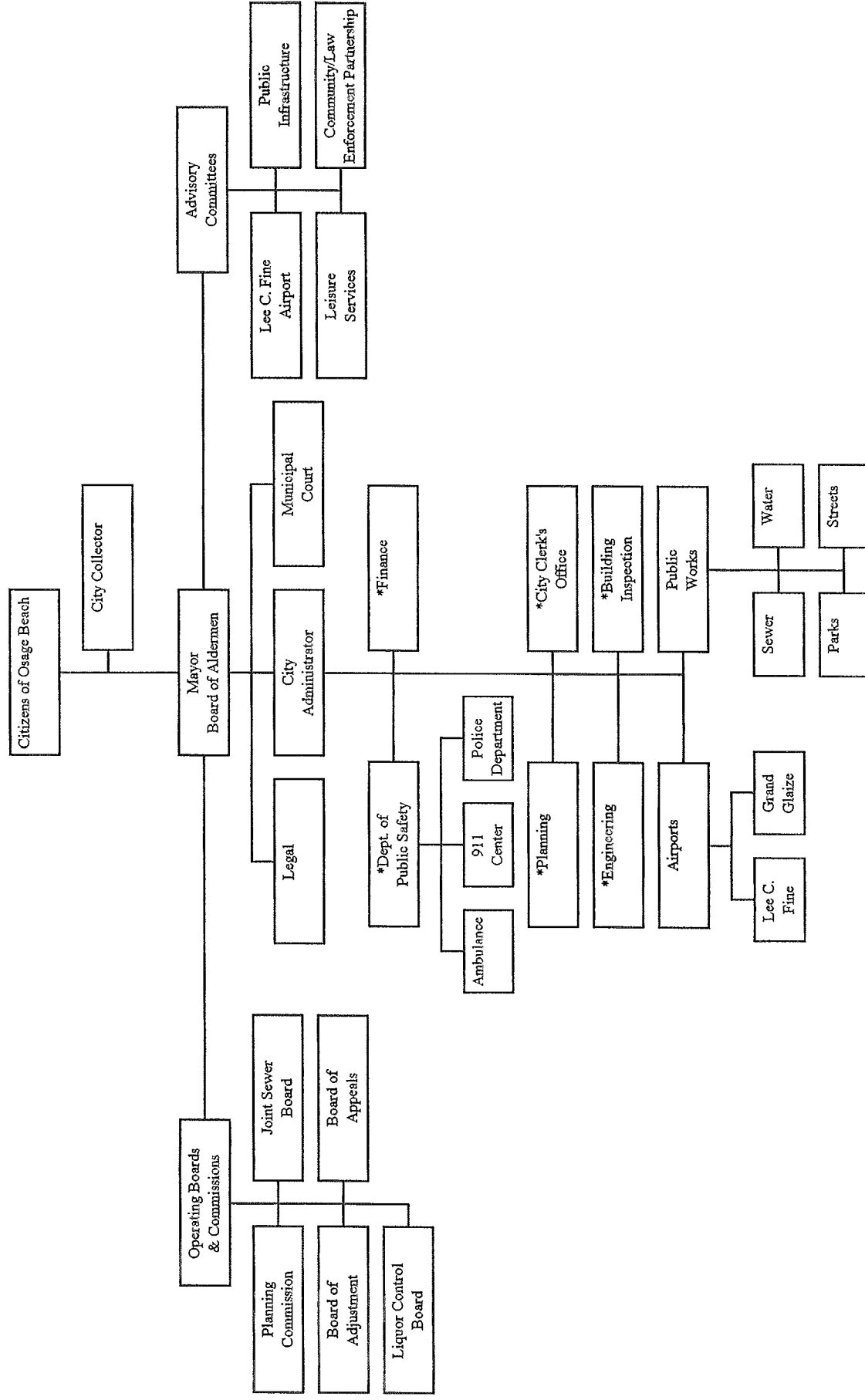
A handwritten signature in black ink, appearing to read "K. L. R.", is positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is positioned above the title "Executive Director".

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	Kevin Rucker
.....	Ron Schmitt
Ward Two	Lois Farmer
.....	Steven Kahrs
Ward Three	John Olivarri
.....	David Gasper
City Collector	John M. Berry

Management Team

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

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Williams-Keepers, LLC

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Osage Beach, Missouri (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Osage Beach, Missouri as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 3 through 14 and the budgetary comparison schedules on pages 42 through 45 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the basic financial statements of the City taken as a whole. The schedule of expenditures of federal awards listed in the table of contents is not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

We did not audit the information included in the introductory and statistical sections of this report and, therefore, express no opinion thereon.

Williams Peppers LLC

April 21, 2009

City of Osage Beach, Missouri
Management Discussion and Analysis
December 31, 2008

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, 2008. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

The City of Osage Beach's growth continues but at a reduced rate compared to past years. 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.

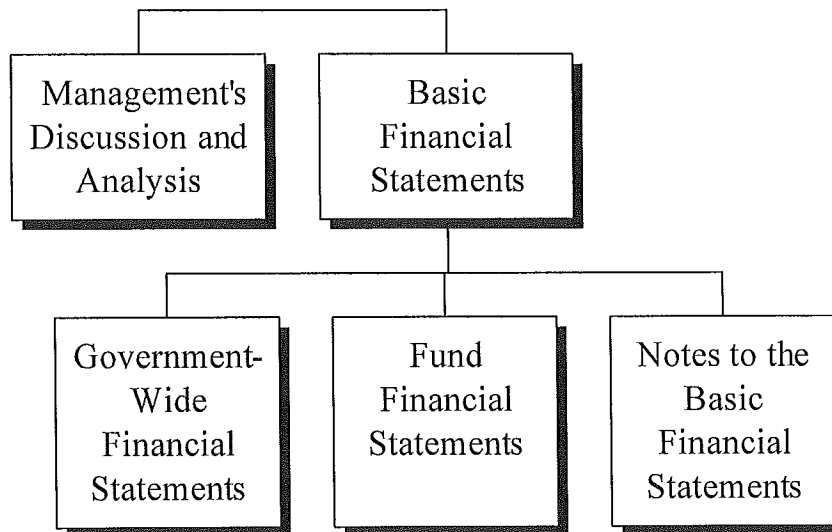
- The assets of the City of Osage Beach exceeded its liabilities at the close of the fiscal year by \$81,267,083 (net assets). Of this amount, \$12,098,477 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$1,086,447. This is a total of a decrease of \$124,598 from the City's governmental activities and an increase of \$1,211,045 from the business-type activities.
- The City did not issue any new debt in 2008; its total debt decreased by \$1,945,000 (5 percent) during the fiscal year.
- With its continued focus on safety, the City received its lowest workers' compensation experience modification rating of .90. This reflects an annual savings of \$137,700 compared to the City's experience modification of 1.55 in 2002.
- The health insurance opt-out program, now in its fifth year, has eight employees participating, with a total savings to the City of \$23,617. This brings the total savings to \$129,617.

Overview of Financial Statements

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

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

Required Components of Annual Financial Report



Basic Financial Statements

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

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

The next section of the basic financial statements is the notes to the basic financial statements. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, required supplemental information is provided to show details about the City's performance relative to the budget. After the required supplemental information, additional 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 with regard to inter-fund activity, payables and receivables.

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government’s financial position. At the close of December 31, 2008, the City of Osage Beach’s assets exceeded its liabilities by \$81,267,083. The largest portion of the City’s net assets, \$59,208,726 (73%), reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Osage Beach uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Osage Beach’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

NET ASSETS

The following table reflects the condensed Statement of Net Assets as of December 31, 2007 and December 31, 2008:

City of Osage Beach Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other assets	12,433,156	14,547,885	14,221,266	14,780,099	26,654,422	29,327,984
Capital assets	27,961,876	26,347,829	64,682,847	64,375,038	92,644,723	90,722,867
Total assets	40,395,032	40,895,714	78,904,113	79,155,137	119,299,145	120,050,851
Liabilities:						
Long-term liabilities outstanding	550,000	810,000	33,309,842	34,807,905	33,859,842	35,617,905
Other liabilities	952,728	1,068,812	3,219,492	3,183,498	4,172,220	4,252,310
Total liabilities	1,502,728	1,878,812	36,529,334	37,991,403	38,032,062	39,870,215
Net assets:						
Invested in capital assets net of related debt	27,151,876	25,282,829	32,056,850	31,011,943	59,208,726	56,294,772
Restricted	7,751,150	8,238,113	2,208,730	1,434,786	9,959,880	9,672,899
Unrestricted	3,989,278	5,495,960	8,109,199	8,717,005	12,098,477	14,212,965
Total net assets	38,892,304	39,016,902	42,374,779	41,163,734	81,267,083	80,180,636

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets for the government both per fund and as a whole. The City's combined net assets increased to \$81,267,083 from \$80,180,636 primarily due to reducing its bonds payable through normal principal payments during the year. The City's unrestricted net assets for governmental activities were \$3,989,278. Total unrestricted net assets were \$12,098,477, which includes business-type activities.

Total net assets of \$81,267,083 is comprised of \$59,208,726 invested in capital assets, net of related debt; \$9,959,880 is restricted for capital projects, debt service and other purposes; \$3,989,278 is unrestricted and available for general governmental purposes and \$8,109,199 is unrestricted and available for the City's business-type activities.

Changes in Net Assets

The following table reflects the revenues and expenses from the City's activities for the years ended December 31, 2007 and December 31, 2008:

City of Osage Beach Statement of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for services	501,318	608,712	4,564,211	4,435,925	5,065,529	5,044,637
Operating grants and contributions	53,876	123,189	940,233	968,395	994,109	1,091,584
Capital grant and contributions	100,000	2,105,975	627,991	3,410,267	727,991	5,516,242
General Revenues:						0
Sales taxes	8,910,793	9,560,428			8,910,793	9,560,428
Franchise taxes	849,517	680,236			849,517	680,236
Other taxes	199,305	204,354			199,305	204,354
Unrestricted investment earnings	317,626	571,408	226,027	356,000	543,653	927,408
Other revenues	174,933	304,240	118,827	101,309	293,760	405,549
Gain (loss) on sale of assets	5,071	(127,164)	(44,996)	13,662	(39,925)	(113,502)
Total revenues	11,112,439	14,031,378	6,432,293	9,285,558	17,544,732	23,316,936
Expenses:						0
General Government	2,717,368	3,017,662			2,717,368	3,017,662
Public Safety	3,015,379	2,864,264			3,015,379	2,864,264
Streets and Highways	2,148,466	2,247,683			2,148,466	2,247,683
Park and recreation	199,691	182,050			199,691	182,050
Information Technology	231,929	311,734			231,929	311,734
Water and Sewer			4,747,278	4,585,251	4,747,278	4,585,251
Ambulance			505,773	484,609	505,773	484,609
Airports			1,233,308	1,009,081	1,233,308	1,009,081
Interest – Long Term Debt	28,204	36,215	1,630,889	1,714,615	1,659,093	1,750,830
Total expenses	8,341,037	8,659,608	8,117,248	7,793,556	16,458,285	16,453,164
Increase (Decrease) in net assets before transfers	2,771,402	5,371,770	(1,684,955)	1,492,002	1,086,447	6,863,772
Transfers	(2,896,000)	(2,640,000)	2,896,000	2,640,000		0
Increase (Decrease) in net assets after transfers	(124,598)	2,731,770	1,211,045	4,132,002	1,086,447	6,863,772
Net Assets, beginning of year	39,016,902	36,285,131	41,163,734	37,031,732	80,180,636	73,316,863
Net Assets, end of year	38,892,304	39,016,902	42,374,779	41,163,734	81,267,083	80,180,636

Governmental Activities

Governmental activities decreased the City's net assets by \$124,598. Sales taxes, the largest governmental category, were \$8,910,793 or 80% of governmental activities revenue. For the fiscal year ended December 31, 2008, revenues totaled \$17,544,732 (governmental and business-type). Revenues from governmental activities totaled \$11,112,439 or 63% of the total City revenues.

Governmental activities expenses decreased \$318,571 or 3.7% for the fiscal year ended December 31, 2008 compared to the fiscal year ended December 31, 2007. This decrease is mainly due to the reduction of information technology equipment purchases during the year.

The following table shows expenses and program revenues of the governmental activities for the year ending December 31, 2008. 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	2,717,368	(2,470,487)
Public Safety	3,015,379	(2,710,695)
Parks & Recreation	199,691	(199,691)
Information Technology	231,929	(231,929)
Streets and Highways	2,148,466	(2,044,837)
Interest on Long-Term Debt	28,204	(28,204)
Total	8,341,037	(7,685,843)

As previously noted, expenses from governmental activities totaled \$8,341,037. However, net costs of these services were \$7,685,843. The difference represents direct revenues received from charges for services of \$501,318, operating grants and contributions of \$53,876 and capital grants and contributions of \$100,000. Taxes and other revenues of \$7,685,843 were collected to cover the net costs.

Business-Type Activities

Business-type activities net assets increased by \$1,211,045. Revenues decreased \$2,853,265 or 31% and expenses increased \$323,692 or 4% compared to the prior year. The change in net assets in the current year was \$2,920,957 lower than the prior year due mainly to a reduced amount of developer contributions of public infrastructure during the year.

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, City Attorney, 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 \$4,093,564, a decrease of \$1,473,723 from the beginning balance of \$5,567,287. The fund balance decrease was primarily due to the City Park project that invested an additional \$1,316,867 into the community. The unreserved general fund balance at year-end was \$4,093,564.

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 repairs 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 \$6,715,809, a decrease of \$145,371 from the beginning balance of \$6,861,180. All of the Transportation Fund Balance was reserved for highways and roads at year-end. The fund balance decrease was due to investment in City streets above annual income. The City invested \$1,779,719 in street projects across the City.

Capital Improvements Tax Fund. This Fund is established as required under the Revised Missouri Statutes 94.577. The monies collected here are from a ½ cent general sales tax. The Mayor and Board of Aldermen, by ordinance, have committed these funds to help offset the 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 \$1,035,341, a decrease of \$341,592 from the beginning balance of \$1,376,933. All of the Capital Improvement Fund Balance was reserved for capital improvements/debt service at year-end. The fund balance decrease was due to the amount of transfers being made to the combined Water and Sewer Fund being 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 services pay a fee based upon a portion of the estimated cost of operation of the water and sewer utilities. This fee is subsidized by revenue transferred in from the Capital Improvements Tax Fund to offset debt service costs. At the end of the current fiscal year, total net assets of the Water and Sewer Fund were \$39,122,386, an increase of \$1,004,250 over the beginning balance of \$38,118,136. The unrestricted net assets in the Water and Sewer Fund at year-end were \$7,654,762. The increase in net assets is partially due to developer contributions of water and sewer systems and a reduction of revenue bond liabilities.

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 flows of operation, nor do they cover the non-cash cost (depreciation). The differences in cash payouts are made up by transfers from the General Fund. At the end of the current fiscal year, total net assets of the Ambulance Fund were \$257,867. The unrestricted Ambulance net assets at year-end were \$223,231. The increase in net assets of \$36,917 is the result of an increase in transfers from General Fund to fund the purchase of an ambulance. The purchase of the ambulance was postponed.

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 \$2,217,411, an increase of \$14,320 from the beginning balance of \$2,203,091. The unrestricted net assets of Lee C. Fine Airport Fund at year-end were \$189,623. The City received State Block Grant revenue in the amount of \$67,899 to fund the asphalt overlay project, wild life study and fence design.

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 were \$777,115, an increase of \$155,558 from the beginning balance of \$621,557. The unrestricted net assets of the Grand Glaize Fund were \$41,583. The increase in net assets is mainly due to receipt of insurance funds and an increase of General Fund transfers of \$89,380 to make up the difference in insurance funds compared to the total project costs to build new airplane hangars that were damaged during an ice storm in 2007.

General Fund Budget Highlights: Each fiscal year, the City formally adopts its budget prior to the beginning of the fiscal year. If necessary, the original budget is amended to re-appropriate unspent funds before the current fiscal year ends. The total original expenditure budget of \$39,516,031 was not amended during the fiscal year. On a budgetary basis, which can be found in the Required Supplementary Information, the revenues and other sources under expenditures and other uses resulted in a decrease of \$1,473,723 in fund balance. Actual revenue was less than budgeted revenue by \$651,860, due mainly to a 4.8% decrease in sales tax compared to the year before. Actual expenditures were under the budgeted amount by \$1,498,573, due mainly to park projects being done in 2007 versus 2008, projects canceled due to grants and matching funds not being received and Park construction package number four being postponed.

Capital Asset and Debt Administration

Capital Assets. The amount invested in capital assets for the City as of December 31, 2008 was \$92,644,723, net of accumulated depreciation. This amount includes all infrastructure assets acquired during 2008 and prior years for water, sewer, and street infrastructure. Capital assets increased \$1,921,856 during the year. The following chart breaks down the City's capital asset balance into the various categories of assets. Additional information regarding the City's capital assets can be found in Note 6.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	1,539,121	1,361,407	543,550	531,550	2,082,671	1,892,957
Construction in Progress	4,775,707	2,884,929	1,455,938	1,375,608	6,231,645	4,260,537
Buildings and Improvements	7,224,452	7,196,094	3,486,776	3,142,571	10,711,228	10,338,665
Equipment	3,196,480	3,126,276	1,552,802	1,249,301	4,749,282	4,375,577
Infrastructure	25,463,165	24,518,025	0	0	25,463,165	24,518,025
Water System			33,201,915	32,399,367	33,201,915	32,399,367
Sewer System			51,963,203	51,024,204	51,963,203	51,024,204
Sub-Total	42,198,925	39,086,731	92,204,184	89,722,601	134,403,109	128,809,332
Less accumulated depreciation	(14,237,049)	(12,738,902)	(27,521,337)	(25,347,563)	(41,758,386)	(38,086,465)
Capital assets net of depreciation	27,961,876	26,347,829	64,682,847	64,375,038	92,644,723	90,722,867

Major capital asset transactions during the year include the following:

- The City spent an additional \$1,316,867 to complete its \$3,353,355 new park. The park located off of Hatchery Road features 92 acres, sports complex, three 300' baseball/softball fields, press box, concession facilities and three soccer fields.
- Police Department purchased a Remote Video Surveillance Trailer with grant funds in the amount of \$33,264.
- Relocates of water and sewer lines in the amount of \$171,346 necessary for the new expressway were mostly reimbursed by the Missouri Department of Transportation.
- An additional \$254,344 was spent to complete the Grand Glaize Airplane Hangar that was destroyed by an ice storm, for a total cost of \$285,200. The source of funds for this project was \$209,105 from insurance and the balance was paid by the City. The new hangar is all steel built on a concrete slab with 45' electric bi-fold doors.
- Storm water and driveway project in the amount of \$103,389, partially funded with a grant from Missouri Department of Natural Resources in the amount of \$31,338.
- First time water and sewer extension project in the Airport Road area nearing completion. The total cost for this project is \$805,542.
- Sidewalks and trails completed in the City include the Bluff Drive Trail for \$168,123.
- Transportation projects under construction during the year were Redbud, Lighthouse, Low and Passover Road. The Special Road District gave the City \$100,000 to assist in these projects
- Capital projects completed for sewer include the rotation of pumps and panels at a cost of \$148,027.

Debt Administration

The gross debt at December 31, 2008, was \$36,130,000, a decrease of \$1,945,000. The debt consists of general long-term debt of \$810,000 for the Transportation General Obligation Bonds and \$35,320,000 for the Sewerage and Waterworks Revenue Bonds.

City of Osage Beach Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	810,000	1,065,000			810,000	1,065,000
Revenue bonds			35,320,000	37,010,000	35,320,000	37,010,000
Total	810,000	1,065,000	35,320,000	37,010,000	36,130,000	38,075,000

Missouri statutes limit the amount of general obligation debt that a unit of government can issue to twenty percent of the total assessed value of taxable property located within the City's boundaries. The legal debt limit for the City of Osage Beach was \$55,610,030. Additional information regarding the City's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Osage Beach is experiencing reduced growth, compared to past numbers, in private sector investment. At the end of 2008, the City issued 634 business licenses to various businesses; 434 contractor licenses, 145 liquor licenses and 60 dog licenses. The Building Department issued 100 commercial permits and 108 residential permits, representing investment in our community of \$16,615,637. 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.

The City depends greatly on sales tax revenue. Recognized as both a retail center and a tourist destination, Osage Beach retail sales exceed the norm for cities of comparable size. Osage Beach is the home of the Osage Beach Premium Outlet center with over 100 stores, numerous national chains and locally owned specialty retail. The permanent and second homeowner population of Osage Beach continues to grow. This growth in turn will increase retail sales in the future. The length of the tourist season is growing with expansion of conference and convention business. However, the City has not been isolated from the effects of what is going on in the national economy. Gross Sales Tax receipts ended the year with a decrease of 4.81% compared to fiscal year 2007.

The above factors were considered in preparing the City of Osage Beach's budget for the 2009 fiscal year.

The City of Osage Beach has appropriated \$6,715,281 for spending in the General Fund 2009 fiscal year budget. Of the total amount appropriate in the General Fund, \$493,156 is budgeted for operating capital expenditures. The budget includes a 3% expected increase in sales tax revenue during the 2009 fiscal year over actual revenue in 2008.

The City's new water and sewer rates have been in effect since July 2007 and their effects are being analyzed. There is no rate increase for utilities in the 2009 budget.

Requests for Information

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

City of Osage Beach
Statement of Net Assets
December 31, 2008

	Governmental Activities	Business-type Activities	Total	Tax Increment Financing District
ASSETS				
Cash and cash equivalents	\$ 10,182,175	\$ 8,065,717	\$ 18,247,892	\$ 1,570
Receivables, net	1,434,646	362,452	1,797,098	1,032,064
Due from other governments	33,264	4,530	37,794	-
Inventories	-	220,074	220,074	-
Restricted assets:				
Cash and cash equivalents	757,056	1,669,853	2,426,909	2,928,167
Investments	13,088	3,303,203	3,316,291	691,285
Deferred charges, net of accumulated amortization of \$29,865, \$233,626, and \$248,331, respectively	12,927	595,437	608,364	671,329
Capital assets:				
Non-depreciable	6,314,828	1,999,488	8,314,316	-
Depreciable, net	21,647,048	62,683,359	84,330,407	-
Total assets	<u>40,395,032</u>	<u>78,904,113</u>	<u>119,299,145</u>	<u>5,324,415</u>
LIABILITIES				
Accounts payable	389,576	546,385	935,961	-
Accrued liabilities	103,699	31,499	135,198	-
Accrued interest	7,460	864,235	871,695	208,271
Other post employment benefits obligation	22,259	8,421	30,680	-
Restricted customer deposits	28,027	-	28,027	-
Funds held for others	54,213	-	54,213	-
Unearned revenues	-	514	514	-
Long-term liabilities				
Due within one year				
Bonds payable	260,000	1,745,000	2,005,000	665,000
Compensated absences	87,494	23,438	110,932	-
Due in more than one year				
Bonds payable	550,000	33,100,693	33,650,693	22,640,000
Arbitrage rebate payable	-	209,149	209,149	-
Total liabilities	<u>1,502,728</u>	<u>36,529,334</u>	<u>38,032,062</u>	<u>23,513,271</u>
NET ASSETS				
Invested in capital assets, net of related debt	27,151,876	32,056,850	59,208,726	-
Restricted for:				
Highways and streets	6,715,809	-	6,715,809	-
Debt service	673,508	727,348	1,400,856	3,619,452
Depreciation and replacement	-	1,481,382	1,481,382	-
Capital improvements	361,833	-	361,833	-
Unrestricted	3,989,278	8,109,199	12,098,477	(21,808,308)
Total net assets	<u>\$ 38,892,304</u>	<u>\$ 42,374,779</u>	<u>\$ 81,267,083</u>	<u>\$ (18,188,856)</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Activities
For the Year Ended December 31, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government				Component Units
	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary government	Expenses			Business-type Activities	Total
Governmental Activities					
General government	\$ 2,717,368	\$ 193,005	\$ -	\$ (2,470,487)	\$ (2,470,487)
Public safety	3,015,379	304,684	-	(2,710,695)	(2,710,695)
Parks and recreation	199,691	-	-	(199,691)	(199,691)
Information technology	231,929	-	-	(231,929)	(231,929)
Streets and highways	2,148,466	3,629	100,000	(2,044,837)	(2,044,837)
Interest expense	28,204	-	-	(28,204)	(28,204)
Total governmental activities	8,341,037	501,318	100,000	(7,685,843)	(7,685,843)
Business-type activities					
Water/Sewer	6,378,167	3,360,415	519,853	(1,557,666)	(1,557,666)
Ambulance	505,773	195,809	-	(309,964)	(309,964)
Airports	1,233,308	1,007,987	108,138	(117,183)	(117,183)
Total business-type activities	8,117,248	4,564,211	627,991	(1,984,813)	(1,984,813)
Total primary government	\$ 16,458,285	\$ 5,065,529	\$ 727,991	(1,984,813)	(9,670,656)
Component Units					
Tax Increment Financing District	\$ 1,362,416	\$ -	\$ -	\$ -	\$ (1,362,416)
General revenues:					
Taxes					
County road taxes				57,878	57,878
Property taxes				-	-
Sales taxes				8,910,793	8,910,793
Franchise taxes				849,517	849,517
Motor vehicle fuel and license taxes				141,427	141,427
Payments from enterprise funds				143,377	143,377
Unrestricted investment earnings				317,626	317,626
Other income				31,556	31,556
Gain (loss) on sale of capital assets				5,071	5,071
Transfers				(2,896,000)	(2,896,000)
Total general revenues, special items, and transfers				7,561,245	7,561,245
Change in net assets				(124,598)	(124,598)
Net assets - beginning				39,016,902	39,016,902
Net assets - ending				\$ 38,892,304	\$ 38,892,304
				\$ 42,374,779	\$ 42,374,779
				10,757,103	10,757,103
				1,086,447	1,086,447
				80,180,636	80,180,636
				\$ 81,267,083	\$ 81,267,083
				2,405,556	2,405,556
				1,043,140	1,043,140
				(19,231,996)	(19,231,996)
				\$ (18,188,856)	\$ (18,188,856)

See accompanying notes to the basic financial statements.

**City of Osage Beach
Balance Sheet
Governmental Funds
December 31, 2008**

	<u>General Fund</u>	<u>Transportation</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,514,479	\$ 6,604,423	\$ 63,273	\$ 10,182,175
Restricted cash and cash equivalents	96,636	-	660,420	757,056
Restricted investments	-	-	13,088	13,088
Receivables				
Taxes	755,538	328,526	328,526	1,412,590
Interest	631	1,158	-	1,789
Receivable from other governments	33,264	-	-	33,264
Other	18,282	1,985	-	20,267
Total assets	<u>\$ 4,418,830</u>	<u>\$ 6,936,092</u>	<u>\$ 1,065,307</u>	<u>\$ 12,420,229</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	147,581	212,029	29,966	389,576
Accrued payroll	95,445	8,054	-	103,499
Payable from restricted assets:				
Due to others	54,213	-	-	54,213
Bail bond deposits	16,027	-	-	16,027
Building deposits	12,000	-	-	12,000
Other payables	-	200	-	200
Total liabilities	<u>325,266</u>	<u>220,283</u>	<u>29,966</u>	<u>575,515</u>
Fund balances:				
Reserved for:				
Debt service	-	-	673,508	673,508
Highways and streets	-	6,715,809	-	6,715,809
Capital improvements	-	-	361,833	361,833
Unreserved	4,093,564	-	-	4,093,564
Total fund balances	<u>4,093,564</u>	<u>6,715,809</u>	<u>1,035,341</u>	<u>11,844,714</u>
Total liabilities and fund balances	<u>\$ 4,418,830</u>	<u>\$ 6,936,092</u>	<u>\$ 1,065,307</u>	<u>\$ 12,420,229</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2008

Funds balances - total governmental funds	\$ 11,844,714
---	---------------

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

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

Governmental capital assets	42,198,925	
Less accumulated depreciation	<u>(14,237,049)</u>	
		27,961,876

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

Revenue bonds payable	(810,000)	
Less deferred charge on refunding	<u>12,927</u>	(797,073)
Debt interest payable		(7,460)
Accrued compensated absences		(87,494)
Other post employment benefits obligation		<u>(22,259)</u>
Net assets of governmental activities		<u><u>\$ 38,892,304</u></u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	<u>General Fund</u>	<u>Transportation</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes				
Sales	\$ 4,478,535	\$ 2,216,139	\$ 2,216,119	\$ 8,910,793
Franchise	849,517	-	-	849,517
Motor vehicle fuel and license	-	141,427	-	141,427
County road taxes	-	57,878	-	57,878
Licenses, fines, permits and fees	507,282	3,629	-	510,911
Intergovernmental	35,287	100,000	18,589	153,876
Interest	147,185	170,441	-	317,626
Payments from enterprise funds	143,377	-	-	143,377
Miscellaneous	21,963	-	-	21,963
Total revenues	<u>6,183,146</u>	<u>2,689,514</u>	<u>2,234,708</u>	<u>11,107,368</u>
EXPENDITURES				
Current:				
General government	2,338,205	-	-	2,338,205
Public safety	2,889,711	-	-	2,889,711
Park and recreation	133,371	-	-	133,371
Information technology	225,623	-	-	225,623
Streets and highways	-	770,486	-	770,486
Capital improvements	-	-	236,300	236,300
Capital outlay				
Projects and equipment	1,552,703	-	-	1,552,703
Streets and highways	-	1,779,719	-	1,779,719
Debt service:				
Principal	-	255,000	-	255,000
Interest and other charges	-	29,798	-	29,798
Total expenditures	<u>7,139,613</u>	<u>2,835,003</u>	<u>236,300</u>	<u>10,210,916</u>
Excess (deficiency) of revenues over expenditures	<u>(956,467)</u>	<u>(145,489)</u>	<u>1,998,408</u>	<u>896,452</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(556,000)	-	(2,340,000)	(2,896,000)
Sale of capital assets	38,744	118	-	38,862
Total other financing sources and uses	<u>(517,256)</u>	<u>118</u>	<u>(2,340,000)</u>	<u>(2,857,138)</u>
Net change in fund balances	<u>(1,473,723)</u>	<u>(145,371)</u>	<u>(341,592)</u>	<u>(1,960,686)</u>
Fund balances - beginning	<u>5,567,287</u>	<u>6,861,180</u>	<u>1,376,933</u>	<u>13,805,400</u>
Fund balances - ending	<u>\$ 4,093,564</u>	<u>\$ 6,715,809</u>	<u>\$ 1,035,341</u>	<u>\$ 11,844,714</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended December 31, 2008

Net change in fund balances - total governmental funds: \$ (1,960,686)

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

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

Depreciation expense	(1,764,422)	
Capital outlay capitalized as assets	3,412,260	
		1,647,838

The issuance of long-term debt (e.g., bonds, loans, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items.

Repayments of principal		255,000
Change in interest payable		1,594

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

Compensated absences		(6,945)
Loss on disposal of capital assets		(33,791)
Amortization of issuance costs		(5,349)
Other post employment benefits obligation		(22,259)
Change in net assets of governmental activities		\$ (124,598)

**City of Osage Beach
Statement of Net Assets
Proprietary Funds
December 31, 2008**

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 7,735,016	\$ 145,648	\$ 157,064	\$ 27,989	\$ 8,065,717
Receivables (net of allowances for uncollectibles)					
Accounts	267,982	91,869	477	1,346	361,674
Interest	751	-	27	-	778
Receivable from other governments	-	-	3,726	804	4,530
Inventories	145,490	-	53,748	20,836	220,074
Total current assets	8,149,239	237,517	215,042	50,975	8,652,773
Non-current assets:					
Restricted cash and cash equivalents	1,669,853	-	-	-	1,669,853
Restricted investments	3,303,203	-	-	-	3,303,203
Deferred charges, net of accumulated amortization	595,437	-	-	-	595,437
Capital assets:					
Non-depreciable	1,976,797	-	22,691	-	1,999,488
Depreciable, net	59,908,094	34,636	2,005,097	735,532	62,683,359
Total non-current assets	67,453,384	34,636	2,027,788	735,532	70,251,340
Total assets	75,602,623	272,153	2,242,830	786,507	78,904,113
LIABILITIES					
Current liabilities:					
Accounts payable	524,290	3,100	17,633	1,362	546,385
Accrued payroll	16,729	5,804	3,425	2,608	28,566
Accrued interest payable	864,235	-	-	-	864,235
Other post employment benefits payable	4,511	931	1,644	1,335	8,421
Other accrued expenses	2,933	-	-	-	2,933
Deferred revenue	-	-	-	514	514
Compensated absences	12,697	4,451	2,717	3,573	23,438
Bonds, notes and loans payable	1,745,000	-	-	-	1,745,000
Total current liabilities	3,170,395	14,286	25,419	9,392	3,219,492
Non-current liabilities:					
Bonds, notes and loans payable	33,100,693	-	-	-	33,100,693
Arbitrage rebate payable	209,149	-	-	-	209,149
Total non-current liabilities	33,309,842	-	-	-	33,309,842
Total liabilities	36,480,237	14,286	25,419	9,392	36,529,334
NET ASSETS					
Invested in capital assets, net of related debt	29,258,894	34,636	2,027,788	735,532	32,056,850
Restricted for:					
Debt service	727,348	-	-	-	727,348
Depreciation and replacement	1,481,382	-	-	-	1,481,382
Unrestricted	7,654,762	223,231	189,623	41,583	8,109,199
Total net assets	\$ 39,122,386	\$ 257,867	\$ 2,217,411	\$ 777,115	\$ 42,374,779

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2008

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
REVENUES					
Charges for services	\$ 3,360,415	\$ 195,809	\$ 745,132	\$ 139,360	\$ 4,440,716
Rental income	-	-	81,705	41,790	123,495
Operating grants and contributions	940,233	-	-	-	940,233
Total operating revenues	<u>4,300,648</u>	<u>195,809</u>	<u>826,837</u>	<u>181,150</u>	<u>5,504,444</u>
OPERATING EXPENSES					
Cost of sales and services	868,090	14,531	584,132	140,369	1,607,122
Administration	127,063	51,750	4,190	6,833	189,836
Personnel services	724,053	400,871	185,599	131,294	1,441,817
Repairs and maintenance	464,833	8,410	32,024	15,596	520,863
Other supplies and expenses	910	-	-	-	910
Insurance	71,123	17,247	20,131	15,725	124,226
Depreciation	<u>2,294,003</u>	<u>12,964</u>	<u>65,903</u>	<u>31,512</u>	<u>2,404,382</u>
Total operating expenses	<u>4,550,075</u>	<u>505,773</u>	<u>891,979</u>	<u>341,329</u>	<u>6,289,156</u>
Operating loss	<u>(249,427)</u>	<u>(309,964)</u>	<u>(65,142)</u>	<u>(160,179)</u>	<u>(784,712)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	221,916	-	4,111	-	226,027
Interest expense	(1,630,889)	-	-	-	(1,630,889)
Miscellaneous revenue	-	-	-	118,827	118,827
Gain (loss) on sale of capital assets	-	(1,119)	-	(43,877)	(44,996)
Bond and financial services fees	<u>(197,203)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(197,203)</u>
Total non-operating revenue (expenses)	<u>(1,606,176)</u>	<u>(1,119)</u>	<u>4,111</u>	<u>74,950</u>	<u>(1,528,234)</u>
Loss before contributions and transfers	<u>(1,855,603)</u>	<u>(311,083)</u>	<u>(61,031)</u>	<u>(85,229)</u>	<u>(2,312,946)</u>
Capital grants and contributions	519,853	-	75,351	32,787	627,991
Transfers in	<u>2,340,000</u>	<u>348,000</u>	<u>-</u>	<u>208,000</u>	<u>2,896,000</u>
Change in net assets	1,004,250	36,917	14,320	155,558	1,211,045
Total net assets - beginning	<u>38,118,136</u>	<u>220,950</u>	<u>2,203,091</u>	<u>621,557</u>	<u>41,163,734</u>
Total net assets - ending	<u>\$ 39,122,386</u>	<u>\$ 257,867</u>	<u>\$ 2,217,411</u>	<u>\$ 777,115</u>	<u>\$ 42,374,779</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Cash Flows
For the Year Ended December 31, 2008

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Collections from customers and users	\$ 3,352,646	\$ 207,412	\$ 831,681	\$ 187,035	\$ 4,578,774
Payments for goods and services	(1,279,346)	(45,891)	(625,957)	(181,063)	(2,132,257)
Payments on behalf of employees for services	(711,742)	(404,371)	(183,084)	(129,130)	(1,428,327)
Payments for interfunds services used	(98,498)	(44,879)	-	-	(143,377)
Other operating revenues	743,030	-	-	118,827	861,857
Net cash provided (used) by operating activities	2,006,090	(287,729)	22,640	(4,331)	1,736,670
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund transfers	2,340,000	348,000	-	208,000	2,896,000
Net cash provided by noncapital financing activities	2,340,000	348,000	-	208,000	2,896,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(2,318,531)	(3,994)	(22,692)	(260,051)	(2,605,268)
Capital grants and contributions	519,854	-	75,351	32,787	627,992
Principal paid on capital debt	(1,690,000)	-	-	-	(1,690,000)
Interest paid on capital debt	(1,703,001)	-	-	-	(1,703,001)
Net cash provided (used) by capital and related financing activities	(5,191,678)	(3,994)	52,659	(227,264)	(5,370,277)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	221,916	-	4,111	-	226,027
Net change in short-term money market mutual funds	(1,625,765)	-	-	-	(1,625,765)
Proceeds from maturity of guaranteed investment contracts	1,957,186	-	-	-	1,957,186
Purchase of guaranteed investment contracts	(100,833)	-	-	-	(100,833)
Reinvestment of investment income	(74,821)	-	-	-	(74,821)
Net cash provided by investing activities	377,683	-	4,111	-	381,794
Net increase in cash and cash equivalents	(467,905)	56,277	79,410	(23,595)	(355,813)
Cash and cash equivalents-beginning of year	9,872,774	89,371	77,654	51,584	10,091,383
Cash and cash equivalents-end of year	\$ 9,404,869	\$ 145,648	\$ 157,064	\$ 27,989	\$ 9,735,570
Reconciliation of operating income to net cash provided by operating activities:					
Operating loss	\$ (249,427)	\$ (309,964)	\$ (65,142)	\$ (160,179)	\$ (784,712)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Miscellaneous revenue	(197,203)	-	-	118,827	(78,376)
Depreciation and amortization	2,294,003	12,964	65,903	31,512	2,404,382
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(7,769)	11,603	4,844	5,885	14,563
(Increase) decrease in inventory	(13,046)	-	39	3,681	(9,326)
Increase (decrease) in accounts payable and accrued liabilities	179,532	(2,332)	17,021	(4,486)	189,735
Increase (decrease) in deferred revenue	-	-	(25)	429	404
Total adjustments	2,255,517	22,235	87,782	155,848	2,521,382
Net cash provided (used) by operating activities	\$ 2,006,090	\$ (287,729)	\$ 22,640	\$ (4,331)	\$ 1,736,670

See accompanying notes to the basic financial statements.

CITY OF OSAGE BEACH
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies employed in the preparation of the accompanying financial statements, as presented on the basis set forth in Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments*.

A. Reporting Entity

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

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

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

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

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

B. Fund Accounting

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

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

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

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

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund or designated by management for expenditures for specified purposes.

Transportation Fund – This special revenue fund was established to account for the ongoing maintenance and construction of streets.

Capital Improvement Sales Tax Fund – This special revenue fund was established to subsidize debt service for the water and sewer systems. In addition, this fund may be used in the future for other capital projects, as voter approved.

The City reports the following major proprietary funds:

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

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

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

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, interest and principal on general long-term debt is recognized when due.

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

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

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

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

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

D. Budgets

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

E. Pooled Cash and Cash Equivalents

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

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

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

F. Receivables

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

G. Inventories

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

H. Deferred Bond Sale Discounts and Premiums

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

I. Capital Assets

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

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

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

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

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

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

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

J. Compensated Absences

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

K. Long-Term Obligations

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

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

L. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. Designated fund balances represent tentative plans for future use of financial resources.

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

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

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

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

M. Estimates

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

2. LEGAL COMPLIANCE - BUDGET

The City's policy is to prepare the operating budgets in accordance with U.S. generally accepted accounting principles. The City prepared budgets for all governmental fund types for the year ended December 31, 2008.

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

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

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

3. CASH AND INVESTMENTS

Deposits

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

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

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

The City's deposits are categorized to give an indication of the level of custodial risk assumed by the City at December 31, 2008. Deposits, categorized by level of custodial risk, were as follows as of December 31, 2008:

	Cash and Cash Equivalents	Certificates of Deposit	Petty Cash	Total
Bank balance				
Insured by the FDIC	\$ 397,341	\$ 9,500,000	\$ 2,275	\$ 9,899,616
Collateralized with securities pledged by the financial institution in the entity's name	-	\$ 10,452,000	-	10,452,000
Collateralized by securities held by the pledging financial institutions' trust department or agent but not in the depositor government's name	188,471	3,588,587	-	3,777,058
Uncollateralized	-	-	-	-
	<u>\$ 585,812</u>	<u>\$ 23,540,587</u>	<u>\$ 2,275</u>	<u>\$ 24,128,674</u>
Carrying value	<u>\$ 61,676</u>	<u>\$ 23,540,587</u>	<u>\$ 2,275</u>	<u>\$ 23,604,538</u>

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

	Government-Wide Statement of Net Assets		
	Primary Government	Component Unit	Total
Cash and cash equivalents	\$ 18,247,892	\$ 1,570	\$ 18,249,462
Restricted assets:			
Cash and cash equivalents	2,426,909	2,928,167	5,355,076
Total	<u>\$ 20,674,801</u>	<u>\$ 2,929,737</u>	<u>\$ 23,604,538</u>

Investments

The City had the following investments as of December 31:

	Investment Maturities (in years)			Fair Value	Carrying Value
	Less than 1	1-5	Over 5		
Money market mutual funds					
Restricted	2,497,366	-	-	2,497,366	2,497,366
Guaranteed investment contracts					
Restricted	-	351,467	1,158,743	1,510,210	1,510,210
Total investments	<u>\$ 2,497,366</u>	<u>\$ 351,467</u>	<u>\$ 1,158,743</u>	<u>\$ 4,007,576</u>	<u>\$ 4,007,576</u>

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

	Government-Wide Statement of Net Assets		
	Primary Government	Component Unit	Total
Restricted assets:			
Investments	\$ 3,316,291	\$ 691,285	\$ 4,007,576

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

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. State statutes authorize the City to invest in obligations of the U.S. Treasury, and federal agencies and instrumentalities; certificates of deposit issued by Missouri banks; and repurchase agreements. The City has no investment policy that would further limit its investment choice. Of the total guaranteed investment contracts balance of \$1,510,210, \$924,996 is rated AAA and \$585,214 is rated Aa3 by Moody's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer. Of the City's total investments, 62% are money market mutual funds.

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

4. RESTRICTED CASH/RESERVED FUND BALANCE

At December 31, 2008, cash was restricted and fund balances were reserved for various uses as follows:

	Cash	Fund Balance
General Fund		
Restricted for bail bond deposits	\$ 65,423	\$ -
Restricted for building permit deposits	12,000	-
Amounts held for others	19,213	-
Transportation Fund		
Reserved for highway and street improvements	-	6,715,809
Capital Improvement Fund		
Reserved for bond requirements	673,508	673,508
Reserved for capital projects	-	361,833
Water and Sewer Fund		
Restricted for bond requirements	4,973,056	2,208,730
TIF Fund		
Restricted for bond requirements	3,619,452	3,619,452

5. RECEIVABLES

Receivables are composed of the following at December 31, 2008:

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Taxes receivable	\$ 1,412,590	\$ -	\$ 1,412,590	\$ 1,032,064
Accounts receivable	-	387,998	387,998	-
Other receivable	20,267	-	20,267	-
Interest	1,789	778	2,567	-
	1,434,646	388,776	1,823,422	1,032,064
Allowance for uncollectible accounts	-	(26,324)	(26,324)	-
Accounts receivable	\$ 1,434,646	\$ 362,452	\$ 1,797,098	\$ 1,032,064

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	Balance December 31, 2007	Additions	Retirements	Transfers	Balance December 31, 2008
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,361,407	\$ 177,714	\$ -	\$ -	\$ 1,539,121
Construction in progress	2,884,929	2,156,525	-	(265,747)	4,775,707
Total capital assets, not being depreciated	4,246,336	2,334,239	-	(265,747)	6,314,828
Capital assets, being depreciated:					
Buildings and improvements	7,196,094	28,358	-	-	7,224,452
Machinery and equipment	3,126,276	368,151	323,947	26,000	3,196,480
Infrastructure	24,518,025	681,512	-	263,628	25,463,165
Total capital assets, being depreciated	34,840,395	1,078,021	323,947	289,628	35,884,097
Less accumulated depreciation for:					
Buildings and improvements	2,055,965	224,514	-	-	2,280,479
Machinery and equipment	2,002,437	331,485	290,156	26,000	2,069,766
Infrastructure	8,680,500	1,208,423	-	(2,119)	9,886,804
Total accumulated depreciation	12,738,902	1,764,422	290,156	23,881	14,237,049
Total capital assets being depreciated, net	22,101,493	(686,401)	33,791	265,747	21,647,048
Total capital assets, net	\$ 26,347,829	\$ 1,647,838	\$ 33,791	\$ -	\$ 27,961,876

	Balance December 31, 2007	Additions	Retirements	Transfers	Balance December 31, 2008
Business-type activities:					
Capital assets, not being depreciated:					
Land and easements	\$ 531,550	\$ 12,000	\$ -	\$ -	\$ 543,550
Construction in progress	1,375,608	1,172,380	-	(1,092,050)	1,455,938
Total capital assets, not being depreciated	<u>1,907,158</u>	<u>1,184,380</u>	<u>-</u>	<u>(1,092,050)</u>	<u>1,999,488</u>
Capital assets, being depreciated:					
Buildings and improvements	3,142,571	260,051	56,768	140,922	3,486,776
Equipment	1,249,301	349,718	22,336	(23,881)	1,552,802
Water system, tower and lines	32,399,367	454,156	-	348,392	33,201,915
Sewage collection system and treatment plant	51,024,204	356,963	20,700	602,736	51,963,203
Total capital assets, being depreciated	<u>87,815,443</u>	<u>1,420,888</u>	<u>99,804</u>	<u>1,068,169</u>	<u>90,204,696</u>
Less accumulated depreciation for:					
Buildings and improvements	542,727	100,635	12,891	-	630,471
Equipment	980,295	79,925	21,217	(23,881)	1,015,122
Water system, tower and lines	4,436,267	836,945	-	-	5,273,212
Sewage collection system and treatment plant	19,388,274	1,234,958	20,700	-	20,602,532
Total accumulated depreciation	<u>25,347,563</u>	<u>2,252,463</u>	<u>54,808</u>	<u>(23,881)</u>	<u>27,521,337</u>
Total capital assets being depreciated, net	<u>62,467,880</u>	<u>(831,575)</u>	<u>44,996</u>	<u>1,092,050</u>	<u>62,683,359</u>
Business-type activities capital assets, net	<u>\$ 64,375,038</u>	<u>\$ 352,805</u>	<u>\$ 44,996</u>	<u>\$ -</u>	<u>\$ 64,682,847</u>

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

Governmental activities:	
General administration	309,725
Public safety	109,612
Streets and highways	1,291,454
Parks and recreation	53,631
Total depreciation expense - governmental activities:	<u>\$ 1,764,422</u>
Business-type activities:	
Water/Sewer	2,142,084
Ambulance	12,964
Airports	97,415
Total depreciation expense - business-type activities:	<u>\$ 2,252,463</u>

7. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2008:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in one year
Primary Government:					
General Long-Term Debt					
General obligation bonds	\$ 1,065,000	\$ -	\$ 255,000	\$ 810,000	\$ 260,000
Compensated absences	80,549	26,400	19,455	87,494	87,494
Enterprise Funds					
Revenue bonds	37,010,000	-	1,690,000	35,320,000	1,745,000
Compensated absences	23,415	7,655	7,632	23,438	23,438
	<u>\$ 38,178,964</u>	<u>\$ 34,055</u>	<u>\$ 1,972,087</u>	<u>\$ 36,240,932</u>	<u>\$ 2,115,932</u>
Component Unit:					
Revenue bonds	<u>\$ 24,215,000</u>	<u>\$ -</u>	<u>\$ 910,000</u>	<u>\$ 23,305,000</u>	<u>\$ 665,000</u>

Accrued compensated absences are generally liquidated by the General fund.

General obligation debt

General obligation bonds currently outstanding are as follows:

	Original Amount	Interest Rate	Balance December 31, 2008
Governmental Activities	<u>\$ 2,025,000</u>	1.25 - 3.20%	<u>\$ 810,000</u>

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

Year Ending December 31	Principal	Interest	Total
2008	\$ 260,000	\$ 24,340	\$ 284,340
2009	270,000	17,060	287,060
2010	280,000	8,960	288,960
Total	<u>\$ 810,000</u>	<u>\$ 50,360</u>	<u>\$ 860,360</u>

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

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

Based on the assessed valuation as of January 1, 2008, of \$278,050,149, the constitutional total general obligation debt limit was \$55,610,030.

The legal debt margin of the City at December 31, 2008, was:

Constitutional debt limit	\$ 55,610,030
General obligation bonds payable	<u>(810,000)</u>
Excess legal debt margin	<u><u>\$ 54,800,030</u></u>

State Revolving Loans

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

Revenue bonds payable are comprised of the following individual issues:

	Original Amount	Interest Rate	Final Maturity Date	Balance December 31, 2008
2001A, Clean Water	\$ 5,000,000	4.0%-5.0%	1/1/2022	\$ 3,665,000
2002B, Drinking Water	24,585,000	3.25%-5.5%	7/1/2022	19,305,000
2003B, Drinking Water	6,075,000	2.5%-5.125%	1/1/2024	5,515,000
2005C, Clean Water	4,950,000	3.0%-5.25%	7/1/2025	4,390,000
2007A, Drinking Water	2,550,000	4.0%-4.75%	1/1/2027	2,445,000
				<u><u>\$ 35,320,000</u></u>

The following is a summary of net revenue bonds payable for December 31, 2008:

Bonds payable at December 31, 2008	\$ 35,320,000
Advanced refunding (net of accumulated amortization)	(1,492,815)
Unamortized premiums/discounts	1,018,508
	<u>34,845,693</u>
Less amount due within one year	<u>(1,745,000)</u>
Net Revenue Bonds Payable December 31, 2008	<u>\$ 33,100,693</u>

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

Year Ending December 31	Principal	Interest	Total
2009	\$ 1,745,000	\$ 1,718,762	\$ 3,463,762
2010	1,815,000	1,642,436	3,457,436
2011	1,865,000	1,574,428	3,439,428
2012	1,945,000	1,486,003	3,431,003
2013	2,030,000	1,391,400	3,421,400
2014-2018	11,525,000	5,321,751	16,846,751
2019-2023	12,310,000	2,079,496	14,389,496
2024-2026	2,085,000	118,862	2,203,862
Total	<u>\$ 35,320,000</u>	<u>\$ 15,333,138</u>	<u>\$ 50,653,138</u>

Tax Increment Financing

On February 28, 2002, the City issued Tax Increment Bonds Series 2002 in the aggregate principal amount of \$7,775,000 to finance roads, water and sewer infrastructure in the Prewitt's Point redevelopment area. These bonds were issued for the City's component unit, the Tax Increment Financing District. These bonds are limited obligations of the City, payable solely from bond proceeds, payments in lieu of taxes, economic activity tax revenue and monies on deposit in a debt service reserve fund. The application of economic activity tax revenues to the payment of the Series 2002 bonds is subject to annual appropriation by the City. These bonds do not have a required redemption schedule, although the City has made annual payments, but mature on May 1, 2023. The amount of bonds outstanding as of December 31, 2008 is \$5,860,000.

On December 31, 2006 the City issued Tax Increment Bonds Series 2006 in the aggregate principal amount of \$18,590,000 to finance roads, water and sewer infrastructure in the Prewitt's Point redevelopment area. These bonds were issued for the City's component unit, the Tax Increment Financing District. These bonds are limited obligations of the City, payable solely from bond proceeds, payments in lieu of taxes, economic activity tax revenue and monies on deposit in a debt service reserve fund. The application of economic activity tax revenues to the payment of the Series 2006 bonds is subject to annual appropriation by the City. The amount of the bonds outstanding as of December 31, 2008 is \$17,445,000.

The bond issues are structured so that bonds are redeemed as funds become available; accordingly, debt coverage will not exceed 100% over the life of the bonds. Principal and interest payments on the bonds are due semiannually. Debt service on principal and interest cannot exceed the life of the redevelopment area of May 1, 2023. For the current year, principal and interest paid and total incremental tax revenues for the TIF bonds are \$2,185,984 and \$2,295,914, respectively.

The annual requirements to amortize debt outstanding in the as of December 31, 2008, including interest payments, are as follows:

Year Ending December 31	Principal	Interest	Total
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
2014-2018	5,480,000	2,691,875	8,171,875
2019-2023	13,860,000	1,124,250	14,984,250
Total	<u>\$ 23,305,000</u>	<u>\$ 7,655,042</u>	<u>\$ 30,960,042</u>

On November 1, 2007 the Board of Aldermen approved the Marina View Tax Increment Financing Plan. This plan consists of the construction of a hotel on approximately 28 acres and includes a future bond issuance of approximately \$3.7 million. No activity occurred under this project during 2008.

8. DEFEASED BONDS OUTSTANDING

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, 2008, \$13,000,000 of bonds outstanding are considered defeased.

9. INTERFUND TRANSACTIONS

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

A summary of interfund transfers for the year ended December 31, 2008, follows:

	TRANSFERRED TO Enterprise Funds			Total
	Water/Sewer Fund	Ambulance Fund	Grand Glaize Fund	
TRANSFERRED FROM Governmental Funds:				
General Fund	\$ -	\$ 348,000	\$ 208,000	\$ 556,000
Capital Improvement Fund	2,340,000	-	-	\$ 2,340,000
	<u>\$ 2,340,000</u>	<u>\$ 348,000</u>	<u>\$ 208,000</u>	<u>\$ 2,896,000</u>

The purpose of the transfer from the General Fund to the Ambulance Fund and Grand Glaize Fund were to subsidize the operations of these funds. The purpose of the transfer from the Capital Improvement Fund to the Water/Sewer Fund is to subsidize the payment of the Water/Sewer Revenue Bonds.

Interfund Charges for Support Services

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

Water/Sewer Fund	\$ 98,498
Ambulance Fund	44,879
	<u>\$ 143,377</u>

10. COMMITMENTS AND CONTINGENCIES

A Risk Management

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

B. Litigation

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

C. Contracts for Construction

The City has entered into agreements with contractors for various projects for street construction, park construction and construction of water and sewer facilities. As of December 31, 2008, commitments under contracts were as follows:

Project	Spent-to-Date	Commitment
Park construction	\$ 3,347,411	\$ 5,944
Transportation	685,858	1,326,970
Water/Sewer construction	960,837	294,907
	<u>\$ 4,994,106</u>	<u>\$ 1,627,821</u>

11. INTERGOVERNMENTAL REVENUE

The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants. Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or the individual fund-types included herein or on the overall financial position of the City as of December 31, 2008.

12. PENSION PLAN

Plan Description

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

Plan Funding

The City contributes 6% of eligible employee wages, while employees do not contribute to the plan. The City contributed \$259,419 to the plan for the year ended December 31, 2008.

13. POST EMPLOYMENT BENEFITS

Effective January 1, 2008, the City adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45). In addition to the relevant disclosures within this note related to the implementation of GASB 45, the financial statements reflect a long-term liability and related expenses of \$22,259 and \$8,421 in governmental and business-type activities, respectively, resulting from the adoption.

Plan Description

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

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

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

Funding Policy

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

Annual OPEB Costs

For the implementation year ended December 31, 2008, the annual OPEB costs are as follows:

Annual accrued liability	\$ 193,781
OPEB plan assets	-
Unfunded actuarial accrued liability	<u>\$ 193,781</u>
Amortization factor (Based on 30-year closed-level dollar)	<u>14,5907</u>
Amortization of unfunded liability	13,281
Normal costs	16,413
Interest to end of the year	<u>1,782</u>
Annual OPEB cost	<u>\$ 31,476</u>

Schedule of Employee Contributions

For the year ended December 31, 2008:

<u>Annual OPEB Costs</u>	<u>Estimated Retiree Benefits for the Year</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
\$ 31,476	\$ 796	2.5%	\$ 30,680

Because 2008 was the year of transition for GASB 45, requirements of GASB 45 have been implemented prospectively; therefore, the above illustration does not reflect similar information respective of the two preceding years.

Schedule of Funding Progress

For the year ended December 31, 2008:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
7/1/2007	\$ -	\$ 193,781	\$ 193,781	\$ -	\$ 3,447,557	5.6%

Actuarial Methods and Assumptions

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

As of the July 1, 2007 actuarial valuation, the liabilities were computed using the projected unit credit method with a 30-year level dollar amortization of the unfunded actuarial accrued liability. The actuarial assumption utilized a 6% discount rate.

14. JOINT VENTURE

On August 5, 1981, the City agreed to a joint partnership with City of Lake Ozark of a Sewage Treatment Plant (STP). The Board administering the STP consists of eight members, four from each city. Amounts to be billed to each city are based upon usage billed at identical rate structures. Costs of operation and maintenance are split proportionately between the two cities. For the year ended December 31, 2008, the City paid \$529,634 for its share of STP expenses. A separate audit is performed on this entity, and a copy may be reviewed at the Board office.

15. ASSESSED VALUE OF PROPERTY

Assessed valuation is established by the County Assessor. The City does not levy property taxes. A property tax is levied by Miller County for property located within the Prewitt's Point Project, part of the component unit. Assessed valuation and tax levy for the property located in the Tax Increment Financing District as of September 19, 2008 as following:

	For the 2008 Calendar Year
Assessed valuation for Miller County:	
Tax Increment Financing	<u>\$ 15,511,840</u>
Tax rates per \$100 assessed valuation:	
General Fund	<u>\$ 0.0408</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 bond indenture.

REQUIRED SUPPLEMENTARY INFORMATION

City of Osage Beach
Budget and Actual (with Variances)
General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES				
Taxes				
Sales	\$ 4,900,000	\$ 4,900,000	\$ 4,478,535	\$ (421,465)
Franchise	632,000	632,000	849,517	217,517
Licenses, fines, permits and fees	695,691	695,691	507,282	(188,409)
Intergovernmental	211,688	211,688	35,287	(176,401)
Interest	250,000	250,000	147,185	(102,815)
Payments from enterprise funds	143,377	143,377	143,377	-
Miscellaneous	2,250	2,250	21,963	19,713
Total revenues	6,835,006	6,835,006	6,183,146	(651,860)
EXPENDITURES				
Current:				
General government	2,598,133	2,598,133	2,338,205	259,928
Public safety	3,084,460	3,084,460	2,889,711	194,749
Park and recreation	149,997	149,997	133,371	16,626
Information technology	271,819	271,819	225,623	46,196
Capital outlay				
Projects and equipment	2,533,777	2,533,777	1,552,703	981,074
Total expenditures	8,638,186	8,638,186	7,139,613	1,498,573
(Deficiency) of revenues over expenditures	(1,803,180)	(1,803,180)	(956,467)	(2,150,433)
OTHER FINANCING SOURCES (USES)				
Transfers out	(555,000)	(555,000)	(556,000)	1,000
Sale of capital assets	28,940	28,940	38,744	(9,804)
Total other financing sources and uses	(526,060)	(526,060)	(517,256)	(8,804)
Net change in fund balances	(2,329,240)	(2,329,240)	(1,473,723)	(855,517)
Fund balances - beginning	5,567,287	5,567,287	5,567,287	-
Fund balances - ending	\$ 3,238,047	\$ 3,238,047	\$ 4,093,564	\$ (855,517)

**City of Osage Beach
Budget and Actual (with Variances)
Transportation Fund
For the Year Ended December 31, 2008**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES				
Taxes				
Sales	\$ 2,450,000	\$ 2,450,000	\$ 2,216,139	\$ (233,861)
Motor vehicle fuel and license	154,000	154,000	141,427	(12,573)
County road taxes	37,000	37,000	57,878	20,878
Licenses, fines, permits and fees	100	100	3,629	3,529
Intergovernmental	127,000	127,000	100,000	(27,000)
Interest	75,000	75,000	170,441	95,441
Total revenues	2,843,100	2,843,100	2,689,514	(153,586)
EXPENDITURES				
Current:				
Streets and highways	840,804	840,804	770,486	70,318
Capital outlay				
Streets and highways	6,213,891	6,213,891	1,779,719	4,434,172
Debt Service:				
Principal	255,000	255,000	255,000	-
Interest and other charges	31,165	31,165	29,798	1,367
Total expenditures	7,340,860	7,340,860	2,835,003	4,505,857
Deficiency of revenues over expenditures	(4,497,760)	(4,497,760)	(145,489)	(4,659,443)
OTHER FINANCING SOURCES				
Sale of capital assets	8,300	8,300	118	8,182
Total other financing sources	8,300	8,300	118	8,182
Net change in fund balances	(4,489,460)	(4,489,460)	(145,371)	(4,344,089)
Fund balances - beginning	6,861,180	6,861,180	6,861,180	-
Fund balances - ending	\$ 2,371,720	\$ 2,371,720	\$ 6,715,809	\$ (4,344,089)

City of Osage Beach
Budget and Actual (with Variances)
Capital Improvement Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Sales	\$ 2,450,000	\$ 2,450,000	\$ 2,216,119	\$ (233,881)
Intergovernmental	18,000	18,000	18,589	589
Total revenues	<u>2,468,000</u>	<u>2,468,000</u>	<u>2,234,708</u>	<u>(233,292)</u>
EXPENDITURES				
Current:				
Capital improvements	<u>275,000</u>	<u>275,000</u>	<u>236,300</u>	<u>38,700</u>
Total expenditures	<u>275,000</u>	<u>275,000</u>	<u>236,300</u>	<u>38,700</u>
Excess of revenues over expenditures	<u>2,193,000</u>	<u>2,193,000</u>	<u>1,998,408</u>	<u>(194,592)</u>
OTHER FINANCING USES				
Transfers out	<u>(2,380,000)</u>	<u>(2,380,000)</u>	<u>(2,340,000)</u>	<u>(40,000)</u>
Total other financing uses	<u>(2,380,000)</u>	<u>(2,380,000)</u>	<u>(2,340,000)</u>	<u>(40,000)</u>
Net change in fund balances	<u>(187,000)</u>	<u>(187,000)</u>	<u>(341,592)</u>	<u>154,592</u>
Fund balances - beginning	<u>1,376,933</u>	<u>1,376,933</u>	<u>1,376,933</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,189,933</u>	<u>\$ 1,189,933</u>	<u>\$ 1,035,341</u>	<u>\$ 154,592</u>

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

For The Year Ended December 31, 2008

Budgetary Information

The City's policy is to prepare the operating budgets in accordance with U.S. generally accepted accounting principles. The City prepared budgets for all governmental fund types for the year ended December 31, 2008.

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

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

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

SUPPLEMENTARY INFORMATION

STATISTICAL SECTION (Unaudited)

Statistical Section

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

Financial Trends (Tables 1-4)

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

Revenue Capacity (Tables 5-8)

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

Debt Capacity (Tables 9-13)

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

Demographic and Economic Information (Tables 14-15)

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

Operating Information (Tables 16-18)

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

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 1

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

	FISCAL YEAR					
	2003	2004	2005	2006	2007	2008
Governmental Activities:						
Invested in capital assets, net of related debt	\$ 14,723,034	\$ 14,763,649	\$ 16,012,730	\$ 24,452,788	\$ 25,282,829	\$ 27,151,876
Restricted	4,443,505	5,316,741	5,444,585	5,178,443	8,238,113	7,751,150
Unrestricted	6,279,125	6,711,585	6,982,526	7,163,444	5,495,960	3,989,278
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>	<u>\$ 39,016,902</u>	<u>\$ 38,892,304</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 18,235,911	\$ 22,500,841	\$ 16,037,165	\$ 31,692,173	\$ 31,011,943	\$ 32,056,850
Restricted	5,237,113	2,156,307	6,801,445	1,039,125	1,434,786	2,208,730
Unrestricted	8,937,140	8,863,032	12,098,906	6,188,535	8,717,005	8,109,199
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>	<u>\$ 41,163,734</u>	<u>\$ 42,374,779</u>
Primary government:						
Invested in capital assets, net of related debt	\$ 32,958,945	\$ 37,264,490	\$ 32,049,895	\$ 53,747,316	\$ 56,294,772	\$ 59,208,726
Restricted	9,680,618	7,473,048	12,246,030	6,217,568	9,672,899	9,959,880
Unrestricted	15,216,265	15,574,617	19,081,432	13,351,979	14,212,965	12,098,477
Total primary government net assets	<u>\$ 57,855,828</u>	<u>\$ 60,312,155</u>	<u>\$ 63,377,357</u>	<u>\$ 73,316,863</u>	<u>\$ 80,180,636</u>	<u>\$ 81,267,083</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

TABLE 2

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

	FISCAL YEAR					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental Activities:						
General government	\$ 1,801,310	\$ 1,986,201	\$ 2,042,939	\$ 3,001,564	\$ 3,267,483	\$ 2,717,368
Public Safety	2,227,219	2,261,432	2,456,013	2,676,484	2,864,264	3,015,379
Park and Recreation	158,651	190,979	255,247	144,529	182,050	199,691
Information Technology	-	-	234,900	329,674	311,734	231,929
Streets and Highways	1,137,973	1,517,385	1,456,232	1,567,449	1,997,862	2,148,466
Interest on Long-term debt	76,510	47,157	44,300	40,053	36,215	28,204
Total governmental activities expenses	5,401,663	6,003,154	6,489,631	7,759,753	8,659,608	8,341,037
Business-type activities:						
Water/Sewer	4,910,674	5,423,374	5,208,031	5,941,742	6,299,866	6,378,167
Ambulance	569,338	633,519	473,746	425,918	484,609	505,773
Airports	669,123	792,893	904,081	1,011,665	1,009,081	1,233,308
Total Business-type activities expenses	6,149,135	6,849,786	6,585,858	7,379,325	7,793,556	8,117,248
Total primary government expenses	\$ 11,550,798	\$ 12,852,940	\$ 13,075,489	\$ 15,139,078	\$ 16,453,164	\$ 16,458,285
Program Revenues						
Governmental Activities:						
Charges for services:						
General Government	\$ 447,887	\$ 472,741	\$ 450,944	\$ 451,851	\$ 305,473	\$ 196,634
Public Safety	210,888	239,394	274,622	334,901	303,239	304,684
Operating grants and contributions	51,919	6,542	14,539	83,969	123,189	53,876
Capital grants and contributions	-	-	-	7,203,665	2,105,975	100,000
Total governmental activities program revenues	710,694	718,677	740,105	8,074,386	2,837,876	655,194
Business-type activities:						
Charges for services:						
Water/Sewer	3,457,600	3,807,186	3,733,451	4,146,811	3,461,417	3,360,415
Ambulance	251,865	250,202	244,243	231,997	187,255	195,809
Airports	498,309	545,889	724,045	848,985	787,253	1,007,987
Operating grants and contributions	926,607	917,900	827,218	957,794	968,395	940,233
Capital grants and contributions	-	-	-	1,901,582	3,410,267	627,991
Total business-type activities program revenues	5,134,381	5,521,177	5,528,957	8,087,169	8,814,587	6,132,435
Total primary government program revenues	\$ 5,845,075	\$ 6,239,854	\$ 6,269,062	\$ 16,161,555	\$ 11,652,463	\$ 6,787,629

CITY OF OSAGE BEACH, MISSOURI

TABLE 2

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

	2003	2004	2005	2006	2007	2008
Net (Expense)/Revenue						
Governmental activities	\$ (4,688,753)	\$ (5,284,477)	\$ (5,749,526)	\$ 314,633	\$ (5,821,732)	\$ (7,685,843)
Business-type activities	(1,014,754)	(1,328,609)	(1,056,901)	707,844	1,021,031	(1,984,813)
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>	<u>\$ (4,800,701)</u>	<u>\$ (9,670,656)</u>

General Revenues and Other Changes in

Net Assets

Governmental Activities:

Taxes

County road taxes	\$ 36,245	\$ 38,411	\$ 36,793	\$ 45,805	\$ 49,751	\$ 57,878
Sales taxes	7,355,893	7,906,614	8,271,408	9,461,972	9,560,428	8,910,793
Franchise taxes	587,203	610,049	606,054	602,872	680,236	849,517
Motor vehicle fuel & license	148,404	152,407	151,446	154,275	154,604	141,427
Payments from enterprise funds	-	-	-	-	133,728	143,377
Unrestricted investment earnings	144,040	176,199	378,696	546,027	571,408	317,626
Other income	1,980	63,109	152,983	178,140	170,512	31,556
Gain (loss) on sale of capital assets	-	-	-	(67,494)	(127,164)	5,071
Adjustment for Capital Assets	-	-	-	(509,544)	-	-
Transfers	(2,216,000)	(2,316,000)	(2,199,990)	(2,881,396)	(2,640,000)	(2,896,000)
Total governmental activities	<u>6,057,765</u>	<u>6,630,789</u>	<u>7,397,390</u>	<u>7,530,657</u>	<u>8,553,503</u>	<u>7,561,245</u>

Business-type activities

Unrestricted investment earnings	72,939	122,624	274,248	408,943	356,000	226,027
Other income	-	-	-	-	101,309	118,827
Gain (loss) on sale of capital assets	-	-	-	(15,866)	13,662	(44,996)
Adjustment for Capital Assets	-	-	-	(1,888,101)	-	-
Transfers	2,216,000	2,316,000	2,199,990	2,881,396	2,640,000	2,896,000
Total business-type activities	<u>2,288,939</u>	<u>2,438,624</u>	<u>2,474,238</u>	<u>1,386,372</u>	<u>3,110,971</u>	<u>3,195,858</u>
Total primary government	<u>\$ 8,346,704</u>	<u>\$ 9,069,413</u>	<u>\$ 9,871,628</u>	<u>\$ 8,917,029</u>	<u>\$ 11,664,474</u>	<u>\$ 10,757,103</u>

Change in Net Assets

Governmental activities	1,369,012	1,346,312	1,647,864	7,845,290	2,731,771	(124,598)
Business-type activities	1,274,185	1,110,015	1,417,337	2,094,216	4,132,002	1,211,045
Total primary government	<u>\$ 2,643,197</u>	<u>\$ 2,456,327</u>	<u>\$ 3,065,201</u>	<u>\$ 9,939,506</u>	<u>\$ 6,863,773</u>	<u>\$ 1,086,447</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

TABLE 3

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

	FISCAL YEAR					
	2003	2004	2005	2006	2007	2008
General Fund						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,315,332	6,750,885	7,027,972	7,248,199	5,567,287	4,093,564
Total general fund	<u>\$ 6,315,332</u>	<u>\$ 6,750,885</u>	<u>\$ 7,027,972</u>	<u>\$ 7,248,199</u>	<u>\$ 5,567,287</u>	<u>\$ 4,093,564</u>
All Other Governmental Funds						
Reserved	\$ 541,000	\$ 541,000	\$ 628,176	\$ 618,423	\$ 8,238,113	\$ 7,751,150
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>	<u>\$ 8,238,113</u>	<u>\$ 7,751,150</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

TABLE 4

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

	FISCAL YEAR				2007	2008
	2003	2004	2005	2006	2007	2008
Revenues						
Taxes	\$ 8,127,745	\$ 8,707,481	\$ 9,065,701	\$ 10,264,924	\$ 10,445,019	\$ 9,959,615
Licenses, fines, permits & fees	545,665	594,822	607,096	656,747	608,712	510,911
Intergovernmental	51,919	6,542	14,539	83,969	2,229,164	153,876
Interest	144,040	176,199	378,696	546,027	571,408	317,626
Payments from enterprise funds	115,326	117,313	118,470	130,005	133,728	143,377
Other	1,980	63,109	152,983	178,140	170,512	21,963
Total Revenues	8,986,675	9,665,466	10,337,485	11,859,812	14,158,543	11,107,368
Expenditures						
General Government	\$ 1,619,544	\$ 1,809,180	\$ 1,795,000	\$ 2,478,779	\$ 2,477,412	\$ 2,338,205
Public Safety	2,158,769	2,187,311	2,384,832	2,597,737	2,707,922	2,889,711
Park and Recreation	134,295	165,613	223,003	100,418	126,692	133,371
Information Technology	-	-	234,900	329,543	270,226	225,623
Streets and Highways	420,447	748,431	724,328	789,009	736,966	770,486
Capital Improvement	-	-	-	226,831	249,821	236,300
Capital Outlay	1,407,396	847,251	2,090,261	2,220,821	3,318,599	3,332,422
Debt Service						
Interest and fiscal agent fees	93,974	47,891	45,240	41,193	36,215	29,798
Principal	195,000	235,000	235,000	240,000	250,000	255,000
Total Expenditures	6,029,425	6,040,677	7,732,564	9,024,331	10,173,853	10,210,916
Excess of revenues over (under)	2,957,250	3,624,789	2,604,921	2,835,481	3,984,690	896,452
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)	(2,640,000)	(2,896,000)
Sale of Capital Assets					34,068	38,862
Total other financing sources (uses)	(2,233,155)	(2,316,000)	(2,199,990)	(2,881,396)	(2,605,932)	(2,857,138)
Net Change in Fund Balances	\$ 724,095	\$ 1,308,789	\$ 404,931	\$ (45,915)	\$ 1,378,758	\$ (1,960,686)
Debt service as a percentage of noncapital expenditures	6.25%	5.45%	4.97%	-70.27%	3.95%	4.19%

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 5

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

FISCAL YEAR	COUNTY ROAD TAX	SALES TAX	FRANCHISE TAX	MOTOR VEHICLE		TOTAL
				FUEL & LICENSE TAX	TAX	
2003	\$ 36,245	\$ 7,355,893	\$ 587,203	\$ 148,404		\$ 8,127,745
2004	38,411	7,906,614	610,049	152,407		8,707,481
2005	36,793	8,271,408	606,054	151,446		9,065,701
2006	45,805	9,461,972	602,872	154,275		10,264,924
2007	49,751	9,560,428	680,236	154,604		10,445,019
2008	57,878	8,910,793	849,517	141,427		9,959,615

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 6

TAXABLE SALES BY CATEGORY
(in thousands of Dollars)

SIC Codes	FISCAL YEAR											
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
Construction (17)	\$ 210	\$ -	\$ -	\$ -	\$ 435	\$ -	\$ 368	\$ 141	\$ -	\$ 171		
Food And Kindred Products (20)	-	-	-	-	-	-	-	-	10	-		
Elect/Electronic Machinery, Equip. (36)	-	-	-	-	-	-	-	-	7	23		
Misc. Manufacturing Industries (39)	-	48	60	223	5	15	48	15	58	58		
Communications (48)	3,799	4,078	4,391	4,309	4,764	4,868	5,201	5,668	5,785	5,805		
Wholesale Trade Durable Goods (50)	1,439	1,581	1,421	1,484	820	922	1,858	953	1,583	1,482		
Wholesale Trade Nondurable Goods (51)	-	72	107	80	28	169	265	324	440	457		
Building Materials(52)	3,036	3,245	3,203	13,248	19,685	12,188	13,406	14,452	7,092	19,336		
General Merchandise Stores (53)	1,602	681	648	65,133	44,525	1,358	1,662	16,968	86,938	84,593		
Food Stores (54)	11,388	13,143	13,433	13,465	11,827	12,792	31,890	33,704	34,935	36,145		
Automotive Store & Service Stations (55)	5,920	2,403	2,013	4,935	6,493	5,142	6,942	7,155	6,435	7,835		
Apparel & Accessory Stores (56)	56,762	54,269	51,863	50,016	36,509	41,609	49,033	54,708	60,299	69,149		
Furniture & Home Furnishings (57)	12,356	12,083	18,254	40,631	45,523	61,504	68,894	73,372	73,034	64,883		
Eating & Drinking (58)	37,598	35,465	36,798	38,648	41,468	46,300	51,529	51,869	51,825	50,593		
Misc. Retail (59)	106,519	117,190	122,309	57,510	52,316	48,240	43,955	46,043	45,491	28,633		
Real Estate (65)										257		
Hotel, Rooming Houses, Camp/Other (70)	11,886	12,996	13,016	12,166	11,411	11,249	9,904	9,817	10,745	10,150		
Personal Services (72)	-	-	-	132	64	-	-	8	7	16		
Misc. Business Services (73)	472	1,584	2,192	2,488	2,436	2,152	2,223	2,297	2,743	2,899		
Automotive Repair Services (75)	1,349	1,707	1,860	1,897	1,780	1,717	1,794	2,023	2,268	2,155		
Misc. Repair Services (76)	-	-	-	-	134	352	-	-	-	-		
Amusement/Recreation Services (79)	4,494	4,100	3,971	3,858	3,791	3,965	4,431	4,311	4,322	4,868		
Health Services (80)	-	-	-	-	-	-	-	81	349	336		
Misc. Services (89)	7,001	7,112	8,359	10,240	11,033	11,788	12,383	14,286	15,439	12,334		
Suppressed Totals ¹	59,701	64,288	64,831	61,407	104,057	164,184	163,272	146,639	76,693	56,814		
Total	\$ 325,532	\$ 336,045	\$ 348,729	\$ 381,870	\$ 399,104	\$ 430,514	\$ 469,058	\$ 484,834	\$ 486,498	\$ 458,992		
City Direct Sales Tax Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%		

Source: Missouri Department of Revenue

Notes:

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

This is the only information available from the state.

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

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

CITY OF OSAGE BEACH, MISSOURI
TABLE 7
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN YEARS

FISCAL YEAR	CITY DIRECT RATE	CAMDEN COUNTY RATE	MILLER COUNTY RATE	MILLER CO. AMBULANCE RATE	TDD PREWITT PT. RATE	TDD OSAGE STATION RATE	STATE SALES TAX RATE
1999	2%	1%	1%	0.00%	0.00%	0.00%	5.225%
2000	2%	1%	1%	0.00%	0.00%	0.00%	5.225%
2001	2%	1%	1%	0.00%	0.00%	0.00%	5.225%
2002	2%	1%	1%	0.00%	0.00%	0.00%	5.225%
2003	2%	1%	1%	0.00%	0.00%	0.00%	5.225%
2004	2%	1%	1%	0.50%	0.50%	0.00%	5.225%
2005	2%	1%	1%	0.50%	0.50%	0.75%	5.225%
2006	2%	1%	1%	0.50%	0.50%	0.75%	5.225%
2007	2%	1.25%	1%	0.50%	0.50%	0.75%	5.225%
2008	2%	1.25%	1%	0.50%	0.50%	0.75%	5.225%

CITY OF OSAGE BEACH, MISSOURI

TABLE 8

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

SIC Code	SIC Description	Fiscal Year 2008					Fiscal Year 1999					Percentage Of Total City Sales Tax
		Taxable Sales	Tax Collected	Entity Count	Rank	City Sales Tax	Taxable Sales	Tax Collected	Entity Count	Rank		
53	General Merchandise Stores	\$84,593	\$1,692	19	1	18.44%	\$1,602	\$32	24	12	0.49%	
56	Apparel & Accessory Stores	\$69,149	\$1,383	59	2	15.07%	\$56,762	\$1,135	51	2	17.44%	
57	Furniture & Home Furnishings	\$64,883	\$1,298	50	3	14.14%	\$12,356	\$247	32	5	3.80%	
58	Eating & Drinking	\$50,593	\$1,012	67	4	11.03%	\$37,598	\$752	61	3	11.55%	
54	Food Stores	\$36,145	\$723	25	5	7.88%	\$11,388	\$228	23	6	3.50%	
59	Misc. Retail	\$28,633	\$573	181	6	6.24%	\$106,519	\$2,130	228	1	32.72%	
52	Building Materials	\$19,336	\$387	28	7	4.22%	\$3,036	\$61	18	11	0.93%	
89	Misc. Services	\$12,334	\$247	69	8	2.69%	\$7,001	\$140	38	7	2.15%	
70	Hotel, Rooming Houses, Camp/Other	\$10,150	\$203	38	9	2.21%	\$11,886	\$238	32	4	3.65%	
55	Automotive Store & Service Stations	\$7,835	\$157	35	10	1.71%	\$5,920	\$118	33	8	1.82%	
48	Communications	\$5,805	\$116	70	11	1.27%	\$3,799	\$76	44	10	1.17%	
79	Amusement/Recreation Services	\$4,868	\$97	13	12	1.06%	\$4,494	\$90	16	9	1.38%	
73	Misc. Business Services	\$2,899	\$58	54	13	0.63%	\$472	\$9	26	15	0.14%	
75	Automotive Repair Services	\$2,155	\$43	27	14	0.47%	\$1,349	\$27	20	14	0.41%	
50	Wholesale Trade Durable Goods	\$1,482	\$30	29	15	0.32%	\$1,439	\$29	27	13	0.44%	
51	Wholesale Trade Nondurable Goods	\$457	\$9	23	16	0.10%	\$0	\$0	0	17	0.00%	
80	Health Services	\$336	\$7	21	17	0.07%	\$0	\$0	0	18	0.00%	
17	Construction	\$171	\$3	12	18	0.04%	\$210	\$4	6	16	0.06%	
39	Misc. Manufacturing Industries	\$58	\$1	10	19	0.01%	\$0	\$0	0	19	0.00%	
72	Personal Services	\$16	\$0	21	20	0.00%	\$0	\$0	0	20	0.00%	
Suppressed Totals ¹		\$56,814	\$1,136			12.39%	\$59,701	\$1,194			18.34%	
Total		\$458,712	\$9,174			100%	\$325,532	\$6,511			100%	

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

TABLE 9

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	POPULATION	PER CAPITA
	GENERAL OBLIGATION BONDS		WATER/SEWER REVENUE BONDS				
1999	\$ 2,750,000		\$ 15,878,430		\$ 18,628,430	3,449	5,401
2000	2,575,000		19,979,111		22,554,111	3,662	6,159
2001	2,395,000		29,019,793		31,414,793	3,781	8,309
2002	2,205,000		34,696,974		36,901,974	3,889	9,489
2003	2,025,000		34,890,000		36,915,000	3,969	9,301
2004	1,790,000		33,705,000		35,495,000	4,080	8,700
2005	1,555,000		37,410,000		38,965,000	4,259	9,149
2006	1,315,000		36,005,000		37,320,000	4,424	8,436
2007	1,065,000		37,010,000		38,075,000	4,621	8,240
2008	810,000		35,320,000		36,130,000	4,621	7,819

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 10

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST SIX 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	13.90%	297
2007	1,065,000	11.14%	230
2008	810,000	9.09%	175

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

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

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 11

DIRECT AND OVERLAPPING GOVERNMENT ACTIVITIES DEBT

As of December 31, 2008

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	\$810,000	100%	\$810,000
Camdenton R-III School District	30,780,000	15.0%	4,617,000
School of the Osage R-II	21,350,000	1.5%	320,250
Osage Beach Fire Protection District	345,000	52.3%	180,435
			<u>\$5,927,685</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

TABLE 12

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	\$24,849,742	\$25,494,259	\$28,383,427	\$29,951,824	\$34,283,562	\$37,194,816	\$43,720,535	\$46,481,936	\$53,519,002	\$55,610,030
Total Net debt applicable to limit	2,750,000	2,575,000	2,395,000	2,205,000	2,025,000	1,790,000	1,555,000	1,315,000	1,065,000	810,000
Legal debt margin	\$22,099,742	\$22,919,259	\$25,988,427	\$27,746,824	\$32,258,562	\$35,404,816	\$42,165,535	\$45,166,936	\$52,454,002	\$54,800,030

Total net debt applicable to limit as a percentage of debt limit	11.07%	10.10%	8.44%	7.36%	5.91%	4.81%	3.56%	2.83%	1.99%	1.46%
---	--------	--------	-------	-------	-------	-------	-------	-------	-------	-------

Legal Debt Margin Calculation for Fiscal Year 2008

Total Assessed Value	\$278,050,149
Debt limit (20% of total assessed value)	55,610,030
Debt applicable to limit:	
General obligation bonds	810,000
Legal debt margin	<u>\$54,800,030</u>

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 13

WATER/SEWER FUND
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

FISCAL YEAR	OPERATING REVENUE ³	DIRECT OPERATING EXPENSE ⁴	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS ¹		COVERAGE RATIO	CAPT. IMPROV. SALES TAX ²
				PRINCIPAL	INTEREST		
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	4,551,764	2,127,326	2,424,438	1,405,000	1,828,613	0.75	2,467,396
2007	3,810,347	2,217,517	1,592,830	1,545,000	1,714,615	0.49	2,380,000
2008	3,582,331	2,256,072	1,326,259	1,690,000	1,630,889	0.40	2,340,000

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

TABLE 14

DEMOGRAPHIC STATISTICS
LAST TEN YEARS

FISCAL YEAR	Population ¹	Personal Income ²		Per Capita Personal Income ²		Unemployment Rate ³	
		Camden County (expressed in thousands)	Miller County (expressed in thousands)	Camden County (expressed in thousands)	Miller County (expressed in thousands)	Camden County	Miller County
1999	3,449	\$ 78,084	\$ 60,033	\$ 22,640	\$ 17,406	4.3%	4.5%
2000	3,662	\$ 90,405	\$ 67,307	\$ 24,687	\$ 18,380	3.9%	4.2%
2001	3,781	\$ 94,730	\$ 72,019	\$ 24,054	\$ 19,048	5.0%	5.4%
2002	3,889	\$ 99,231	\$ 74,411	\$ 25,516	\$ 19,134	5.7%	6.3%
2003	3,969	\$ 105,469	\$ 78,341	\$ 26,573	\$ 19,798	5.6%	5.9%
2004	4,080	\$ 110,106	\$ 85,706	\$ 27,056	\$ 20,789	5.6%	6.3%
2005	4,259	\$ 120,323	\$ 93,268	\$ 28,522	\$ 21,885	5.1%	5.6%
2006	4,424	\$ 122,214	\$ 95,928	\$ 29,604	\$ 22,786	4.7%	5.1%
2007	4,621	\$ 136,799	\$ 105,296	\$ 29,604	\$ 22,786	4.9%	5.2%
2008	4,621	\$ 136,799	\$ 105,296	\$ 29,604	\$ 22,786	6.3%	6.6%

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

Reflects revised inputs, reestimation, and new statewide controls

Notes:

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

TABLE 15

PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Employer						
Factory Outlet Village	800-1200	1	22.12%	700-1000	1	20.24%
Lake Regional Hospital	1100	2	21.15%	490	2	11.67%
Hy-Vee	435	3	8.37%	0		
Wal-Mart Supercenter	430	4	8.27%	400	3	9.52%
Central Bank of Lake of the Ozarks	165	5	3.17%	100	6	2.38%
Lowes	164	6	3.15%	0		
Target	150	7	2.88%	0		
Inn at the Grand Glaize	120	8	2.31%	110	5	2.62%
City of Osage Beach	107	9	2.06%	95	7	2.26%
Home Depot	100	10	1.92%	0		
Osage Beach Health Care Center	90		1.73%	70	8	1.67%
Camden Co. R-II School District	33		0.63%	60	9	1.43%
Marina Bay	0		0.00%	130	4	3.10%
Ozark Care Center	0		0.00%	48	10	1.14%

Sources:

U.S. Census Bureau
Missouri Dept. of Economic Development
Lake of the Ozarks Regional Economic Development Council

CITY OF OSAGE BEACH, MISSOURI

TABLE 16

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

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
City Administrator	3	4	4	3.5	4	5	3	2	2	2
City Clerk's Office	4	4	4	4	4	4	4	4	4	4
Information Technology ²	0	0	0	0	0	0	2	2	2	2
Finance Department	5	5	5	5	5	5	5	5	5	5
Municipal Court	1	1	1	1	1	1	1	1	1	1
City Attorney ⁴	0	0	0	0	0	0	0	0	0	1
Building Department ¹	3	3	3	3	3	3	3.5	3.5	3.5	4.5
Human Resources ³	0	1	1	1	1	1	1	1	1	1
Planning Department	1	2	4	4	4	3	3	3	3	3
Engineering Department ¹	4	4	4	4	4	4	4.5	4.5	4.5	5.5
Police										
Law Enforcement	28	28	28	28	28	28	27	30	30	30
911 Center	9	9	10	10	10	10	10	11	11	11
Public Works										
Parks	1	1	4	4	4	4	2	2	2	2
Transportation	8	8	8	8	8	8	8	8	8	8
Water ¹	1	3	4	4	4	4	4	4.5	4.5	4.5
Sewer ¹	8	8	9	9	9	9	9	9.5	9.5	9.5
Ambulance	8	9	10	10	10	10	10	7	7	7
Airport										
Lee C. Fine ¹	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Grand Glaize ¹	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total	90	96	105	104.5	105	105	103	104	104	107

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.

⁴A full time City Attorney was hired in 2008, the City previously out sourced this service.

CITY OF OSAGE BEACH, MISSOURI

TABLE 17

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Reports of Incidents	462	473	430	476	460	553	590	535	520	530
Traffic Violations	1,206	1,713	2,209	2,477	1,935	1,905	2,833	3,176	2,412	2,838
Traffic Warnings	2,380	3,172	3,106	2,951	2,308	1,853	1,214	2,039	2,382	3,085
911 Center¹										
Number of Calls Answered	16,192	15,547	15,359	15,600	14,993	13,673	20,509	24,789	20,624	20,509
Ambulance										
Calls for service	1,094	967	977	1,037	1,086	988	860	815	831	875
Highways and Streets										
Road Repairs	106	111	98	126	117	186	171	41	38	29
Building										
<u>Permits</u>										
Residential	83	138	84	102	86	95	98	108	105	108
Commercial	86	71	87	103	112	139	104	129	131	100
Wastewater										
Average Daily Sewage Treatment (thousands of Gallons)	1,090	1,119	1,266	1,262	1,281	1,339	1,292	1,254	1,302	1,300
Airports²										
<u>Lee C. Fine:</u>										
Number of Landings	0	0	0	3,644	3,480	5,977	5,833	6,148	5,124	5,280
<u>Grand Glaize:</u>										
Number of Landings	0	0	0	3,650	5,786	4,882	6,253	5,925	5,024	4,197
Recycling										
Waste Oil gallons	3,458	2,637	2,591	1,796	2,367	1,600	1,478	962	1,763	1,673

Sources: Various 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 and landings are still not tracked after hours.

CITY OF OSAGE BEACH, MISSOURI

TABLE 18

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
<u>Police:</u>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	22	22	22	26	26	26	21	21	22	22
<u>Ambulance Protection:</u>										
Number of Vehicles	2	2	2	3	3	2	2	2	2	2
Highways and Streets										
Miles of Streets Paved	35.66	35.72	35.72	35.96	36.16	36.16	36.16	36.16	37	37.38
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	224	224	224	224	224	475	485	486	495	500
Parks and Recreation										
Parks Acreage	102	102	102	102	102	102	102	102	102	102
Number of Parks	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (miles)	47.34	57.07	73.7	107.71	150.07	192.99	236.43	236.43	238.56	239.36
Fire Hydrants	451	540	621	809	892	901	904	913	915	925
Wells	4	4	4	5	5	5	5	5	5	5
Water Towers	2	2	2	3	3	3	3	4	4	4
Sewer										
Sanitary Sewers (miles)	124.56	125.51	126.74	126.74	132.89	132.89	135.00	135.79	140.79	141.59
Pump Stations	1,089	1,089	1,089	1,089	1,104	1,105	1,105	1,119	1,138	1,145

Sources: Various Government Departments

SINGLE AUDIT REPORTS



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

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

www.williamskeepers.com

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Osage Beach, Missouri (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents and have issued our report thereon dated April 21, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

In addition, we noted certain other matters that we reported to management in a separate letter dated April 21, 2009.

Compliance

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

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

William's Keepers LLC

April 21, 2009



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203

OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Suite E, Jefferson City, MO 65109

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

www.williamskeepers.com

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

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

Compliance

We have audited the compliance of the City of Osage Beach, Missouri (the City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The City'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's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended December 31, 2008.

Internal Control Over Compliance

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

A *control deficiency* in an entity'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 entity'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 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the 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 and use of the Board of Aldermen, management, federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than those specified parties.

Williams Keepers LLC

April 21, 2009

CITY OF OSAGE BEACH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2008

	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Homeland Security			
Passed through the Missouri Emergency Management Agency:			
2007 Buffer Zone Protection Program	97.078	2007-BZ-T7-0020	\$ 33,264
U.S. Department of Transportation			
Passed through the State of Missouri Department of Transportation:			
Click It or Ticket Project	20.600	LKK033	1,670
Sobriety Check Point (Overtime)	20.600	08-157-AL-27	3,461
Hazardous Moving Violation Project	20.600	08-PT-02-87	4,084
DWI Overtime Enforcement Wave	20.600	LKK033	3,029
Ballistic Vest Program	20.600	1121-0235	768
State Block Grant - Lee C. Fine Airport Wildlife Hazard Study	20.106	08-46B-1	75,352
Environmental Protection Agency			
Passed through Missouri Department of Natural Resources:			
Capitalization Grant for Clean Water State Revolving Funds	66.458	C295504-01	247,189
Capitalization Grant for Drinking Water State Revolving Funds	66.468	DW291150-03	275,659
Total expenditures of federal awards			<u>\$ 644,476</u>

BASIS OF PRESENTATION:

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

REVOLVING LOAN PROGRAM

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

CITY OF OSAGE BEACH

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2008**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Osage Beach.
2. Significant deficiencies relating to the audit of the financial statements are reported in the "Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None of the deficiencies are considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Osage Beach were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award programs are reported in the "Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award programs for the City of Osage Beach expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the City of Osage Beach are reported in Part C of this Schedule.
7. The programs tested as a major program include:

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

8. The dollar threshold used to distinguish between Type A and B programs, as described in Section 520(b) of OMB Circular A-133, was \$300,000.
9. Using the criteria as defined in Section 530 of OMB Circular A-133, the City of Osage Beach did qualify as a low-risk auditee for the year ended December 31, 2008.

B. FINDINGS--FINANCIAL STATEMENT AUDIT

#08-01 – Preparation of GAAP Financial Statements

Statement of Condition: As part of our engagement, we prepare the City's financial statements in accordance with generally accepted accounting principles ("GAAP"). Upon completion, those financial statements are submitted to management for review, comment, and ultimately acceptance as management's representation.

Criteria: We are required to report as at least significant deficiencies in internal control those aspects of an entity's preparation of financial statements in accordance with GAAP that we believe management does not have the means to perform without our assistance and that could have more than an inconsequential impact on the financial statements.

Effect of Condition: With respect to ensuring that the internal control standard is met of determining that there are no misstatements or omissions that would be considered more than inconsequential to GAAP financial statements, we believe the City has internal an control deficiency that is a significant deficiency with respect to the following:

- Actual preparation of certain aspects of the financial statements, specifically the note disclosures, so as to be complete and free of more than inconsequential errors or omissions under current GAAP standards.

Cause of Condition: In evaluating the situation for the City we considered that the City's accounting staff, though trained in accounting and reporting standards, do not necessarily keep current with the GAAP accounting and reporting standards to ensure there no more than inconsequential errors or omissions.

Partially Compensating Controls: City accounting staff personnel are competent at maintaining the accounting records for routine transactions in accordance with the accrual basis of accounting required by GAAP. In addition, management is actively involved in decisions regarding financial statement presentation and disclosure and competent in performing the review of the financial statements to assess the overall completeness and reasonableness of the presentation.

Recommendation: We feel the process of us as auditors preparing the financial statements at the conclusion of the audit, followed by management review and acceptance, is an efficient and cost-effective process overall. However, we would be pleased to work with the City's staff to find ways they can take a larger role in preparing the annual GAAP financial statements, if that is desired.

Management's Response: The City Treasurer generally keeps informed on governmental accounting standards, which allows her to review the statements prepared by the auditors. However, she does not maintain the depth of knowledge required for full financial statements, including disclosures and cash flow statements. Management does not believe that the benefits of obtaining the needed skills outweigh the costs that would be required to do so.

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

None.

CITY OF OSAGE BEACH

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
For the Year Ended December 31, 2008**

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