

CITY OF OSAGE BEACH, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR

JANUARY 1, 2010 - DECEMBER 31, 2010



CITY OF OSAGE BEACH, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2010

Prepared by:

Karri Bell
City Treasurer

CITY OF OSAGE BEACH, MISSOURI
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2010

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INTRODUCTORY SECTION



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

June 1, 2011

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, 2010, is herewith submitted. The information presented in the CAFR is the responsibility of the City's management. The report was prepared by the City Treasurer Department in close cooperation with the external auditors. The CAFR conforms to the standards of financial reporting as set forth by the Governmental Accounting Standards Board (GASB) and the guidelines as recommended by the Government Finance Officers Association (GFOA). The City Treasurer Department believes that the financial statements, supporting schedules, and statistical information fairly present the financial condition of the City. We further believe that all presented data is accurate in all aspects and that all necessary disclosures have been included to enable the reader to gain a reasonable understanding of the City's financial affairs.

The City's financial statements have been audited by Williams Keepers LLC, a firm of licensed certified public accountants. The purpose of the audit conducted by Williams Keepers was to review and provide reasonable assurance that the City's financial statements for the fiscal year ended December 31, 2010 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, 2010, which can be found in the first report on the financial section of this document.

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

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

The Reporting Entity and Its Services

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

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

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

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

Accounting System and Budgetary Control

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

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

Budgetary control is maintained at the fund level.

Local Economy

The City of Osage Beach, along with the rest of the country, has felt the effects of the recession, with increased unemployment rates for its citizens at an average of 11% and reduced sales tax revenue for the past three years. Even with these challenges, the City of Osage Beach is experiencing slight growth in private sector investment in our community.

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

The City approved Tax Increment Financing (TIF) Redevelopment Plan for Chateau on the Lake has been placed on hold by the developer, due to some organizational changes.

Long-term financial planning and policies

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

Reporting Standards and Formats

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

Major Initiatives

The Highway 54 Expressway through the City is currently under construction by the Missouri Department of Transportation (MoDOT) at an estimated cost of \$80,400,000. When complete, traffic will flow more effectively through the City and property will be more accessible for development. On September 29, 2010 a five mile section from the Grand Glaize Bridge to the Osage River opened. This half of the project includes three interchanges at an estimated cost of \$48,700,000. Estimated completion date for the west side of the City is 2012.

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's General Obligation Bonds will be paid in full in 2011 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 has purchased a street sweeper and a skid loader in preparation of this event.

The Board adopted the Airport Layout Plan for Grand Glaize Airport. This plan was required by the Federal Aviation Administration to approve future growth and give the Airport access to State and Federal grants.

Lee C. Fine Land Leases - The City has made a commitment to develop land at the airport. This year the grading and utilities were installed. The next phase of this project is to gain subleases from customers wishing to build private hangars on the property. These contracts will have a maximum term of 30 years; after the contract expires, ownership returns to the City.

The City Planner and City Engineer worked with the owners of the Evergreen facility to annex into the City and rezone the property. This annexation also brings an additional 4.3 acres of developable property into the City limits.

Part of Normandy Road was renamed Rowan Road in conjunction with the Highway 54 Expressway project. The Engineering Department worked with Public Safety and Planning to annex Burton Duenke Lane and worked with MoDOT to annex their right of way between Passover and the One Way Couple.

Per the recommendation of the City Engineer to look at the City's expansion of utilities beyond its border, the City hired HDR Engineering to prepare a Greater Osage Beach Water and Sewer Master Plan. This plan was adopted by the Board of Aldermen.

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, 2009. This was the eleventh year that the City of Osage Beach has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

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

Respectfully submitted,

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, 2009

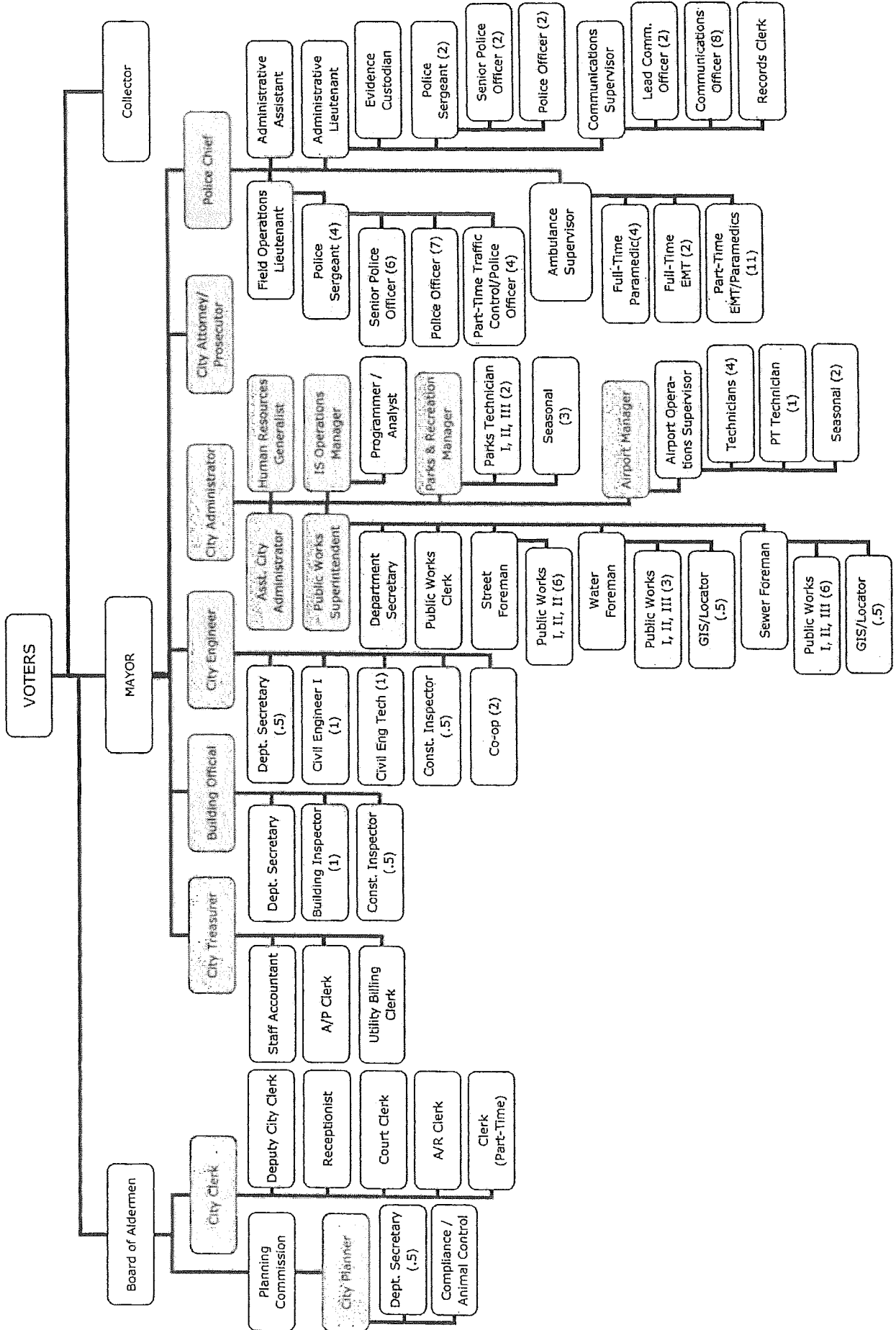
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Osage Beach — Organizational Chart



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
City Attorney	Ed Rucker
City Treasurer	Karri Bell
Building Official	Ron White
City Planner	Cary Patterson
City Engineer	Nick Edelman
Assistant City Administrator	Jeana Albertson
Human Resources Specialist.....	Cindy Leigh
Information Systems Operations Manager	James Davis
Public Works Superintendent	Rick King
Airport Manager.....	Budd Hyde
Park Manager	Brian Willey

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Williams-Keepers LLC

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund for the City of Osage Beach, Missouri (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Osage Beach, Missouri as of December 31, 2010, 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 and the budgetary comparison schedules as listed in the table of contents 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 June 1, 2011, 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.

Dr Williams Reapers LLC

June 1, 2011

City of Osage Beach, Missouri
Management Discussion and Analysis
December 31, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

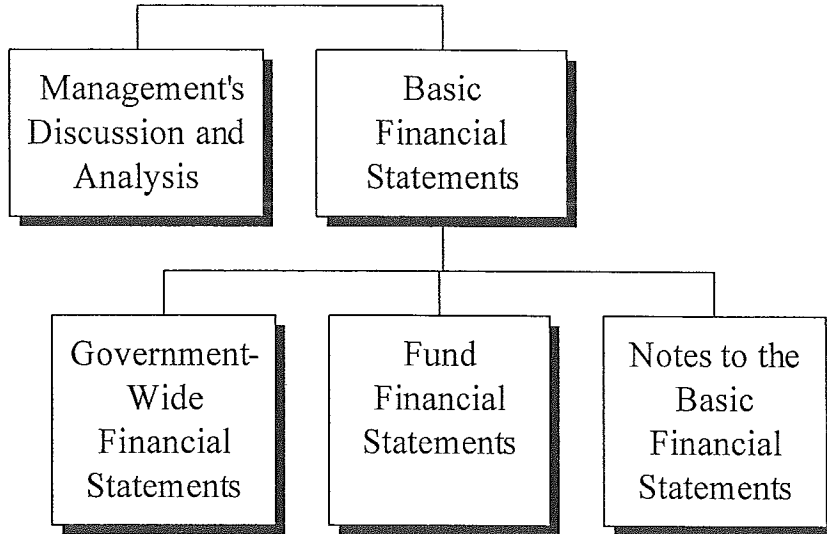
- The assets of the City of Osage Beach exceeded its liabilities at the close of the fiscal year by \$81,010,330 (net assets). Of this amount, \$9,797,910 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$116,785. This is a total decrease of \$622,632 from the City's governmental activities and an increase of \$739,417 from the business-type activities. The decrease in governmental activities is a reflection of decreased revenue and increased operating costs. The increase in business-type activities is reflects a combination of increased utility rates, increases in new construction permits and a reduction of bond liability.
- The City did not issue any new debt in 2010; its debt decreased by \$2,085,000 (6 percent) during the fiscal year.
- Through the American Recovery and Reinvestment Act, the City received a grant in the amount of \$347,007. These funds were used to build nearly a mile of sidewalks and two pedestrian crossings. The sidewalk is located in the heart of the City, near the outlet mall.
- With its continued focus on safety, the City received its lowest workers' compensation experience modification rating of .77. In 2002, the City paid \$188,827 for workers compensation. In 2010, this expense was reduced to \$69,434.
- The City decreased one full-time position through attrition during the year.
- The City has experienced three years of declining sales tax revenue, from the peak in 2007 of \$4,804,956 in the General Fund compared to \$4,220,120 in 2010. The City sales tax is down 12%.

Overview of Financial Statements

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

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

Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government’s financial position. At the close of December 31, 2010, the City of Osage Beach’s assets exceeded its liabilities by \$81,010,330. The largest portion of the City’s net assets, \$61,864,863 (76%), 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, 2009 and December 31, 2010:

City of Osage Beach Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	11,190,102	11,720,713	11,808,792	12,272,630	22,998,894	23,993,343
Capital assets	28,174,023	28,281,455	63,831,064	64,173,175	92,005,087	92,454,630
Total assets	39,364,125	40,002,168	75,639,856	76,445,805	115,003,981	116,447,973
Liabilities:						
Long-term liabilities outstanding	62,072	320,819	29,566,370	31,375,097	29,628,442	31,695,916
Other liabilities	1,050,321	806,986	3,314,888	3,051,527	4,365,209	3,858,513
Total liabilities	1,112,393	1,127,805	32,881,258	34,426,624	33,993,651	35,554,429
Net assets:						
Invested in capital assets net of related debt	27,894,023	27,731,455	33,970,840	32,892,194	61,864,863	60,623,649
Restricted	6,760,655	7,005,298	2,586,902	2,444,465	9,347,557	9,449,763
Unrestricted	3,597,054	4,137,610	6,200,856	6,682,522	9,797,910	10,820,132
Total net assets	38,251,732	38,874,363	42,758,598	42,019,181	81,010,330	80,893,544

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 \$81,010,330 from \$80,893,544. This increase of .14% is primarily due to reduction of long-term liabilities as a result of principal payments on debt and acquisitions of capital assets. The City's unrestricted net assets for governmental activities were \$3,597,054. Total unrestricted net assets were \$9,797,910 including business-type activities. Unrestricted net assets decreased \$1,022,222 due to investing available cash into capital projects.

Total net assets of \$81,010,330 is comprised of \$61,864,863 invested in capital assets, net of related debt; \$9,347,557 is restricted for capital projects, debt service and other purposes; \$3,597,054 is unrestricted and available for general governmental purposes and \$6,200,856 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, 2009 and December 31, 2010:

City of Osage Beach Statement of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	471,672	460,675	4,525,209	3,866,218	4,996,881	4,326,893
Operating grants and contributions	27,658	25,642	862,516	851,576	890,174	877,218
Capital grant and contributions	848,628	67,520	624,873	883,607	1,473,501	951,127
General Revenues:						
Sales taxes	8,388,738	8,449,041			8,388,738	8,449,041
Franchise taxes	832,706	823,723			832,706	823,723
Other taxes	207,949	195,886			207,949	195,886
Unrestricted investment earnings	72,809	137,682	56,534	88,584	129,343	226,266
Other revenues	509,187	590,149	(24,980)	(3,920)	484,207	586,229
Gain (loss) on sale of assets	16,840	1,878	7,367	(96,799)	24,207	(94,921)
Total revenues	11,376,187	10,752,196	6,051,519	5,589,266	17,427,706	16,341,462
Expenses:						
General Government	2,836,549	2,796,047			2,836,549	2,796,047
Public Safety	3,122,315	3,001,162			3,122,315	3,001,162
Streets and Highways	2,705,865	2,411,262			2,705,865	2,411,262
Park and recreation	420,349	210,671			420,349	210,671
Information Technology	255,380	233,441			255,380	233,441
Water and Sewer			4,690,754	5,020,985	4,690,754	5,020,985
Ambulance			530,342	489,201	530,342	489,201
Airports			1,222,842	943,157	1,222,842	943,157
Interest – Long Term Debt	15,360	21,563	1,511,165	1,587,512	1,526,525	1,609,075
Total expenses	9,355,818	8,674,146	7,955,103	8,040,855	17,310,921	16,715,001
Increase (Decrease) in net assets before transfers	2,020,369	2,078,050	(1,903,584)	(2,451,589)	116,785	(373,539)
Transfers	(2,643,001)	(2,095,991)	2,643,001	2,095,991		
Increase (Decrease) in net assets after transfers	(622,632)	(17,941)	739,417	(355,598)	116,785	(373,539)
Net Assets, beginning of year	38,874,364	38,892,304	42,019,181	42,374,779	80,893,544	81,267,083
Net Assets, end of year	38,251,732	38,874,363	42,758,598	42,019,181	81,010,330	80,893,544

Governmental Activities

Governmental activities decreased the City's net assets by \$622,632. This decrease is a combination of several factors. Transfers from governmental activities were increased to business-type activities to help cash flow 90% grant funded projects. Transfers from governmental activities to business-type activities were also increased to cover the cost of a new ambulance. Transfers to business-type activities will be reduced more than 50% in 2011. Sales tax revenue, the largest governmental category, was \$8,388,738 or 74% of governmental activities revenue. Sales tax revenue was 1% less than the total of \$8,449,041 in 2009. Interest revenue decreased 47% from \$137,682 in 2009 to \$72,809 in 2010. This decrease is a result of reduced cash balances due to the City's transportation projects and maintaining current level general governmental operations. Interest rates of the City's certificates of deposits remained low at an average of .75%. Other revenues declined 14% from \$590,149 in 2009 to \$509,187 in 2010. This slight decrease is a combination of several factors including an increase of rental of City property and a decrease of TIF developer charges. For the fiscal year ended December 31, 2010, revenues totaled \$17,427,706 (governmental and business-type). Revenues from governmental activities totaled \$11,376,187 or 65% of the total City revenues.

Governmental activities expenses increased \$681,672 or 7% for the fiscal year ended December 31, 2010 compared to the fiscal year ended December 31, 2009. This increase is reflected across all expense categories except interest expense. This is a reflection of increases in operating costs and increases in transportation projects. The Streets and Highways category of expenses were \$2,705,865 in 2010 compared to \$2,411,262 in 2009, a \$294,603 increase.

The following table shows expenses and program revenues of the governmental activities for the year ending December 31, 2010. 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

	<u>Total costs of services</u>	<u>Net costs of services</u>
General Government	2,836,549	(2,579,578)
Public Safety	3,122,315	(2,881,133)
Parks & Recreation	420,349	(420,349)
Information Technology	255,380	(255,380)
Streets and Highways	2,705,865	(1,856,060)
Interest on Long-Term Debt	<u>15,360</u>	<u>(15,360)</u>
Total	9,355,818	(8,007,860)

As previously noted, expenses from governmental activities totaled \$9,355,818. However, net costs of these services were \$8,007,860. The difference represents direct revenues received from charges for services of \$471,672, operating grants of \$27,658 and capital grants and contributions of \$848,628. Operating grants include overtime reimbursements associated with DWI programs. Capital grants include the Highway 54 sidewalk grant, Special Road District project contributions and private streets accepted into City inventory. Last year the City received \$25,642 in operating grants for police programs. Taxes and other revenues of \$7,385,228 were collected and reserves were used to cover the net costs.

Business-Type Activities

Business-type activities net assets increased by \$739,417. Revenues increased \$462,253 or 8% and expenses decreased \$85,752 or 1% compared to the prior year. Charges for services increased \$658,991 or 17% from \$3,866,218 in 2009 to \$4,525,209 in 2010. The increase is a result of utility rate increases in both water and sewer and an increase in permit and impact fees associated with new construction. Total expenses decreased from \$8,040,855 in 2009 to \$7,955,103 in 2010. Operating expenses were reduced in Water and Sewer but increased in Ambulance, Lee C. Fine and Grand Glaize Airports.

Financial Analysis of the City's Major Funds

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

Governmental Funds

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

General Fund. The General Fund is the chief operating fund of the City of Osage Beach. The General Fund includes legislative expenses, General Administration, City Attorney, Engineering, City Treasurer, City Clerk, Building Official, Police, Communications, Parks, Economic Development, and planning activities of the City. All of these activities are provided to, and benefit all of the citizens equally and equitably. This area tends to work on the quality of life and the protection of the citizens and assets of the citizens as a group. At the end of the current fiscal year, total fund balance of the General Fund was \$3,750,291, a decrease of \$501,069 under the beginning balance of \$4,251,360. The fund balance decrease was due to reduced revenue and increased operating costs, including transfers to other funds. The unreserved general fund balance at year-end was \$3,750,291.

Transportation Fund. This Fund is established pursuant to the Missouri Constitution Article IV, Section 30(a)(2) [State Gas Tax], Revised Missouri Statutes 94.745 (City ½ cent sales tax). It is used for Transportation purposes within the City of Osage Beach. This Fund provides for the maintenance and expansion of transportation needs of our citizens. Included in this Fund are repair and maintenance of the existing public road system, and upgrades to the local transportation system. At the end of the current fiscal year, total fund balance of the Transportation Fund was \$5,728,143, a decrease of \$184,999 from the beginning balance of \$5,913,142. 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 revenue. The City invested \$1,654,969 in transportation projects across the City and purchased a new skid loader.

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 \$1,032,512, a decrease of \$59,644 from the beginning balance of \$1,092,156. 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 service pay a fee based upon a portion of the estimated cost of operation of the water and sewer utilities. This fee is subsidized by revenue transferred in from the Capital Improvements Tax Fund to offset debt service costs. At the end of the current fiscal year, total net assets of the Water and Sewer Fund were \$39,018,726, an increase of \$612,442 over the beginning balance of \$38,406,284. The unrestricted net assets in the Water and Sewer Fund, at year-end, were \$5,752,421. The increase in net assets is partially due to rate increases for both water and sewer and increases in impact fees as a result of new construction.

Ambulance Fund – This Fund was established by Board directive in order to track the costs of ambulance service to the citizens of Osage Beach. The Fund receives its revenue from user fees. Currently, fees are not sufficient to cover the cash flow of operation, nor do they cover the non-cash cost (depreciation). The differences in cash payouts are made up by transfers from the General Fund. At the end of the current fiscal year, total net assets of the Ambulance Fund were \$155,240. The unrestricted Ambulance net assets at year-end were \$69,459. The increase in net assets of \$31,825 is the result of increased transfers from General Fund.

Lee C. Fine Airport Fund – This Fund was established in 1999 by Board directive in order to track the costs of airport service to the public. The Fund receives its revenue from user fees and grants. The differences in cash payouts are made up by transfers from the General Fund. At the end of the current fiscal year, the total net asset balance of the Lee C. Fine Airport Fund was \$2,764,586, an increase of \$29,274 from the beginning balance of \$2,735,312. The unrestricted net assets of the Lee C. Fine Airport Fund at year-end were \$219,510. The increase in net assets is the result of competitive fuel pricing that increased revenue and increased transfers from General Fund.

Grand Glaize Airport Fund – This Fund was established in 1999 by Board directive in order to track the costs of airport service to the public. The Fund receives its revenue from user fees and grants. The differences in cash payouts are made up by transfers from the General Fund. At the end of the current fiscal year, total net assets of the Grand Glaize Airport Fund were \$820,046, an increase of \$65,876 from the beginning balance of \$754,170. The unrestricted net assets of Grand Glaize Fund were \$159,466. The increase in net assets is the result of increase fuel sales and increased transfers from General Fund.

General Fund Budget Highlights: Each fiscal year, the City formally adopts its budget prior to the beginning of the fiscal year. If necessary, the original budget is amended to re-appropriate unspent funds before the current fiscal year ends. The total original expenditure budget of \$6,978,156 was amended during the fiscal year. The amended amount was \$131,000 in the transfers to other funds. This increase was primarily in Grand Glaize Airport to cover cash flow issues associated with grant reimbursements. On a budgetary basis, which can be found in the Required Supplementary Information, the revenues and other sources compared to expenditures and other uses resulted in a decrease of \$501,069 in fund balance. Actual revenue was less than budgeted revenue by \$219,465, due mainly to a decrease in sales tax compared to a budgeted increase. Actual expenditures were under the budgeted amount by \$503,874. Most of the reduced expenses were from the park, due to a grant denial. Overall, police operations were also less than budgeted.

This is the second year the Board of Aldermen is meeting quarterly to review the status of the Budget. During the year, the Board approved the purchase of a new remounted ambulance in the amount of \$77,750 and a feasibility study by the FAA to take over localizer maintenance estimated cost of \$12,000.

In the 2010 Budget, training was reinstated at a minimal level. A new position was added for a Parks and Recreation Manager. This new position was offset by the removal of the Site Development Inspector in the engineering department.

Capital Asset and Debt Administration

Capital Assets. The amount invested in capital assets for the City as of December 31, 2010 is \$92,005,087, net of accumulated depreciation. This amount includes all infrastructure assets acquired during 2010 and prior years for water, sewer, and street infrastructure. Capital assets decreased \$449,543 or .5% during the year. This slight change is a reflection of the City's ongoing investment in capital assets keeping pace with depreciation. 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	
	2010	2009	2010	2009	2010	2009
Land	1,607,117	1,557,617	548,950	543,550	2,156,067	2,101,167
Construction in Progress	1,299,850	1,625,326	1,043,981	642,558	2,343,831	2,267,884
Buildings and Improvements	7,224,452	7,224,452	4,215,943	4,133,662	11,440,395	11,358,114
Equipment	3,227,307	3,339,534	1,504,630	1,523,935	4,731,937	4,863,469
Infrastructure	32,613,151	30,550,321	0	0	32,613,151	30,550,321
Water System			34,338,292	33,787,728	34,338,292	33,787,728
Sewer System			54,250,176	53,313,669	54,250,176	53,313,669
Sub-Total	45,971,877	44,297,250	95,901,972	93,945,102	141,873,849	138,242,352
Less accumulated depreciation	(17,797,854)	(16,015,795)	(32,070,908)	(29,771,927)	(49,868,762)	(45,787,722)
Capital assets net of depreciation	28,174,023	28,281,455	63,831,064	64,173,175	92,005,087	92,454,630

Major capital asset transactions during the year include the following:

- Through the American Recovery and Reinvestment Act, the City received a grant in the amount of \$347,007. These funds were used to build nearly a mile of sidewalks and two pedestrian crossings.
- The City improved the Osage Beach City Park with a new pavilion at a cost of \$49,520.
- The police department purchased four new Dodge Chargers for \$82,052.
- Redbud, Lighthouse, Low transportation project was completed at a cost of \$857,743.
- Edy and Darwin Road were upgraded and accepted into City inventory as contributed capital in the amount of \$202,225.
- Conway Road project was completed for \$58,087 and reimbursed by the Special Road District.
- Hatchery Road was paved for \$26,433 and reimbursed by the Special Road District.
- Zebra, Stewart Road project was completed at a cost of \$1,258,423. The Special Road District reimbursed the City \$200,000 for this project.
- The Transportation department purchased a new skid loader for \$35,695.
- Extension of the City's water system to the south City limit project was completed for \$161,382.
- Water and Sewer relocates for the new expressway were completed in the amount of \$313,405. The majority of these project costs were reimbursed by MODOT.
- Casa Bonita Grinder station was upgraded for \$33,821.
- Capital projects completed for sewer include the rotation of pumps and panels at a cost of \$163,476.
- A new remounted ambulance in the amount of \$77,750 was purchased and the City's oldest ambulance was sold.
- The Lee C. Fine Airport completed phase one of the new hangar project in the amount of \$98,200. This project included grading and the utility system.
- Lee C. Fine Airport purchased a New Holland tractor for \$11,000.

Debt Administration

The gross debt at December 31, 2010 was \$32,040,000, a decrease of \$2,085,000. The debt consists of general long-term debt of \$280,000 of the Transportation General Obligation Bonds and \$31,760,000 of the Sewerage and Waterworks Revenue Bonds.

**City of Osage Beach
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	280,000	550,000			280,000	550,000
Revenue bonds			31,760,000	33,575,000	31,760,000	33,575,000
Total	280,000	550,000	31,760,000	33,575,000	32,040,000	34,125,000

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 \$55,566,465. Additional information regarding the City's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Osage Beach is experiencing reduced growth compared to past years, but did see some improvement in commercial growth in 2010. At the end of 2010, the City issued 628 business licenses to various businesses; 434 contractor's licenses, 78 liquor licenses and 43 dog licenses. The Building Department issued 79 commercial permits and 76 residential permits, representing investment in our community of \$15,617,075. A new veterans' administration clinic will be located on the west side of the City. It will provide primary care and other needed services to over 2,000 area veterans.

The City depends greatly on sales tax revenue and although sales have been reduced in the past three years, the City of Osage Beach is still recognized as both a retail center and a tourist destination. Osage Beach retail sales exceed the norm for cities of comparable size and 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.

The above factors were considered in preparing the City of Osage Beach's budget for the 2011 fiscal year.

The City of Osage Beach has appropriated \$6,144,669 for spending in the General Fund 2011 fiscal year budget. Compared to the 2010 estimate of \$7,109,156, budgeted expenses have decreased 13%. Of the total appropriated in General Fund, \$80,000 is budgeted for capital expenditures. The budget includes a 2% expected decrease in sales tax revenue during the 2011 fiscal year compared to actual revenue in 2010. Merit increases will not be granted to employees in 2011, all salaries will be frozen. Changes to the City's health insurance benefits effective July 1st will save the City an estimated \$61,011 in 2011 and \$122,022 in 2012.

The City's water and sewer rates were increased in July 2010 and their effects are analyzed annually. There is no new rate increase for utilities in the 2011 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, 2010**

	Governmental Activities	Business-type Activities	Total	Tax Increment Financing District
ASSETS				
Cash and cash equivalents	\$ 9,040,839	\$ 6,274,352	\$ 15,315,191	\$ 1,570
Receivables, net	1,446,121	345,573	1,791,694	822,067
Due from other governments	649	111,327	111,976	-
Inventories	-	196,209	196,209	-
Restricted assets:				
Cash and cash equivalents	698,968	2,059,067	2,758,035	2,707,357
Investments	1,296	2,310,659	2,311,955	676,828
Deferred charges, net of accumulated amortization of \$40,563, \$317,458, and \$362,847, respectively	2,229	511,605	513,834	556,813
Capital assets:				
Non-depreciable	2,906,967	1,592,931	4,499,898	-
Depreciable, net	25,267,056	62,238,133	87,505,189	-
Total assets	39,364,125	75,639,856	115,003,981	4,764,635
LIABILITIES				
Accounts payable	490,560	590,657	1,081,217	3,396
Accrued liabilities	134,375	39,676	174,051	-
Accrued interest	2,315	792,699	795,014	187,900
Restricted customer deposits	18,019	-	18,019	-
Funds held for others	33,973	-	33,973	-
Long-term liabilities				
Due within one year				
Bonds payable	280,000	1,865,000	2,145,000	785,000
Compensated absences	91,079	26,856	117,935	-
Due in more than one year				
Bonds payable	-	29,496,272	29,496,272	20,270,000
Other post employment benefits obligation	62,072	23,255	85,327	-
Arbitrage rebate payable	-	46,843	46,843	-
Total liabilities	1,112,393	32,881,258	33,993,651	21,246,296
NET ASSETS				
Invested in capital assets, net of related debt	27,894,023	33,970,840	61,864,863	-
Restricted for:				
Highways and streets	5,728,143	-	5,728,143	-
Debt service	661,716	826,110	1,487,826	3,384,185
Depreciation and replacement	-	1,760,792	1,760,792	-
Capital improvements	370,796	-	370,796	-
Unrestricted	3,597,054	6,200,856	9,797,910	(19,865,846)
Total net assets	\$ 38,251,732	\$ 42,758,598	\$ 81,010,330	\$ (16,481,661)

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Activities
For the Year Ended December 31, 2010

Functions/Programs Primary government	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	Total	
Governmental Activities					
General government					
Public safety	\$ 2,836,549	\$ 229,313	\$ 27,658	\$ (2,579,578)	\$ (2,579,578)
Parks and recreation	3,122,315	241,182	-	(2,881,133)	(2,881,133)
Information technology	420,349	-	-	(420,349)	(420,349)
Streets and highways	255,380	-	-	(255,380)	(255,380)
Interest expense	2,705,865	1,177	848,628	(1,856,060)	(1,856,060)
	15,360	-	-	(15,360)	(15,360)
Total governmental activities	9,355,818	471,672	848,628	(8,007,860)	(8,007,860)
Business-type activities					
Water/Sewer	6,201,919	3,473,822	862,516	(1,353,500)	(1,353,500)
Ambulance	530,342	163,800	-	(366,542)	(366,542)
Airports	1,222,842	887,587	-	(222,463)	(222,463)
Total business-type activities	7,955,103	4,525,209	862,516	(1,942,505)	(1,942,505)
Total primary government	\$ 17,310,921	\$ 4,996,881	\$ 1,473,501	(9,950,365)	(9,950,365)
Component Units					
Tax Increment Financing District	\$ 1,240,588	\$ -	\$ -	\$ (1,240,588)	\$ (1,240,588)
General revenues:					
Taxes					
County road taxes				67,842	-
Property taxes				-	470,576
Sales taxes				8,388,738	1,664,179
Franchise taxes				832,706	-
Motor vehicle fuel and license taxes				140,107	-
Payments from enterprise funds				465,145	-
Unrestricted investment earnings				56,534	16,250
Other income (expense)				(24,980)	-
Gain on sale of capital assets				7,367	-
Transfers				2,643,001	-
Total general revenues, special items, and transfers				10,067,150	2,151,005
Change in net assets				116,785	910,417
Net assets - beginning				80,893,545	(17,392,078)
Net assets - ending				\$ 81,010,330	\$ (16,481,661)

See accompanying notes to the basic financial statements.

City of Osage Beach
Balance Sheet
Governmental Funds
December 31, 2010

	General	Transportation	Capital Improvement	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,281,740	\$ 5,686,542	\$ 72,557	\$ 9,040,839
Restricted cash and cash equivalents	38,548	-	660,420	698,968
Restricted investments	-	-	1,296	1,296
Receivables				
Taxes	771,835	333,565	333,565	1,438,965
Interest	1,296	2,238	-	3,534
Receivable from other governments	649	-	-	649
Other	3,622	-	-	3,622
Total assets	<u>\$ 4,097,690</u>	<u>\$ 6,022,345</u>	<u>\$ 1,067,838</u>	<u>\$ 11,187,873</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 171,867	\$ 283,367	\$ 35,326	\$ 490,560
Accrued payroll	123,540	10,835	-	134,375
Payable from restricted assets:				
Due to others	33,973	-	-	33,973
Bail bond deposits	12,019	-	-	12,019
Building deposits	6,000	-	-	6,000
Total liabilities	<u>347,399</u>	<u>294,202</u>	<u>35,326</u>	<u>676,927</u>
Fund balances:				
Reserved for:				
Debt service	-	-	661,716	661,716
Highways and streets	-	5,728,143	-	5,728,143
Capital improvements	-	-	370,796	370,796
Unreserved	3,750,291	-	-	3,750,291
Total fund balances	<u>3,750,291</u>	<u>5,728,143</u>	<u>1,032,512</u>	<u>10,510,946</u>
Total liabilities and fund balances	<u>\$ 4,097,690</u>	<u>\$ 6,022,345</u>	<u>\$ 1,067,838</u>	<u>\$ 11,187,873</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, 2010

Funds balances - total governmental funds	\$	10,510,946
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

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

Governmental capital assets	45,971,877	
Less accumulated depreciation	<u>(17,797,854)</u>	
		28,174,023

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	(280,000)	
Less deferred charge on refunding	<u>2,229</u>	(277,771)
Debt interest payable		(2,315)
Accrued compensated absences		(91,079)
Other post employment benefits obligation		<u>(62,072)</u>
Net assets of governmental activities	\$	<u><u>38,251,732</u></u>

City of Osage Beach
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Transportation	Capital Improvement	Total Governmental Funds
REVENUES				
Taxes				
Sales	\$ 4,220,120	\$ 2,084,267	\$ 2,084,351	\$ 8,388,738
Franchise	832,706	-	-	832,706
Motor vehicle fuel and license	-	140,107	-	140,107
County road taxes	-	67,842	-	67,842
Licenses, fines, permits and fees	470,495	1,177	-	471,672
Intergovernmental	23,967	631,526	3,691	659,184
Interest	26,889	45,920	-	72,809
Payments from enterprise funds	465,145	-	-	465,145
Miscellaneous	44,042	-	-	44,042
Total revenues	<u>6,083,364</u>	<u>2,970,839</u>	<u>2,088,042</u>	<u>11,142,245</u>
EXPENDITURES				
Current:				
General government	2,333,705	-	-	2,333,705
Public safety	2,901,521	-	-	2,901,521
Park and recreation	198,755	-	-	198,755
Information technology	254,128	-	-	254,128
Streets and highways	-	1,046,961	-	1,046,961
Capital improvements	-	-	237,685	237,685
Capital outlay				
Projects and equipment	184,173	-	-	184,173
Streets and highways	-	1,824,703	-	1,824,703
Debt service:				
Principal	-	270,000	-	270,000
Interest and other charges	-	17,310	-	17,310
Total expenditures	<u>5,872,282</u>	<u>3,158,974</u>	<u>237,685</u>	<u>9,268,941</u>
Excess (deficiency) of revenues over expenditures	<u>211,082</u>	<u>(188,135)</u>	<u>1,850,357</u>	<u>1,873,304</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(733,000)	-	(1,910,001)	(2,643,001)
Sale of capital assets	20,849	3,136	-	23,985
Total other financing sources and uses	<u>(712,151)</u>	<u>3,136</u>	<u>(1,910,001)</u>	<u>(2,619,016)</u>
Net change in fund balances	<u>(501,069)</u>	<u>(184,999)</u>	<u>(59,644)</u>	<u>(745,712)</u>
Fund balances - beginning	<u>4,251,360</u>	<u>5,913,142</u>	<u>1,092,156</u>	<u>11,256,658</u>
Fund balances - ending	<u>\$ 3,750,291</u>	<u>\$ 5,728,143</u>	<u>\$ 1,032,512</u>	<u>\$ 10,510,946</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, 2010

Net change in fund balances - total governmental funds: \$ (745,712)

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

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

Depreciation expense	(2,051,806)	
Capital outlay capitalized as assets	1,734,417	
		(317,389)

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

Amount of donated assets	217,102
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The issuance of long-term debt (e.g., bonds, loans, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items.

Repayments of principal	270,000
Change in interest payable	1,950

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	(14,835)
Loss on disposal of capital assets	(7,146)
Amortization of issuance costs	(5,349)
Other post employment benefits obligation	(21,253)
Change in net assets of governmental activities	\$ (622,632)

City of Osage Beach
Statement of Net Assets
Proprietary Funds
December 31, 2010

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 6,021,262	\$ 24,319	\$ 189,738	\$ 39,033	\$ 6,274,352
Receivables (net of allowances for uncollectibles)					
Accounts	277,035	66,345	-	-	343,380
Interest	2,193	-	-	-	2,193
Receivable from other governments	-	-	-	111,327	111,327
Inventories	111,167	-	66,170	18,872	196,209
Total current assets	6,411,657	90,664	255,908	169,232	6,927,461
Non-current assets:					
Restricted cash and cash equivalents	2,059,067	-	-	-	2,059,067
Restricted investments	2,310,659	-	-	-	2,310,659
Deferred charges, net of accumulated amortization	511,605	-	-	-	511,605
Capital assets:					
Non-depreciable	1,592,931	-	-	-	1,592,931
Depreciable, net	58,946,696	85,781	2,545,076	660,580	62,238,133
Total non-current assets	65,420,958	85,781	2,545,076	660,580	68,712,395
Total assets	71,832,615	176,445	2,800,984	829,812	75,639,856
LIABILITIES					
Current liabilities:					
Accounts payable	557,349	6,544	25,769	995	590,657
Accrued payroll	20,812	8,241	4,335	3,266	36,654
Accrued interest payable	792,699	-	-	-	792,699
Other accrued expenses	3,022	-	-	-	3,022
Compensated absences	20,140	3,680	1,457	1,579	26,856
Bonds, notes and loans payable	1,865,000	-	-	-	1,865,000
Total current liabilities	3,259,022	18,465	31,561	5,840	3,314,888
Non-current liabilities:					
Bonds, notes and loans payable	29,496,272	-	-	-	29,496,272
Other post employment benefits payable	11,752	2,740	4,837	3,926	23,255
Arbitrage rebate payable	46,843	-	-	-	46,843
Total non-current liabilities	29,554,867	2,740	4,837	3,926	29,566,370
Total liabilities	32,813,889	21,205	36,398	9,766	32,881,258
NET ASSETS					
Invested in capital assets, net of related debt	30,679,403	85,781	2,545,076	660,580	33,970,840
Restricted for:					
Debt service	826,110	-	-	-	826,110
Depreciation and replacement	1,760,792	-	-	-	1,760,792
Unrestricted	5,752,421	69,459	219,510	159,466	6,200,856
Total net assets	\$ 39,018,726	\$ 155,240	\$ 2,764,586	\$ 820,046	\$ 42,758,598

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, 2010

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
REVENUES					
Charges for services	\$ 3,473,822	\$ 163,800	\$ 601,195	\$ 144,329	\$ 4,383,146
Rental income	-	-	85,789	56,274	142,063
Operating grants and contributions	862,516	-	-	-	862,516
Total operating revenues	<u>4,336,338</u>	<u>163,800</u>	<u>686,984</u>	<u>200,603</u>	<u>5,387,725</u>
OPERATING EXPENSES					
Cost of sales and services	817,064	31,671	436,953	234,498	1,520,186
Administration	189,916	31,964	4,638	9,468	235,986
Personnel services	727,147	426,261	177,239	142,127	1,472,774
Repairs and maintenance	312,833	6,877	14,028	11,417	345,155
Other supplies and expenses	1,980	-	-	-	1,980
Insurance	74,929	18,131	22,053	15,160	130,273
Depreciation and amortization	<u>2,388,043</u>	<u>15,438</u>	<u>119,035</u>	<u>36,226</u>	<u>2,558,742</u>
Total operating expenses	<u>4,511,912</u>	<u>530,342</u>	<u>773,946</u>	<u>448,896</u>	<u>6,265,096</u>
Operating loss	<u>(175,574)</u>	<u>(366,542)</u>	<u>(86,962)</u>	<u>(248,293)</u>	<u>(877,371)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	55,941	-	593	-	56,534
Interest expense	(1,511,165)	-	-	-	(1,511,165)
Miscellaneous revenue	-	-	2	38	40
Gain on sale of capital assets	-	7,367	-	-	7,367
Miscellaneous expenses	-	-	(25,020)	-	(25,020)
Bond and financial services fees	<u>(178,842)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(178,842)</u>
Total non-operating revenue (expenses)	<u>(1,634,066)</u>	<u>7,367</u>	<u>(24,425)</u>	<u>38</u>	<u>(1,651,086)</u>
Loss before contributions and transfers	(1,809,640)	(359,175)	(111,387)	(248,255)	(2,528,457)
Capital grants and contributions	512,081	-	661	112,131	624,873
Transfers in	<u>1,910,001</u>	<u>391,000</u>	<u>140,000</u>	<u>202,000</u>	<u>2,643,001</u>
Change in net assets	612,442	31,825	29,274	65,876	739,417
Total net assets - beginning	<u>38,406,284</u>	<u>123,415</u>	<u>2,735,312</u>	<u>754,170</u>	<u>42,019,181</u>
Total net assets - ending	<u>\$ 39,018,726</u>	<u>\$ 155,240</u>	<u>\$ 2,764,586</u>	<u>\$ 820,046</u>	<u>\$ 42,758,598</u>

See accompanying notes to the basic financial statements.

**City of Osage Beach
Statement of Cash Flows
For the Year Ended December 31, 2010**

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Collections from customers and users	\$ 3,465,484	\$ 184,921	\$ 1,098,566	\$ 91,499	\$ 4,840,470
Payments for goods and services	(1,040,831)	(69,327)	(499,729)	(271,876)	(1,881,763)
Payments on behalf of employees for services	(717,225)	(427,033)	(176,654)	(140,502)	(1,461,414)
Payments for interfunds services used	(162,443)	(14,493)	-	-	(176,936)
Other operating revenues	683,674	-	-	38	683,712
Net cash provided (used) by operating activities	2,228,659	(325,932)	422,183	(320,841)	2,004,069
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund transfers	1,910,001	391,000	(143,000)	202,000	2,360,001
Net cash provided (used) by noncapital financing activities	1,910,001	391,000	(143,000)	202,000	2,360,001
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(1,893,894)	(77,750)	(93,280)	-	(2,064,924)
Capital grants and contributions	512,080	-	661	112,131	624,872
Sale of capital assets	-	7,480	-	-	7,480
Principal paid on capital debt	(1,815,000)	-	-	-	(1,815,000)
Interest paid on capital debt	(1,583,275)	-	-	-	(1,583,275)
Net cash provided (used) by capital and related financing activities	(4,780,089)	(70,270)	(92,619)	112,131	(4,830,847)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	55,941	-	593	-	56,534
Net change in short-term money market mutual funds	459,911	-	-	-	459,911
Proceeds from maturity of guaranteed investment contracts	20,081	-	-	-	20,081
Purchase of guaranteed investment contracts	(12,221)	-	-	-	(12,221)
Reinvestment of investment income	(186,357)	-	-	-	(186,357)
Net cash provided by investing activities	337,355	-	593	-	337,948
Net increase (decrease) in cash and cash equivalents	(304,074)	(5,202)	187,157	(6,710)	(128,829)
Cash and cash equivalents-beginning of year	8,384,403	29,521	2,581	45,743	8,462,248
Cash and cash equivalents-end of year	\$ 8,080,329	\$ 24,319	\$ 189,738	\$ 39,033	\$ 8,333,419
Reconciliation of operating income to net cash provided by operating activities:					
Operating loss	\$ (175,574)	\$ (366,542)	\$ (86,962)	\$ (248,293)	\$ (877,371)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Miscellaneous revenue	(178,842)	-	(25,018)	38	(203,822)
Depreciation and amortization	2,388,042	15,438	119,035	36,224	2,558,739
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(8,338)	21,121	411,582	(109,104)	315,261
(Increase) decrease in inventory	2,113	-	(20,641)	(1,322)	(19,850)
Increase (decrease) in accounts payable and accrued liabilities	201,258	4,051	24,187	1,616	231,112
Total adjustments	2,404,233	40,610	509,145	(72,548)	2,881,440
Net cash provided (used) by operating activities	\$ 2,228,659	\$ (325,932)	\$ 422,183	\$ (320,841)	\$ 2,004,069

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 City. The effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues,

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

J. Compensated Absences

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

K. Long-Term Obligations

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

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

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”.

Governmental Accounting Standards Board Statement No. 54 ("GASB 54"), *Fund Balance Reporting and Governmental Fund Type Definitions*, will be implemented by the City during the year ending December 31, 2011. The objective of GASB 54 is to focus on the extent to which a government entity is bound to honor

constraints on the specific purposes for which amounts in its funds can be spent. To accomplish this, the categories and terminology used to describe the components of total fund balance have been substantially altered. The City is assessing how GASB 54 will affect the classifications and disclosures for fund balances in its 2011 governmental funds financial statements.

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, 2010.

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, 2010. Deposits, categorized by level of custodial risk, were as follows as of December 31, 2010:

	Cash and Cash Equivalents	Certificates of Deposit	Petty Cash	Total
Bank balance				
Insured by the FDIC	\$ 256,000	\$ -	\$ 2,325	\$ 258,325
Collateralized with securities pledged by the financial institution in the entity's name	730,254	16,770,000	-	17,500,254
Collateralized by securities held by the pledging financial institutions' trust department or agent but not in the depositor government's name	298,275	3,367,777	-	3,666,052
Uncollateralized	-	-	-	-
	<u>\$ 1,284,529</u>	<u>\$ 20,137,777</u>	<u>\$ 2,325</u>	<u>\$ 21,424,631</u>
Carrying value	<u>\$ 642,051</u>	<u>\$ 20,137,777</u>	<u>\$ 2,325</u>	<u>\$ 20,782,153</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	\$ 15,315,191	\$ 1,570	\$ 15,316,761
Restricted assets:			
Cash and cash equivalents	2,758,035	2,707,357	5,465,392
Total	<u>\$ 18,073,226</u>	<u>\$ 2,708,927</u>	<u>\$ 20,782,153</u>

Investments

The City had the following investments as of December 31:

	Investment Maturities (in years)			Fair Value	Carrying Value
	Less than 1	1-5	Over 5		
Money market mutual funds					
Restricted	\$ 1,856,526	\$ -	\$ -	\$ 1,856,526	\$ 1,856,526
Guaranteed investment contracts					
Restricted	227,471	-	904,786	1,132,257	1,132,257
Total investments	<u>\$ 2,083,997</u>	<u>\$ -</u>	<u>\$ 904,786</u>	<u>\$ 2,988,783</u>	<u>\$ 2,988,783</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
Investments	<u>\$ 2,311,955</u>	<u>\$ 676,828</u>	<u>\$ 2,988,783</u>

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

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. State statutes authorize the City to invest in obligations of the U.S. Treasury, and federal agencies and instrumentalities; certificates of deposit issued by Missouri banks; and repurchase agreements. The City has no investment policy that would further limit its investment choice. Of the total guaranteed investment contracts balance of \$1,132,257, \$901,315 is rated AA1 and \$230,942 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, 2010, cash was restricted and fund balances were reserved for various uses as follows:

	Cash and Investments	Fund Balance
General Fund		
Restricted for bail bond deposits	\$ 13,575	\$ -
Restricted for building permit deposits	6,000	-
Amounts held for others	18,973	-
Transportation Fund		
Reserved for highway and street improvements	-	5,728,143
Capital Improvement Fund		
Reserved for bond requirements	661,716	661,716
Reserved for capital projects	-	370,796
Water and Sewer Fund		
Restricted for bond requirements	4,369,726	2,586,902
TIF Fund		
Restricted for bond requirements	3,384,185	3,384,185

5. RECEIVABLES

Receivables are composed of the following at December 31, 2010:

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit
Taxes receivable	\$ 1,438,965	\$ -	\$ 1,438,965	\$ 860,912
Accounts receivable	-	378,179	378,179	-
Other receivable	3,622	-	3,622	-
Interest	3,534	2,193	5,727	-
	1,446,121	380,372	1,826,493	860,912
Allowance for uncollectible accounts	-	(34,799)	(34,799)	(38,845)
Accounts receivable	\$ 1,446,121	\$ 345,573	\$ 1,791,694	\$ 822,067

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance December 31, 2009	Additions	Retirements	Transfers	Balance December 31, 2010
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,557,617	\$ 49,500	\$ -	\$ -	\$ 1,607,117
Construction in progress	1,625,326	802,208	-	(1,127,684)	1,299,850
Total capital assets, not being depreciated	3,182,943	851,708	-	(1,127,684)	2,906,967
Capital assets, being depreciated:					
Buildings and improvements	7,224,452	-	-	-	7,224,452
Machinery and equipment	3,339,534	164,665	276,892	-	3,227,307
Infrastructure	30,550,321	935,146	-	1,127,684	32,613,151
Total capital assets, being depreciated	41,114,307	1,099,811	276,892	1,127,684	43,064,910
Less accumulated depreciation for:					
Buildings and improvements	2,505,158	208,945	-	-	2,714,103
Machinery and equipment	2,375,985	356,678	269,747	-	2,462,916
Infrastructure	11,134,652	1,486,183	-	-	12,620,835
Total accumulated depreciation	16,015,795	2,051,806	269,747	-	17,797,854
Total capital assets being depreciated, net	25,098,512	(951,995)	7,145	1,127,684	25,267,056
Total capital assets, net	\$ 28,281,455	\$ (100,287)	\$ 7,145	\$ -	\$ 28,174,023

	Balance December 31, 2009	Additions	Retirements	Transfers	Balance December 31, 2010
Business-type activities:					
Capital assets, not being depreciated:					
Land and easements	\$ 543,550	\$ 5,400	\$ -	\$ -	\$ 548,950
Construction in progress	642,558	755,814	-	(354,391)	1,043,981
Total capital assets, not being depreciated	1,186,108	761,214	-	(354,391)	1,592,931
Capital assets, being depreciated:					
Buildings and improvements	4,133,662	82,281	-	-	4,215,943
Equipment	1,523,935	88,750	108,055	-	1,504,630
Water system, tower and lines	33,787,728	219,802	-	330,762	34,338,292
Sewage collection system and treatment plant	53,313,669	912,878	-	23,629	54,250,176
Total capital assets, being depreciated	92,758,994	1,303,711	108,055	354,391	94,309,041
Less accumulated depreciation for:					
Buildings and improvements	757,135	156,639	-	-	913,774
Equipment	1,077,414	95,693	107,943	-	1,065,164
Water system, tower and lines	6,081,941	864,556	-	-	6,946,497
Sewage collection system and treatment plant	21,855,437	1,290,036	-	-	23,145,473
Total accumulated depreciation	29,771,927	2,406,924	107,943	-	32,070,908
Total capital assets being depreciated, net	62,987,067	(1,103,213)	112	354,391	62,238,133
Business-type activities capital assets, net	\$ 64,173,175	\$ (341,999)	\$ 112	\$ -	\$ 63,831,064

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

Governmental activities:	
General administration	226,014
Public safety	179,284
Streets and highways	1,400,092
Parks and recreation	246,416
Total depreciation expense - governmental activities:	<u>\$ 2,051,806</u>
Business-type activities:	
Water/Sewer	2,236,225
Ambulance	15,438
Airports	155,261
Total depreciation expense - business-type activities:	<u>\$ 2,406,924</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, 2010:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in one year
Primary Government:					
General Long-Term Debt					
General obligation bonds	\$ 550,000	\$ -	\$ 270,000	\$ 280,000	\$ 280,000
Compensated absences	76,244	32,089	17,254	91,079	91,079
Enterprise Funds					
Revenue bonds	33,575,000	-	1,815,000	31,760,000	1,865,000
Compensated absences	26,499	12,133	11,776	26,856	26,856
	<u>\$ 34,227,743</u>	<u>\$ 44,222</u>	<u>\$ 2,114,030</u>	<u>\$ 32,157,935</u>	<u>\$ 2,262,935</u>
Component Unit:					
Revenue bonds	<u>\$ 22,110,000</u>	<u>\$ -</u>	<u>\$ 1,055,000</u>	<u>\$ 21,055,000</u>	<u>\$ 785,000</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, 2010
Governmental Activities	<u>\$ 2,025,000</u>	1.25 - 3.20%	<u>\$ 280,000</u>

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

Year Ending December 31	Principal	Interest	Total
2011	<u>\$ 280,000</u>	<u>\$ 8,960</u>	<u>\$ 288,960</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, 2010, of \$279,232,325, the constitutional total general obligation debt limit was \$55,846,465.

The legal debt margin of the City at December 31, 2010, was:

Constitutional debt limit	\$ 55,846,465
General obligation bonds payable	<u>(280,000)</u>
Excess legal debt margin	<u>\$ 55,566,465</u>

State Revolving Loans

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

The City has pledged future utility customer revenues and capital improvement sales tax collections, net of current specified operating expenses, to repay \$31.76 million in revenue bonds. Proceeds from the bonds provided financing for the construction of a new water system and expansion of sewerage facilities. The bonds are payable from utility customer net revenues and capital improvement sales tax net collections and are payable through 2026. Net revenues available for debt service are not to be less than 110% of the amount required to be paid annually of principal and interest. Net revenues for 2010 are over 124% of the annual principal and interest payments made in 2010. The total principal and interest remaining to be paid on the bonds is \$43,731,943. Principal and interest paid for the current year and total net revenues were \$3,326,165 and \$4,115,076, respectively.

Revenue bonds payable are comprised of the following individual issues:

	Original Amount	Interest Rate	Final Maturity Date	Balance December 31, 2010
2001A, Clean Water	\$ 5,000,000	4.0%-5.0%	1/1/2022	\$ 3,195,000
2002B, Drinking Water	24,585,000	3.25%-5.5%	7/1/2022	17,260,000
2003B, Drinking Water	6,075,000	2.5%-5.125%	1/1/2024	5,140,000
2005C, Clean Water	4,950,000	3.0%-5.25%	7/1/2025	3,940,000
2007A, Drinking Water	2,550,000	4.0%-4.75%	1/1/2027	2,225,000
				<u>\$ 31,760,000</u>

The following is a summary of net revenue bonds payable for December 31, 2010:

Bonds payable at December 31, 2010	\$ 31,760,000
Advanced refunding (net of accumulated amortization)	(1,273,012)
Unamortized premiums/discounts	874,284
	<u>31,361,272</u>
Less amount due within one year	<u>(1,865,000)</u>
Net revenue bonds payable December 31, 2010	<u>\$ 29,496,272</u>

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

Year Ending December 31	Principal	Interest	Total
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	2,110,000	1,289,351	3,399,351
2015	2,200,000	1,181,323	3,381,323
2016-2020	12,575,000	4,111,871	16,686,871
2021-2025	8,730,000	923,833	9,653,833
2026	305,000	13,734	318,734
Total	<u>\$ 31,760,000</u>	<u>\$ 11,971,943</u>	<u>\$ 43,731,943</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, 2010 is \$5,005,000.

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, 2010, is \$16,050,000.

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 \$2,219,187 and \$2,134,755, respectively.

The annual requirements to amortize debt outstanding in the as of December 31, 2010, including interest payments, are as follows:

Year Ending December 31	Series 2002		Series 2006		Total
	Principal	Interest	Principal	Interest	
2011	\$ -	\$ 337,031	\$ 785,000	\$ 771,403	\$ 1,893,434
2012	-	337,031	860,000	732,610	1,929,641
2013	-	337,031	925,000	689,770	1,951,801
2014	-	337,031	1,010,000	643,330	1,990,361
2015	-	337,031	1,080,000	593,170	2,010,201
2016-2020	-	1,685,155	5,995,000	2,127,750	9,807,905
2021-2023	5,005,000	1,011,093	5,395,000	451,875	11,862,968
Total	\$ 5,005,000	\$ 4,381,403	\$ 16,050,000	\$ 6,009,908	\$ 31,446,311

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

Arbitrage Liability

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

8. 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. The defeased bonds were paid off during the year ended December 31, 2010.

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, 2010, follows:

		TRANSFERRED TO				
		Enterprise Funds				
		Water/Sewer Fund	Ambulance Fund	Lee C. Fine Fund	Grand Glaize Fund	Total
TRANSFERRED FROM						
Governmental Funds:						
General Fund		\$ -	\$ 391,000	\$ 140,000	\$ 202,000	\$ 733,000
Capital Improvement Fund		1,910,001	-	-	-	1,910,001
		<u>\$ 1,910,001</u>	<u>\$ 391,000</u>	<u>\$ 140,000</u>	<u>\$ 202,000</u>	<u>\$ 2,643,001</u>

The purpose of the transfers from the General Fund to the Ambulance Fund, Lee C. Fine Fund and Grand Glaize Fund was to subsidize the operations of these funds. The purpose of the transfer from the Capital Improvement Fund to the Water/Sewer Fund is to subsidize the payment of the Water/Sewer Revenue Bonds.

Interfund Charges for Support Services

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

Transportation Fund	\$ 238,152
Water/Sewer Fund	201,650
Ambulance Fund	14,493
Lee C. Fine Airport Fund	7,132
Grand Glaize Airport Fund	3,718
	<u>\$ 465,145</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 four years.

B. Litigation

The City is involved in lawsuits arising in the ordinary course of activities, including claims regarding construction contract issues, personal injury and discriminatory personnel practices, property condemnation

proceedings, and suits contesting the legality of certain taxes. While these cases may have future financial effect, management, based on advice of counsel, believes that their ultimate outcome will not be material to the basic financial statements.

C. Contracts for Construction

The City has entered into agreements with contractors for various projects for street construction, construction of water and sewer facilities, and airport construction. As of December 31, 2010, commitments under contracts were as follows:

Project	Spent-to-Date	Commitment
Transportation	\$ 733,270	\$ 775,377
Water/Sewer	610,628	771,107
Grand Glaize Airport	-	14,980
	<u>\$ 1,343,898</u>	<u>\$ 1,561,464</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, 2010.

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 \$266,427 to the plan for the year ended December 31, 2010, of which \$25,000 was funded by forfeitures used to offset the City's expense.

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). As a

result, the financial statements reflect a long-term liability of \$62,072 and \$23,255 and related expenses of \$21,253 and \$7,962 in governmental and business-type activities, respectively as of and for the year ended December 31, 2010.

Plan Description

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

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

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

Funding Policy

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

Annual OPEB Costs and Net OPEB Obligation

The OPEB cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB #45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For the year ended December 31, 2010, the annual OPEB costs and changes in the net obligation 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	<u>16,413</u>
Annual required contribution (ARC)	29,694
Interest to end of the year	3,367
Adjustment to the ARC	<u>(3,846)</u>
Annual OPEB cost	29,215
Net OPEB obligation, beginning of year	56,112
Expected employer contributions for 2010	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 85,327</u>

Schedule of Employer Contributions

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Estimated Retiree Benefits for the Year	Percentage Contributed	Net OPEB Obligation
12/31/2008	\$ 31,476	\$ 796	2.5%	\$ 30,680
12/31/2009	29,432	4,000	13.6%	56,112
12/31/2010	29,215	-	0.0%	85,327

Schedule of Funding Progress

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

The following summarizes the funding progress for the year ended December 31, 2010:

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

Because the City is only required to have a full actuarial valuation every three years, the *Schedule of Funding Progress* presented above will not be updated until the new valuation is completed in 2011.

Actuarial Methods and Assumptions

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

As of the July 1, 2007 actuarial valuation, the liabilities were computed using the projected unit credit method with a 30-year level closed dollar amortization of the unfunded actuarial accrued liability. The actuarial assumption utilized a 6% discount rate. Actuarial assumptions also included annual healthcare cost trend rates of 9% initially, reduced by decrements to an ultimate rate of 6% after 7 years. Dental healthcare cost trend rates were included at 5%.

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, 2010, the City paid \$367,874 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 10, 2010 was as follows:

	For the 2010 Calendar Year
Assessed valuation for Miller County:	
Tax Increment Financing	<u>\$ 11,805,260</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.

16. SUBSEQUENT EVENT

On April 7, 2011, the City entered into a TIF agreement with Dierbergs Osage Beach, LLC. Under this agreement, the City will reimburse the developer on a pay-as-you-go method with funds generated by the TIF project. The obligation to the developer is \$3,000,000 for the first phase and \$2,100,000 respectively.

SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

City of Osage Beach
Budget and Actual (with Variances)
General Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Sales	\$ 4,400,000	\$ 4,400,000	\$ 4,220,120	\$ (179,880)
Franchise	712,000	712,000	832,706	120,706
Licenses, fines, permits and fees	493,350	493,350	470,495	(22,855)
Intergovernmental	110,322	110,322	23,967	(86,355)
Interest	79,800	79,800	26,889	(52,911)
Payments from enterprise funds	449,626	449,626	465,145	15,519
Miscellaneous	57,731	57,731	44,042	(13,689)
Total revenues	<u>6,302,829</u>	<u>6,302,829</u>	<u>6,083,364</u>	<u>(219,465)</u>
EXPENDITURES				
Current:				
General government	2,363,666	2,363,666	2,333,705	29,961
Public safety	3,079,291	3,079,291	2,901,521	177,770
Park and recreation	220,706	220,706	198,755	21,951
Information technology	270,130	270,130	254,128	16,002
Capital outlay				
Projects and equipment	<u>442,363</u>	<u>442,363</u>	<u>184,173</u>	<u>258,190</u>
Total expenditures	<u>6,376,156</u>	<u>6,376,156</u>	<u>5,872,282</u>	<u>503,874</u>
Excess (deficiency) of revenues over expenditures	<u>(73,327)</u>	<u>(73,327)</u>	<u>211,082</u>	<u>284,409</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(602,000)	(733,000)	(733,000)	-
Sale of capital assets	<u>27,400</u>	<u>27,400</u>	<u>20,849</u>	<u>(6,551)</u>
Total other financing sources and uses	<u>(574,600)</u>	<u>(705,600)</u>	<u>(712,151)</u>	<u>(6,551)</u>
Net change in fund balance	(647,927)	(778,927)	(501,069)	277,858
Fund balance - beginning	<u>4,251,360</u>	<u>4,251,360</u>	<u>4,251,360</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,603,433</u>	<u>\$ 3,472,433</u>	<u>\$ 3,750,291</u>	<u>\$ 277,858</u>

City of Osage Beach
Budget and Actual (with Variances)
Transportation Fund
For the Year Ended December 31, 2010

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
REVENUES				
Taxes				
Sales	\$ 2,200,000	\$ 2,200,000	\$ 2,084,267	\$ (115,733)
Motor vehicle fuel and license	138,300	138,300	140,107	1,807
County road taxes	61,600	61,600	67,842	6,242
Licenses, fines, permits and fees	100	100	1,177	1,077
Intergovernmental	752,042	752,042	631,526	(120,516)
Interest	67,500	67,500	45,920	(21,580)
Total revenues	3,219,542	3,219,542	2,970,839	(248,703)
EXPENDITURES				
Current:				
Streets and highways	1,108,274	1,153,273	1,046,961	106,312
Capital outlay				
Streets and highways	5,275,559	5,391,192	1,824,703	3,566,489
Debt Service:				
Principal	270,000	270,000	270,000	-
Interest and other charges	17,310	17,310	17,310	-
Total expenditures	6,671,143	6,831,775	3,158,974	3,672,801
Deficiency of revenues over expenditures	(3,451,601)	(3,612,233)	(188,135)	3,424,098
OTHER FINANCING SOURCES				
Sale of capital assets	7,500	7,500	3,136	(4,364)
Total other financing sources	7,500	7,500	3,136	(4,364)
Net change in fund balance	(3,444,101)	(3,604,733)	(184,999)	3,419,734
Fund balance - beginning	5,913,142	5,913,142	5,913,142	-
Fund balance - ending	\$ 2,469,041	\$ 2,308,409	\$ 5,728,143	\$ 3,419,734

City of Osage Beach
Budget and Actual (with Variances)
Capital Improvement Fund
For the Year Ended December 31, 2010

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
REVENUES				
Taxes				
Sales	\$ 2,200,000	\$ 2,200,000	\$ 2,084,351	\$ (115,649)
Intergovernmental	19,500	19,500	3,691	(15,809)
Total revenues	2,219,500	2,219,500	2,088,042	(131,458)
EXPENDITURES				
Current:				
Capital improvements	237,000	237,000	237,685	(685)
Total expenditures	237,000	237,000	237,685	(685)
Excess of revenues over expenditures	1,982,500	1,982,500	1,850,357	(132,143)
OTHER FINANCING USES				
Transfers out	(2,100,000)	(2,100,000)	(1,910,001)	189,999
Total other financing uses	(2,100,000)	(2,100,000)	(1,910,001)	189,999
Net change in fund balance	(117,500)	(117,500)	(59,644)	(57,856)
Fund balance - beginning	1,092,156	1,092,156	1,092,156	-
Fund balance - ending	\$ 974,656	\$ 974,656	\$ 1,032,512	\$ (57,856)

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

For The Year Ended December 31, 2010

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, 2010.

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.

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 EIGHT FISCAL YEARS
(*accrual basis of accounting*)

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

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 EIGHT FISCAL YEARS
(accrual basis of accounting)

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 2

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

	FISCAL YEAR							
	2003	2004	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue								
Governmental activities	\$ (4,688,753)	\$ (5,284,477)	\$ (5,749,526)	\$ 314,633	\$ (5,821,732)	\$ (7,685,843)	\$ (8,120,309)	\$ (8,007,860)
Business-type activities	(1,014,754)	(1,328,609)	(1,056,901)	707,844	1,021,031	(1,984,813)	(2,439,454)	(1,942,505)
Total primary government net expenses	\$ (5,703,507)	\$ (6,613,086)	\$ (6,806,427)	\$ 1,022,477	\$ (4,800,701)	\$ (9,670,656)	\$ (10,559,763)	\$ (9,950,365)
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes								
County road taxes	\$ 36,245	\$ 38,411	\$ 36,793	\$ 45,805	\$ 49,751	\$ 57,878	\$ 60,136	\$ 67,842
Sales taxes	7,355,893	7,906,614	8,271,408	9,461,972	9,560,428	8,910,793	8,449,041	8,388,738
Franchise taxes	587,203	610,049	606,054	602,872	680,236	849,517	823,723	832,706
Motor vehicle fuel & license	148,404	152,407	151,446	154,275	154,604	141,427	135,750	140,107
Payments from enterprise funds	-	-	-	-	133,728	143,377	500,702	465,145
Unrestricted investment earnings	144,040	176,199	378,696	546,027	571,408	317,626	137,682	72,809
Other income	1,980	63,109	152,983	178,140	170,512	31,556	89,447	44,042
Gain (loss) on sale of capital assets	-	-	-	(67,494)	(127,164)	5,071	1,878	16,840
Adjustment for Capital Assets	-	-	-	(509,544)	-	-	-	-
Transfers	(2,216,000)	(2,316,000)	(2,199,990)	(2,881,396)	(2,640,000)	(2,896,000)	(2,095,991)	(2,643,001)
Total governmental activities	6,057,765	6,630,789	7,397,390	7,530,657	8,553,503	7,561,245	8,102,368	7,385,228
Business-type activities								
Unrestricted investment earnings	72,939	122,624	274,248	408,943	356,000	226,027	88,584	56,534
Other income	-	-	-	-	101,309	118,827	(3,920)	(24,980)
Gain (loss) on sale of capital assets	-	-	-	(15,866)	13,662	(44,996)	(96,799)	7,367
Adjustment for Capital Assets	-	-	-	(1,888,101)	-	-	-	-
Transfers	2,216,000	2,316,000	2,199,990	2,881,396	2,640,000	2,896,000	2,095,991	2,643,001
Total business-type activities	2,288,939	2,438,624	2,474,238	1,386,372	3,110,971	3,195,858	2,083,856	2,681,922
Total primary government	\$ 8,346,704	\$ 9,069,413	\$ 9,871,628	\$ 8,917,029	\$ 11,664,474	\$ 10,757,103	\$ 10,186,224	\$ 10,067,150
Change in Net Assets								
Governmental activities	1,369,012	1,346,312	1,647,864	7,845,290	2,731,771	(124,598)	(17,941)	(622,632)
Business-type activities	1,274,185	1,110,015	1,417,337	2,094,216	4,132,002	1,211,045	(355,598)	739,417
Total primary government	\$ 2,643,197	\$ 2,456,327	\$ 3,065,201	\$ 9,939,506	\$ 6,863,773	\$ 1,086,447	\$ (373,539)	\$ 116,785

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 EIGHT FISCAL YEARS
(modified accrual basis of accounting)

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

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 EIGHT FISCAL YEARS
(modified accrual basis of accounting)

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

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 EIGHT YEARS
(accrual basis of accounting)

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

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agricultural Services (07)	\$	-	\$	-	\$	-	\$	-	\$	-
Construction Special Trade(17)		-	435	-	368	141	-	171	114	191
Food And Kindred Products (20)		-	-	-	-	-	10	-	-	-
Elect/Electronic Machinery, Equip. (36)		-	-	-	-	-	7	23	5	7
Meas/Analy/Con Inst/Photo/Med/Optic (38)		-	-	-	-	-	-	-	44	25
Misc. Manufacturing Industries (39)	60	223	5	15	48	15	58	58	98	10
Communications (48)	4,391	4,309	4,764	4,868	5,201	5,668	5,785	5,805	5,639	5,082
Wholesale Trade Durable Goods (50)	1,421	1,484	820	922	1,858	953	1,583	1,482	1,116	2,553
Wholesale Trade Nondurable Goods (51)	107	80	28	169	265	324	440	457	506	263
Building Materials(52)	3,203	13,248	19,685	12,188	13,406	14,452	7,092	19,336	43,186	40,662
General Merchandise Stores (53)	648	65,133	44,525	1,358	1,662	16,968	86,938	84,593	77,173	74,394
Food Stores (54)	13,433	13,465	11,827	12,792	31,890	33,704	34,935	36,145	36,531	37,591
Automotive Store & Service Stations (55)	2,013	4,935	6,493	5,142	6,942	7,155	6,435	7,835	7,710	8,536
Apparel & Accessory Stores (56)	51,863	50,016	36,509	41,609	49,033	54,708	60,299	69,149	74,919	71,020
Furniture & Home Furnishings (57)	18,254	40,631	45,523	61,504	68,894	73,372	73,034	64,883	24,952	24,986
Eating & Drinking (58)	36,798	38,648	41,468	46,300	51,529	51,869	51,825	50,593	48,363	46,717
Misc. Retail (59)	122,309	57,510	52,316	48,240	43,955	46,043	45,491	28,633	26,626	25,324
Real Estate (65)								257	466	668
Hotel, Rooming Houses, Camp/Other (70)	13,016	12,166	11,411	11,249	9,904	9,817	10,745	10,150	9,581	9,040
Personal Services (72)	-	132	64	-	-	8	7	16	130	167
Misc. Business Services (73)	2,192	2,488	2,436	2,152	2,223	2,297	2,743	2,899	3,257	3,583
Automotive Repair Services (75)	1,860	1,897	1,780	1,717	1,794	2,023	2,268	2,155	2,120	1,973
Misc. Repair Services (76)	-	-	134	352	-	-	-	-	4	-
Amusement/Recreation Services (79)	3,971	3,858	3,791	3,965	4,431	4,311	4,322	4,868	4,713	4,752
Health Services (80)	-	-	-	-	-	81	349	336	173	272
Misc. Services (89)	8,359	10,240	11,033	11,788	12,383	14,286	15,439	12,334	12,890	19,046
Suppressed Totals ¹	64,831	61,407	104,057	164,184	163,272	146,639	76,693	56,814	57,749	58,468
Total	\$ 348,729	\$ 381,870	\$ 399,104	\$ 430,514	\$ 469,058	\$ 484,834	\$ 486,498	\$ 458,992	\$ 438,065	\$ 435,620
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.		TDD OSAGE STATION		STATE SALES TAX	
					RATE	RATE	RATE	RATE	RATE	RATE
2001	2%	1%	1%	0.00%	0.00%	0.00%	0.00%	0.00%	4.225%	4.225%
2002	2%	1%	1%	0.00%	0.00%	0.00%	0.00%	0.00%	4.225%	4.225%
2003	2%	1%	1%	0.00%	0.00%	0.00%	0.00%	0.00%	4.225%	4.225%
2004	2%	1%	1%	0.50%	0.50%	0.50%	0.00%	0.00%	4.225%	4.225%
2005	2%	1%	1%	0.50%	0.50%	0.50%	0.75%	0.75%	4.225%	4.225%
2006	2%	1%	1%	0.50%	0.50%	0.50%	0.75%	0.75%	4.225%	4.225%
2007	2%	1.25%	1%	0.50%	0.50%	0.50%	0.75%	0.75%	4.225%	4.225%
2008	2%	1.25%	1%	0.50%	0.50%	0.50%	0.75%	0.75%	4.225%	4.225%
2009	2%	1.25%	1%	0.50%	1.00%	1.00%	0.75%	0.75%	4.225%	4.225%
2010	2%	1.25%	1%	0.50%	1.00%	1.00%	0.75%	0.75%	4.225%	4.225%

CITY OF OSAGE BEACH, MISSOURI

TABLE 8

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

		Fiscal Year 2010					Fiscal Year 2001				
		Percentage Of Total City Sales					Percentage Of Total City Sales				
SIC Code	SIC Description	Taxable Sales	Tax Collected	Entity Count	Rank	Tax	Taxable Sales	Tax Collected	Entity Count	Rank	Tax
53	General Merchandise Stores	\$74,394	\$1,488	21	1	17.08%	\$648	\$13	22	15	0.19%
56	Apparel & Accessory Stores	\$71,020	\$1,420	59	2	16.30%	\$51,863	\$1,037	41	2	14.87%
58	Eating & Drinking	\$46,717	\$934	59	3	10.72%	\$36,798	\$736	57	3	10.55%
52	Building Materials	\$40,662	\$813	31	4	9.33%	\$3,203	\$64	19	10	0.92%
54	Food Stores	\$37,591	\$752	24	5	8.63%	\$13,433	\$269	24	5	3.85%
59	Misc. Retail	\$25,324	\$506	163	6	5.81%	\$122,309	\$2,446	262	1	35.07%
57	Furniture & Home Furnishings	\$24,986	\$500	44	7	5.74%	\$18,254	\$365	36	4	5.23%
89	Misc. Services	\$19,046	\$381	65	8	4.37%	\$8,359	\$167	46	7	2.40%
70	Hotel, Rooming H., Camp/Other	\$9,040	\$181	33	9	2.08%	\$13,016	\$260	26	6	3.73%
55	Auto Store & Service Stations	\$8,536	\$171	39	10	1.96%	\$2,013	\$40	24	12	0.58%
48	Communications	\$5,082	\$102	61	11	1.17%	\$4,391	\$88	41	8	1.26%
79	Amusement/Recreation Services	\$4,752	\$95	16	12	1.09%	\$3,971	\$79	12	9	1.14%
73	Misc. Business Services	\$3,583	\$72	54	13	0.82%	\$2,192	\$44	38	11	0.63%
50	Wholesale Trade Durable Goods	\$2,553	\$51	30	14	0.59%	\$1,421	\$28	23	14	0.41%
75	Automotive Repair Services	\$1,973	\$39	29	15	0.45%	\$1,860	\$37	21	13	0.53%
65	Real Estate	\$668	\$13	10	16	0.15%	\$0	\$0	0	17	0.00%
7	Agricultural Services	\$290	\$6	9	17	0.50%	\$0	\$0	0	18	0.00%
80	Health Services	\$272	\$5	21	18	0.06%	\$0	\$0	0	19	0.00%
51	Wholesale Trade Nondurable Goods	\$268	\$5	19	19	0.06%	\$107	\$2	15	16	0.03%
17	Construction	\$191	\$4	12	20	0.04%	\$0	\$0	0	20	0.00%
Other Non Suppressed Totals		\$204	\$4			0.05%	\$60	\$1			0.02%
Suppressed Totals ¹		\$58,468	\$1,169			13.42%	\$64,831	\$1,297			18.59%
Total		\$435,620	\$8,712			100%	\$348,729	\$6,975			100%

Source: Missouri Depart. of Rev.

Notes:

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

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

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

55

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				
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	4,780	7,559
2009	550,000		33,575,000		34,125,000	4,709	7,247
2010	280,000		31,760,000		32,040,000	4,351	7,364

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 EIGHT 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%	169
2009	550,000	6.51%	117
2010	280,000	3.34%	64

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

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

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of December 31, 2010

NAME OF GOVERNMENTAL UNIT	DEBT OUTSTANDING	PERCENTAGE APPLICABLE TO CITY OF OSAGE BEACH ¹	AMOUNT APPLICABLE TO CITY OF OSAGE BEACH
City of Osage Beach direct debt	\$280,000	100%	\$280,000
Camdenton R-III School District	30,230,000	15.0%	4,534,500
School of the Osage R-II	20,550,000	1.5%	308,250
Osage Beach Fire Protection District	2,037,863	52.3%	1,065,802
Subtotal, overlapping debt			\$5,908,552
Total direct and overlapping debt			\$6,188,552

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

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

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 12

LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$28,383,427	\$29,951,824	\$34,283,562	\$37,194,816	\$43,720,535	\$46,481,936	\$53,519,002	\$55,610,030	\$55,907,389	\$55,846,465
Total Net debt applicable to limit	2,395,000	2,205,000	2,025,000	1,790,000	1,555,000	1,315,000	1,065,000	810,000	550,000	280,000
Legal debt margin	\$25,988,427	\$27,746,824	\$32,258,562	\$35,404,816	\$42,165,535	\$45,166,936	\$52,454,002	\$54,800,030	\$55,357,389	\$55,566,465

Total net debt applicable to limit as a percentage of debt limit	8.44%	7.36%	5.91%	4.81%	3.56%	2.83%	1.99%	1.46%	0.98%	0.50%
---	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

Legal Debt Margin Calculation for Fiscal Year 2008

Total Assessed Value	\$279,232,325
Debt limit (20% of total assessed value)	55,846,465
Debt applicable to limit:	
Legal debt margin	280,000
	<u>\$55,566,465</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		
				TOTAL			
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	4,778,742	2,217,517	2,561,225	1,545,000	1,714,615	0.79	2,380,000
2008	4,522,564	2,256,072	2,266,492	1,690,000	1,630,889	0.68	2,340,000
2009	3,946,471	2,494,769	1,451,702	1,745,000	1,587,512	0.44	1,776,667
2010	4,392,279	2,123,869	2,268,410	1,815,000	1,511,165	0.68	1,910,001

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 Operating Revenue includes investment & DNR interest.

⁴ Excludes depreciation expense.

Principal balance found in notes of audit, on page 33

CITY OF OSAGE BEACH, MISSOURI

TABLE 14

DEMOGRAPHIC STATISTICS
LAST TEN YEARS

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

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

Reflects revised inputs, reestimation, and new statewide controls

Notes:

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

Population data listed is based on estimates from the U.S. Census Bureau

CITY OF OSAGE BEACH, MISSOURI

TABLE 15

PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Factory Outlet Village	800-1200	1	21.80%	700-1000	1	22.62%
Lake Regional Hospital	1100	2	20.85%	490	4	11.67%
² Camdenton R-II School District	575	3	10.90%	575	3	13.69%
¹ Tan Tar A Resort	560	4	10.61%	716	2	17.05%
Hy-Vee	435	5	8.24%	0		0.00%
Wal-Mart Supercenter	430	6	8.15%	400	5	9.52%
² School of the Osage R-II School District	250	7	4.74%	230	6	5.48%
Target	148	8	2.81%	0		0.00%
Lowes	143	9	2.71%	0		0.00%
City of Osage Beach	104	10	1.97%	95	8	2.26%
Central Bank of Lake of the Ozarks	102		1.93%	140	7	3.33%
Osage Beach Health Care Center	77		1.46%	75	10	1.79%
Inn at the Grand Glaize	34		0.64%	90	9	2.14%

Sources:

¹Employer is not located within the Osage Beach City Limits²Employment numbers represent entire School District which includes schools outside of the Osage Beach City Limits.

Missouri Dept. of Economic Development

Lake of the Ozarks Regional Economic Development Council

CITY OF OSAGE BEACH, MISSOURI

TABLE 16

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

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
City Administrator	4	3.5	4	5	3	2	2	2	2	2
City Clerk's Office	4	4	4	4	4	4	4	4	4	4
Information Technology ²	0	0	0	0	2	2	2	2	2	2
City Treasurer	5	5	5	5	5	5	5	5	4	4
Municipal Court	1	1	1	1	1	1	1	1	1	1
City Attorney ³	0	0	0	0	0	0	0	1	1	1
Building Department ¹	3	3	3	3	3.5	3.5	3.5	4.5	3.5	3.5
Human Resources	1	1	1	1	1	1	1	1	1	1
Planning Department ¹	4	4	4	3	3	3	3	3	2.5	2.5
Engineering Department	4	4	4	4	4.5	4.5	4.5	5.5	4	4
Police										
Law Enforcement	28	28	28	28	27	30	30	30	30	30
911 Center	10	10	10	10	10	11	11	11	11	11
Public Works										
Parks	4	4	4	4	2	2	2	2	3	3
Transportation ¹	8	8	8	8	8	8	8	8	8.3	8.3
Water ¹	4	4	4	4	4	4.5	4.5	4.5	5.3	5.3
Sewer ¹	9	9	9	9	9	9.5	9.5	9.5	8.4	8.4
Ambulance	10	10	10	10	10	7	7	7	7	7
Airport										
Lee C. Fine ¹	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Grand Glaize ¹	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total	105	104.5	105	105	103	104	104	107	104	104

Source: Annual Budget

Note:

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 17

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Reports of Incidents	430	476	460	553	590	535	520	530	533	492
Traffic Violations	2,209	2,477	1,935	1,905	2,833	3,176	2,412	2,838	1,858	1,793
Traffic Warnings	3,106	2,951	2,308	1,853	1,214	2,039	2,382	3,085	2,967	2,561
911 Center¹										
Number of Calls Answered	15,359	15,600	14,993	13,673	20,509	24,789	20,624	20,509	20,946	19,927
Ambulance										
Calls for service	977	1,037	1,086	988	860	815	831	875	828	888
Building										
Permits										
Residential	84	102	86	95	98	108	105	83	87	76
Commercial	87	103	112	139	104	129	131	78	68	79
Water										
² Total Water Sold (thousands of Gallons)							295,828	278,237	260,479	300,688
Wastewater										
Average Daily Sewage Treatment (thousands of Gallons)	1,266	1,262	1,281	1,339	1,292	1,254	1,302	1,300	1,229	1,093
Airports²										
Lee C. Fine:										
Number of Landings	0	7,169	6,887	5,967	5,511	6,755	5,630	5,674	5,131	5,667
Grand Glaiize:										
Number of Landings	0	6,427	5,643	4,881	6,194	5,968	5,248	4,161	3,937	3,196
Recycling										
Waste Oil gallons	2,637	2,591	1,796	2,367	1,600	1,478	962	1,763	1,673	2,138

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.

³Prior to 2007 gallons of water sold were not tracked

CITY OF OSAGE BEACH, MISSOURI

TABLE 18

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
<u>Police:</u>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	22	26	26	26	21	21	22	22	22	22
<u>Ambulance Protection:</u>										
Number of Vehicles	2	3	3	2	2	2	2	2	2	2
Highways and Streets										
Miles of Streets Paved	35.72	35.96	36.16	36.16	36.16	36.16	37	37.38	37.38	37.78
Miles of Sidewalks	2.63	2.63	3.00	3.14	3.45	3.75	3.75	3.75	5.31	6.09
Number of Street Lights	224	224	224	475	485	486	495	500	517	517
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)	73.7	107.71	150.07	192.99	236.43	236.43	238.56	239.36	241.56	241.84
Fire Hydrants	621	809	892	901	904	913	915	925	927	930
Wells	4	5	5	5	5	5	5	5	5	5
Water Towers	2	3	3	3	3	4	4	4	4	4
Sewer										
Sanitary Sewers (miles)	126.74	126.74	132.89	132.89	135.00	135.79	140.79	141.59	143.39	143.96
Pump Stations	1,089	1,089	1,104	1,105	1,105	1,119	1,138	1,145	1,174	1,178

Sources: Various Government Departments

SINGLE AUDIT REPORTS

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

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the business-type activities, and each major fund for the City of Osage Beach, Missouri (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents and have issued our report thereon dated June 1, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City in a separate letter dated June 1, 2011.

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

Williams Keepers LLC

June 1, 2011

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

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

Compliance

We have audited the compliance of the City of Osage Beach, Missouri (the City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

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

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

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

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

Williams Keepers LLC

June 1, 2011

CITY OF OSAGE BEACH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Transportation			
Passed through the University of Central Missouri:			
DWI Overtime Enforcement Wave	20.601	LKK073 & LKK075	\$ 2,317
Passed through the State of Missouri Department of Transportation:			
Hazardous Moving Violation Project	20.607	10-PT-02-155 & 11-PT-02-155	3,711
Sobriety Check Point	20.607	10-K8-03-79	3,636
DWI Saturation	20.607	10-K8-03-80	4,222
Airport Improvement Program (Lee C. Fine)	20.106	06-46B-(1-4) & 08-46B-1	661
Airport Improvement Program (Grand Glaize)	20.106	35-45A & 10-045A-1 & 106-45A	112,131
Federal Highway Administration			
Passed through the Missouri Highways and Transportation Commission:			
ARRA Highway Planning and Construction	20.205	ARRA-ES05	319,605
ARRA Highway Planning and Construction	20.205	STP-9900 538 (2009)	27,402
U.S. Department of Justice			
Passed through the State of Missouri Department of Justice:			
Bulletproof Vest Partnership Program	16.607	209-SB-B9-1581	1,500
Local Law Enforcement Block Grant	16.738	2009-LBGJ-055	8,122
Environmental Protection Agency			
Passed through Missouri Department of Natural Resources:			
Capitalization Grant for Clean Water State Revolving Funds	66.458	C295504-01	237,551
Capitalization Grant for Drinking Water State Revolving Funds	66.468	DW291150-03	8,258
Total expenditures of federal awards			<u>\$ 729,116</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, 2010

A. SUMMARY OF AUDIT RESULTS

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

	Federal CFDA Number
ARRA Highway Planning and Construction - ES05	20.205
ARRA Highway Planning and Construction - STP-9900 538 (2009)	20.205

8. The dollar threshold used to distinguish between Type A and B programs, as described in Section 520(b) of OMB Circular A-133, was \$300,000.
9. Using the criteria as defined in Section 530 of OMB Circular A-133, the City of Osage Beach did qualify as a low-risk auditee for the year ended December 31, 2010.

B. FINDINGS--FINANCIAL STATEMENT AUDIT

None.

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

None.

CITY OF OSAGE BEACH

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
For the Year Ended December 31, 2010**

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