

CITY OF OSAGE BEACH, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2007

Prepared by:

Karri Bell
City Treasurer

CITY OF OSAGE BEACH, MISSOURI
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2007

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INTRODUCTORY SECTION



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

May 20, 2008

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, 2007, is herewith submitted. The information presented in the CAFR is the responsibility of the City's management. The report was prepared by the Finance Department in close cooperation with the external auditors. The CAFR conforms to the standards of financial reporting as set forth by the Governmental Accounting Standards Board (GASB) and the guidelines as recommended by the Government Finance Officers Association (GFOA). The Finance Department believes that the financial statements, supporting schedules, and statistical information fairly present the financial condition of the City. We further believe that all presented data is accurate in all aspects and that all necessary disclosures have been included to enable the reader to gain a reasonable understanding of the City's financial affairs.

The City's financial statements have been audited by Williams Keepers LLC, a firm of licensed certified public accountants. The purpose of the audit conducted by Williams Keepers was to review and provide reasonable assurance that the City's financial statements for the fiscal year ended December 31, 2007 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, 2007, 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 1958, as a fourth-class city and political subdivision created and existing under the laws of the State of Missouri. The City is approximately 10 square miles in area and is located in Camden and Miller Counties, Missouri. The City lies along the shores of the Lake of the Ozarks, one of the largest man-made lakes in the world. The City has an estimated permanent population of 4,424, however it is estimated that there are in excess of 100,000 people during the peak seasonal periods. The governing body consists of an elected six-member Board of Aldermen and a Mayor who in turn appoints a City Administrator, City Clerk, Police Chief, Building Official, City Treasurer, City Planner, City Engineer and City Attorney.

The City of Osage Beach is experiencing rapid growth in private sector investment in our community. This necessitates public investment in infrastructure and services to support this growth. While both population and local economic activity continue to peak in the summer season, the increasing number of second homeowners, the expansion in retail goods, and the promotion of non-peak activities is smoothing out the sharpness of the peaks.

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

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

Accounting System and Budgetary Control

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

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

Budgetary control is maintained at the fund level.

Reporting Standards and Formats

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

Cash Management

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

Risk Management

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

Economic Condition and Outlook

The City depends greatly on sales tax revenue. Recognized as both a retail center and a tourist destination, Osage Beach retail sales greatly exceed the norm for cities of comparable size. Osage Beach is the home of the Osage Beach Premium Outlet center with over 100 stores, numerous national chains and locally owned specialty retail. The permanent and second homeowner population of Osage Beach continues to grow. This growth in turn will increase retail sales. The length of the tourist season is growing with expansion of conference and convention business. The local economy remained strong and retail sales increased during fiscal year 2007.

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

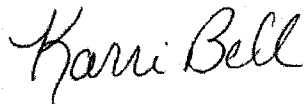
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Osage Beach for its comprehensive annual financial report for the fiscal year ended December 31, 2006. This was the eighth year that the City of Osage Beach has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Acknowledgments

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

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

Respectfully submitted,

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

Karri Bell
City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Osage Beach
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

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.



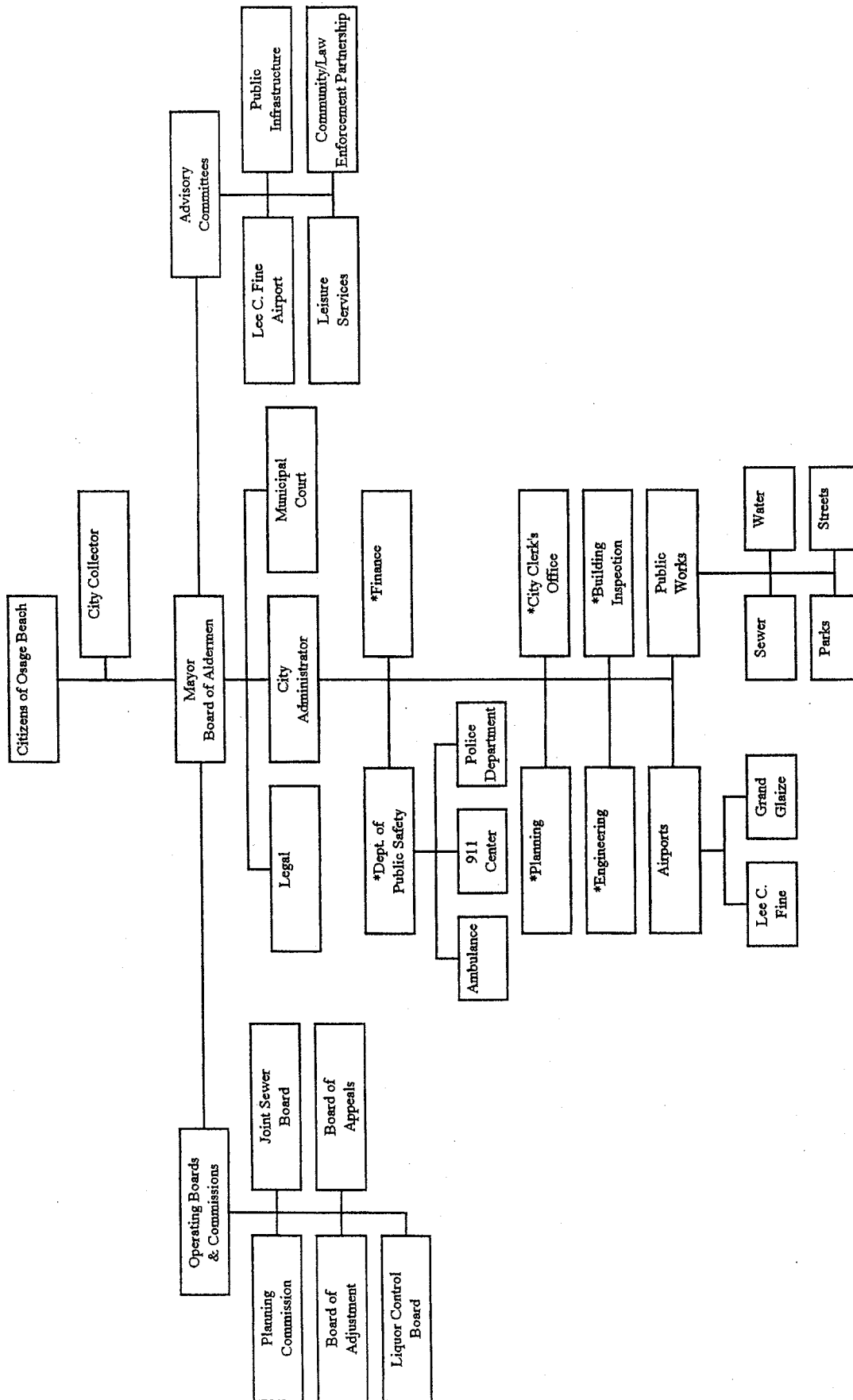
Charles S. Cox

President

Jeffrey R. Emer

Executive Director

City of Osage Beach Organizational Chart



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

CITY OF OSAGE BEACH

Elected Officials

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

Management Team

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

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Williams-Keepers LLC

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Osage Beach, Missouri (the City), as of and for the year ended December 31, 2007, 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 an opinion on these financial statements based on our audit.

We conducted our audits 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Osage Beach, Missouri as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 3 through 14 and the budgetary comparison schedules on pages 41 through 44 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 an opinion 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 May 20, 2008, 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 the introductory and statistical sections of this report and, therefore, express no opinion thereon.

William Kepe DCC

May 20, 2008

Management Discussion and Analysis

This section of the City of Osage Beach's annual financial report presents a review of the City's financial activities for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

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

- The assets of the City of Osage Beach exceeded its liabilities at the close of the fiscal year by \$80,180,636.
- The City's total net assets increased by \$6,863,773, primarily due to a healthy economy, growth and Missouri Department of Transportation contributing to capital projects that relocated utilities for the Expressway and contributed \$2,000,000 during the year for the future transfer of ownership of the current Highway 54 to the City of Osage Beach when the Expressway is complete.
- At the close of the fiscal year, the fund balances for the Governmental Funds totaled \$13,805,400, an increase of \$1,378,758.
- Proprietary Fund net assets totaled \$41,163,734, an increase of \$4,132,002 mainly due to capital contributions from the Missouri Department of Transportation for capital projects that relocated utilities for the Expressway and an increase of transfers from the Capital Improvement Tax Fund.
- The City issued \$2,550,000 of Combined Water/Sewer Revenue Bonds through the Missouri State Revolving Funds program. This issue, that was voter approved on November 2, 2004, completes the voter approved issuance of Revenue Bonds.
- The City's total debt increased by \$755,000 (2 percent) during the fiscal year.
- The City received State Block Grant revenue in the amount of \$372,900 to fund the Lee C. Fine Airport's asphalt overlay project.
- Gross Sales Tax receipts ended the year with a less than 1% increase over fiscal year 2006.

City Highlights

The City of Osage Beach is experiencing rapid growth in private sector investment in our community. This necessitates public investment in infrastructure and services to support this growth. While both population and local economic activity continue to peak in the summer season, the increasing number of second homeowners, the expansion in retail goods, and the promotion of non-peak activities is smoothing out the sharpness of the peaks.

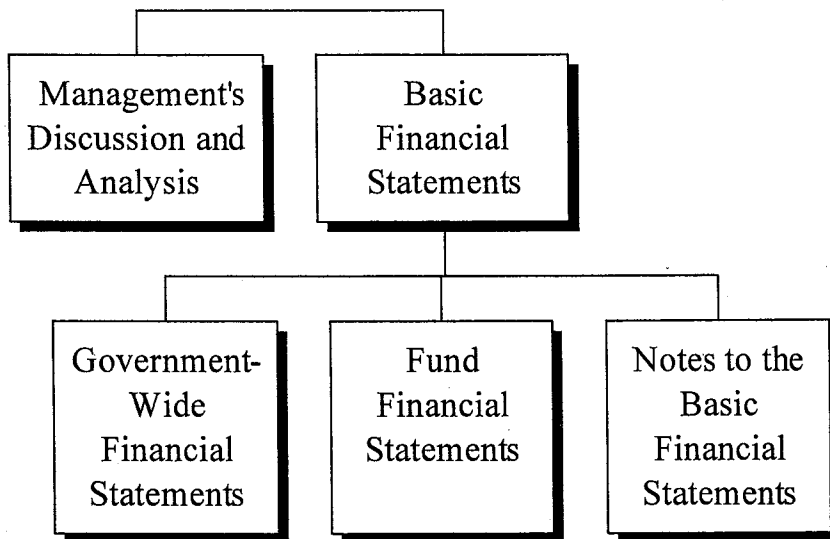
- The Highway 54 Expressway through the City is currently under construction by the Missouri Department of Transportation at an estimated cost of \$158,000,000. When complete, traffic will flow more effectively through the City and property will be more accessible for development.
- The City approved a Tax Increment Finance Redevelopment Agreement with John Q. Hammons in the amount of \$3,700,000 to reimburse the developer for acquisition and site costs. This project includes a luxury hotel and convention center located on 30 acres in the heart of the City, near the Grand Glaize Bridge. Estimated total project costs of this development are \$98,888,200.
- The City's 92 acre park project is currently underway. When complete, this will give Osage Beach residents and visitors additional recreational opportunities for family, tournament and community activities.
- A Resolution adopting a Comprehensive Plan, the official guide for future physical development in the City, was approved by the Board of Aldermen after being adopted by the Planning Commission.
- The Camdenton R-III school district opened its new high school facility and the School of the Osage completed its high school expansion.
- INCODE, the City's new integrated municipal software system, was implemented for all of the major financial processes, including for the first time municipal court.
- The City did not have any workers' compensation reportable claims in 2007.
- The 7th Annual Fall Festival was a success with record attendance and great weather.
- Public Works continued the waste oil recycling program, collecting 1763 gallons of oil.

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government’s financial position. At the close of December 31, 2007, the City of Osage Beach’s assets exceeded its liabilities by \$80,180,636. The increase of \$6,863,773 includes contributions from the Missouri Department of Transportation to take over existing Highway 54 when the Expressway is complete and reimbursement for projects to move City utilities for the Expressway project.

The City of Osage Beach’s net assets (70 percent) reflect its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Osage Beach uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Osage Beach’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

NET ASSETS

The following table reflects the condensed Statement of Net Assets as of December 31, 2006 and December 31, 2007:

City of Osage Beach Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other assets	14,547,885	12,846,051	14,780,099	13,083,813	29,327,984	25,929,864
Capital assets	26,347,829	25,234,619	64,375,038	60,500,157	90,722,867	85,734,776
Total assets	40,895,714	38,080,670	79,155,137	73,583,970	120,050,851	111,664,640
Liabilities:						
Long-term liabilities outstanding	810,000	1,140,701	34,807,905	33,902,879	35,617,905	35,043,580
Other liabilities	1,068,812	654,838	3,183,498	2,649,359	4,252,310	3,304,197
Total liabilities	1,878,812	1,795,539	37,991,403	36,552,238	39,870,215	38,347,777
Net assets:						
Invested in capital assets net of related debt	25,282,829	23,867,543	31,011,943	29,804,072	56,294,772	53,671,615
Restricted	8,238,113	5,178,443	1,434,786	1,039,125	9,672,899	6,217,568
Unrestricted	5,495,960	7,239,145	8,717,005	6,188,535	14,212,965	13,427,680
Total net assets	39,016,902	36,285,131	41,163,734	37,031,732	80,180,636	73,316,863

Net assets can serve over time as a useful indicator of a government's financial position. In the case of the City of Osage Beach, assets exceeded liabilities by \$80,180,636 as of December 31, 2007. In 2007, the City of Osage Beach decreased its net assets by \$2,397,645 due to a prior period adjustment needed to correct inconsistencies between the fixed assets reported on the General Ledger and Fixed Assets reported in the database. Additional information concerning this adjustment can be found in Note 16 of this report. The following discussion of changes in net assets will focus only on current changes and will not include this adjustment.

The City's net assets increased by \$6,863,773 during 2007. The majority of this increase represents capital investments by the City in the park, transportation, water and sewer projects. It also represents a capital investment in the community from the Missouri Department of Transportation to move City utilities for the new Expressway.

An additional portion of the City's net assets (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets, \$14,212,965, may be used to meet the City's ongoing obligations to its citizens and creditors.

The following table reflects the condensed schedule of changes in net assets as of December 31, 2006 and December 31, 2007:

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for services	608,712	786,752	4,435,925	5,227,793	5,044,637	6,014,545
Operating grants and contributions	123,189	83,969	968,395	957,794	1,091,584	1,041,763
Capital grant and contributions	2,105,975	7,203,665	3,410,267	1,901,582	5,516,242	9,105,247
General Revenues:						
Sales taxes	9,560,428	9,461,972			9,560,428	9,461,972
Franchise taxes	680,236	602,872			680,236	602,872
Other taxes	204,355	200,079			204,354	200,079
Unrestricted investment earnings	571,408	546,027	356,000	408,943	927,408	954,970
Other revenues	304,240	178,140	101,309		405,549	178,140
Gain (loss) on sale of assets	(127,164)	(67,494)	13,662	(15,866)	(113,502)	(83,360)
Total revenues	14,031,379	18,995,982	9,285,558	8,480,246	23,316,936	27,476,228
Expenses:						
General Government	2,767,841	2,774,733			2,767,841	2,774,733
Public Safety	2,864,264	2,676,484			2,864,264	2,676,484
Streets and Highways	2,247,683	1,567,449			2,247,683	1,567,449
Capital Improvement	249,821	226,831			249,821	226,831
Park and recreation	182,050	144,529			182,050	144,529
Information Technology	311,734	329,674			311,734	329,674
Water and Sewer			4,585,251	4,113,129	4,585,251	4,113,129
Ambulance			484,609	425,918	484,609	425,918
Airports			1,009,081	1,011,665	1,009,081	1,011,665
Interest – Long Term Debt	36,215	40,054	1,714,615	1,828,613	1,750,830	1,868,667
Total expenses	8,659,608	7,759,754	7,793,556	7,379,325	16,453,164	15,139,079
Increase (Decrease) in net assets before transfers	5,371,771	11,236,229	1,492,002	1,100,921	6,863,772	12,337,150
Transfers	(2,640,000)	(2,881,396)	2,640,000	2,881,396		
Increase (Decrease) in net assets after transfers	2,731,771	8,354,833	4,132,002	3,982,317	6,863,772	12,337,150
Net Assets, beginning of year	36,285,131	28,439,841	37,031,732	34,937,516	73,316,863	63,377,357
Prior Period Adjustment		(509,543)		(1,888,101)		(2,397,644)
Net Assets, beginning restated		27,930,298		33,049,415		60,979,713
Net Assets, end of year	39,016,902	36,285,131	41,163,734	37,031,732	80,180,636	73,316,863

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

Net Cost of Osage Beach's Governmental Activities

	Total costs of services	Net costs of services
General Government	2,767,841	(2,416,557)
Public Safety	2,864,264	(2,561,025)
Parks & Recreation	182,050	(182,050)
Information Technology	311,734	(311,734)
Streets and Highways	2,247,683	(64,330)
Capital improvement	249,821	(249,821)
Interest on Long-Term Debt	36,215	(36,215)
Total	8,659,608	(5,821,732)

Financial Analysis of the City's Major Funds

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

Governmental Funds

The focus of the City of Osage Beach's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Osage Beach's financial requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources for spending at the end of the fiscal year.

General Fund. The General Fund is the chief operating fund of the City of Osage Beach. The General Fund includes legislative expenses, General Administration, Engineering, Finance, City Clerk, Building Official, Police, Communications, Parks, Economic Development, and planning activities of the City. All of these activities are provided to, and benefit all of the citizens equally and equitably. This area tends to work on the quality of life and the protection of the citizens and assets of the citizens as a group. At the end of the current fiscal year, total fund balance of the General Fund was \$5,567,287, a decrease of \$1,680,912 under the beginning balance of \$7,248,199. The fund balance decrease was due to the City Park project that invested \$1,890,920 into the community. The unreserved general fund balance at year-end was \$5,567,287.

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 \$6,861,180, an increase of \$3,278,752 from the beginning balance of \$3,582,428. All of the Transportation Fund Balance was reserved for highways and roads at year-end. The fund balance increase was mainly due to a combination of receiving \$2,000,000 from the Missouri Department of Transportation to take over current Highway 54 when the Expressway is complete and an accumulation of sales tax revenue to fund large transportation projects such as the Passover Road project.

Capital Improvements Tax Fund. This Fund is established as required under the Revised Missouri Statutes 94.577. The monies collected here are from a ½ cent general sales tax. The Mayor and Board of Aldermen, by ordinance, have committed these funds to help offset the bond costs of the water and sewer systems. As of the close of the current fiscal year, the City of Osage Beach's capital improvement fund reported an ending fund balance of \$1,376,933, a decrease of \$219,082 from the beginning balance of \$1,596,015. 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 \$38,118,136, an increase of \$3,888,740 over the restated beginning balance of \$34,229,396. The unrestricted net assets in the Water and Sewer Fund, at year-end, were \$8,337,999. The increase in net assets is partially due to the increase of transfers from the Capital Improvement Fund and contributions by the Missouri Department of Transportation for capital projects that relocated the City's utilities for the new Expressway.

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 \$220,950. The unrestricted Ambulance net assets at year-end were \$176,226. The decrease in net assets of \$131,776 is the result of a decrease in transfers from General Fund and a reduced amount of ambulance fees received from users of the service.

Lee C. Fine Airport Fund – This Fund was established in 1999 by Board directive in order to track the costs of airport service to the public. The Fund receives its revenue from user fees and grants. The differences in cash payouts are made up by transfers from the General Fund. At the end of the current fiscal year, total net asset balance of the Lee C. Fine Airport Fund was \$2,203,091, an increase of \$316,699 from the restated beginning balance of \$1,886,392. The unrestricted net assets of Lee C. Fine Airport Fund at year-end were \$132,092. The increase in net assets is a result of grant funds received to repave the runway project. The Board of Aldermen approved a budget amendment in the amount of \$58,044 because the pavement project actual cost was more than had been estimated.

Grand Glaize Airport Fund – This Fund was established in 1999 by Board directive in order to track the costs of airport service to the public. The Fund receives its revenue from user fees. The differences in cash payouts are made up by transfers from the General Fund. At the end of the current fiscal year, total net assets of the Grand Glaize Airport Fund were \$621,557, an increase of \$58,339 from the restated beginning balance of \$563,218. The unrestricted net assets of Grand Glaize Fund were \$70,688. The increase of net assets is mainly due to receipt of insurance funds for hangar damage. The hangar project will be complete in 2008.

General Fund Budget Highlights: Each fiscal year, the City formally adopts its budget prior to the beginning of the fiscal year. If necessary, the original budget is amended to re-appropriate unspent funds before the current fiscal year ends. No budget amendments were necessary for the fiscal year ending December 31, 2007. On a budgetary basis, which can be found in the Required Supplementary Information, the revenues and other sources under expenditures and other uses resulted in a decrease of \$1,680,912 in fund balance. Actual revenue exceeded budgeted revenue by \$259,857, due to a higher than expected interest revenue and developer contributions for the review of Tax Increment Financing plans. Actual expenditures were under the budgeted amount by \$2,006,026, due to capital park projects not being completed.

Capital Asset and Debt Administration

Capital assets. The amount invested in capital assets for the City as of December 31, 2007 is \$90,722,867, net of accumulated depreciation. This amount includes all infrastructure assets acquired during 2007 and prior years for water, sewer, and street infrastructure. This amount also includes a prior period adjustment that corrects capital assets in the prior period. 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 and additional information explaining the prior period adjustment can be found in Note 16 of this report.

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	1,361,407	1,491,257	531,550	531,550	1,892,957	2,022,807
Construction in Progress	2,884,929	1,004,440	1,375,608	1,075,514	4,260,537	2,079,954
Buildings and Improvements	7,196,094	7,173,399	3,142,571	2,797,396	10,338,665	9,970,795
Equipment	3,126,276	2,532,028	1,249,301	1,109,818	4,375,577	3,641,846
Infrastructure	24,518,025	24,226,307	0	0	24,518,025	24,226,307
Water System			32,399,367	31,216,015	32,399,367	31,216,015
Sewer System			51,024,204	47,029,103	51,024,204	47,029,103
Sub-Total	39,086,731	36,427,431	89,722,601	83,759,396	128,809,332	120,186,827
Less accumulated depreciation	(12,738,902)	(11,192,812)	(25,347,563)	(23,243,213)	(38,086,465)	(34,436,025)
Capital assets net of depreciation						
	26,347,829	25,234,619	64,375,038	60,516,183	90,722,867	85,750,802

Major capital asset transactions during the year include the following:

- Capital projects completed for City roads include Deer Run, Summit Circle, Scout, Case, and Lois Roads. Working in cooperation with the Special Road District, Hickory Lane was upgraded from gravel to an asphalt road with storm drainage improvements.
- Capital projects completed for Water/Sewer include Grand Glaize sewer main, Westside water and sewer, Oak Creek sewer lift station, Bluff Drive well and pump house, Woodland Shores sewer, and KK 3-7 sewer lift station.
- Capital project completed for the Lee C. Fine Airport was the repaving of the runway.
- Progress of the City Park project is 55% complete.
- Relocation of City utilities for the Expressway.

Debt Administration

The gross debt at December 31, 2007 was \$38,075,000, an increase of \$755,000. The debt consists of general long-term debt of \$1,065,000 of the Transportation General Obligation Bonds and \$37,010,000 of the Sewerage and Waterworks Revenue Bonds.

City of Osage Beach
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	1,065,000	1,315,000			1,065,000	1,315,000
Revenue bonds			37,010,000	36,005,000	37,010,000	36,005,000
Total	1,065,000	1,315,000	37,010,000	36,005,000	38,075,000	37,320,000

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 \$53,519,002. 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

At the end of 2007, the City issued 695 business licenses to various businesses; 355 contractor's licenses and 89 liquor licenses. The Building Inspection Department issued 131 commercial permits and 105 residential permits, representing investment in our community of \$54,920,245. The Building Department has performed an "average" of 206 building inspections per month. In addition, 18 demolition permits were issued in 2007. Over 20 water customers and 6 sewer customers have been added.

All of these factors were considered in preparing the City of Osage Beach's budget for the 2008 fiscal year.

The City of Osage Beach has appropriated \$9,193,186 for spending in the General Fund 2008 fiscal year budget. Of the total appropriated in General Fund, \$2,533,777 is budgeted for capital expenditures. The majority of capital expenditure is to complete the construction of the City's new park. The budget includes a 2% expected increase in sales tax revenue during the 2008 fiscal year.

The City's new water and sewer rates have been in effect since July 2007 and their effects are currently being analyzed. There is no rate increase for utilities in the 2008 budget.

Site Development permit fee revenue in the amount of \$83,000 is included in the 2008 Budget. A public meeting was held and the Board of Aldermen by ordinance approved the fee structure. These fees will be used to offset the cost of an additional inspector responsible for inspecting site developments, including roads and storm drainage, built by private developers.

Requests for Information

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

City of Osage Beach
Statement of Net Assets
December 31, 2007

	Governmental Activities	Business-type Activities	Total	Tax Increment Financing District
ASSETS				
Cash and cash equivalents	\$ 12,212,759	\$ 8,655,207	\$ 20,867,966	\$ 1,570
Receivables, net	1,576,933	365,628	1,942,561	969,129
Due from other governments	3,709	15,917	19,626	-
Inventories	-	210,748	210,748	-
Restricted assets:				
Cash and cash equivalents	710,688	1,436,176	2,146,864	2,687,976
Investments	25,520	3,458,970	3,484,490	811,792
Deferred charges, net of accumulated amortization of \$24,516, \$191,610, and \$191,073, respectively	18,276	637,453	655,729	728,587
Capital Assets:				
Non-depreciable	4,246,336	1,907,158	6,153,494	-
Depreciable, net	22,101,493	62,467,880	84,569,373	-
Total Assets	<u>40,895,714</u>	<u>79,155,137</u>	<u>120,050,851</u>	<u>5,199,054</u>
LIABILITIES				
Accounts payable	599,179	378,635	977,814	-
Accrued liabilities	76,818	26,109	102,927	-
Accrued interest	9,054	910,432	919,486	216,050
Restricted customer deposits	32,328	-	32,328	-
Funds held for others	15,884	-	15,884	-
Deferred Revenues	-	110	110	-
Long-term liabilities				
Due within one year				
Bonds payable	255,000	1,690,000	1,945,000	590,000
Compensated absences	80,549	23,415	103,964	-
Due in more than one year				
Bonds payable	810,000	34,807,905	35,617,905	23,625,000
Arbitrage rebate payable	-	154,797	154,797	-
Total liabilities	<u>1,878,812</u>	<u>37,991,403</u>	<u>39,870,215</u>	<u>24,431,050</u>
NET ASSETS				
Invested in capital assets, net of related debt	25,282,829	31,011,943	56,294,772	-
Restricted for:				
Highways and streets	6,861,180	-	6,861,180	-
Debt service	687,996	648,239	1,336,235	3,410,308
Depreciation and replacement	-	786,547	786,547	-
Capital improvements	688,937	-	688,937	89,460
Unrestricted	5,495,960	8,717,005	14,212,965	(22,731,764)
Total net assets	<u>\$ 39,016,902</u>	<u>\$ 41,163,734</u>	<u>\$ 80,180,636</u>	<u>\$ (19,231,996)</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Activities
For the Year Ended December 31, 2007

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government				Component Units
	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental Activities					
General government	\$ 2,767,841	305,127	46,157	\$ -	\$ (2,416,557)
Public safety	2,864,264	303,239	-	-	(2,561,025)
Parks and recreation	182,050	-	-	-	(182,050)
Information technology	311,734	-	-	-	(311,734)
Streets and highways	2,247,683	346	77,032	2,105,975	(64,330)
Capital improvement	249,821	-	-	-	(249,821)
Interest expense	36,215	-	-	-	(36,215)
Total governmental activities	8,659,608	608,712	123,189	2,105,975	(5,821,732)
Business-type activities					
Water/Sewer	6,299,866	3,461,417	968,395	3,024,003	1,153,949
Ambulance	484,609	187,255	-	-	(297,354)
Airports	1,009,081	787,253	-	386,264	164,436
Total business-type activities	7,793,556	4,435,925	968,395	3,410,267	1,021,031
Total primary government	\$ 16,453,164	\$ 5,044,637	\$ 1,091,584	\$ 5,516,242	(4,800,701)
Component Units					
Tax Increment Financing District	\$ 1,703,149	\$ -	\$ -	\$ -	\$ (1,703,149)
General revenues:					
Taxes					
County road taxes					
Property taxes					
Sales taxes					
Franchise taxes					
Motor vehicle fuel and license taxes					
Payments from enterprise funds					
Unrestricted investment earnings					
Other income					
Gain (loss) on sale of capital assets					
Transfers					
Total general revenues, special items, and transfers					
Change in net assets					
Net assets - beginning, as restated					
Net assets - ending					

See accompanying notes to the basic financial statements.

**City of Osage Beach
Balance Sheet
Governmental Funds
December 31, 2007**

	<u>General Fund</u>	<u>Transportation</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,283,455	\$ 6,558,640	\$ 370,664	\$ 12,212,759
Restricted cash and cash equivalents	48,212	-	662,476	710,688
Restricted investments	-	-	25,520	25,520
Receivables				
Taxes	812,365	358,643	358,643	1,529,651
Interest	14,268	17,179	-	31,447
Receivable from other governments	-	3,709	-	3,709
Other	15,835	-	-	15,835
Total assets	<u>\$ 6,174,135</u>	<u>\$ 6,938,171</u>	<u>\$ 1,417,303</u>	<u>\$ 14,529,609</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	488,282	70,527	40,370	599,179
Accrued payroll	70,354	6,464	-	76,818
Payable from restricted assets:				
Due to others	15,884	-	-	15,884
Bail bond deposits	12,328	-	-	12,328
Building deposits	20,000	-	-	20,000
Total liabilities	<u>606,848</u>	<u>76,991</u>	<u>40,370</u>	<u>724,209</u>
Fund balances:				
Reserved for:				
Debt service	-	-	687,996	687,996
Highways and streets	-	6,861,180	-	6,861,180
Capital improvements	-	-	688,937	688,937
Unreserved	5,567,287	-	-	5,567,287
Total fund balances	<u>5,567,287</u>	<u>6,861,180</u>	<u>1,376,933</u>	<u>13,805,400</u>
Total liabilities and fund balances	<u>\$ 6,174,135</u>	<u>\$ 6,938,171</u>	<u>\$ 1,417,303</u>	<u>\$ 14,529,609</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, 2007

Funds balances - total governmental funds \$ 13,805,400

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	39,086,731	
Less accumulated depreciation	<u>(12,738,902)</u>	
		26,347,829

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

Revenue bonds payable	(1,065,000)	
Less deferred charge on refunding	<u>18,276</u>	(1,046,724)
Debt interest payable		(9,054)
Accrued compensated absences		<u>(80,549)</u>

Net assets of governmental entities	<u><u>\$ 39,016,902</u></u>
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See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	<u>General Fund</u>	<u>Transportation</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes				
Sales	\$ 4,804,956	\$ 2,377,744	\$ 2,377,728	\$ 9,560,428
Franchise	680,236	-	-	680,236
Motor vehicle fuel and license	-	154,604	-	154,604
County road taxes	-	49,751	-	49,751
Licenses, fines, permits and fees	608,366	346	-	608,712
Intergovernmental	13,146	2,183,007	33,011	2,229,164
Interest	340,354	231,054	-	571,408
Payments from enterprise funds	133,728	-	-	133,728
Miscellaneous	158,840	11,672	-	170,512
Total revenues	<u>6,739,626</u>	<u>5,008,178</u>	<u>2,410,739</u>	<u>14,158,543</u>
EXPENDITURES				
Current:				
General government	2,477,412	-	-	2,477,412
Public safety	2,707,922	-	-	2,707,922
Park and recreation	126,692	-	-	126,692
Information technology	270,226	-	-	270,226
Streets and highways	-	736,966	-	736,966
Capital improvements	-	-	249,821	249,821
Capital outlay				
Projects and equipment	2,594,468	-	-	2,594,468
Streets and highways	-	724,131	-	724,131
Debt service:				
Principal	-	250,000	-	250,000
Interest and other charges	-	36,215	-	36,215
Total expenditures	<u>8,176,720</u>	<u>1,747,312</u>	<u>249,821</u>	<u>10,173,853</u>
Excess (deficiency) of revenues over expenditures	<u>(1,437,094)</u>	<u>3,260,866</u>	<u>2,160,918</u>	<u>3,984,690</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(260,000)	-	(2,380,000)	(2,640,000)
Sale of capital assets	16,182	17,886	-	34,068
Total other financing sources and uses	<u>(243,818)</u>	<u>17,886</u>	<u>(2,380,000)</u>	<u>(2,605,932)</u>
Net change in fund balances	<u>(1,680,912)</u>	<u>3,278,752</u>	<u>(219,082)</u>	<u>1,378,758</u>
Fund balances - beginning	<u>7,248,199</u>	<u>3,582,428</u>	<u>1,596,015</u>	<u>12,426,642</u>
Fund balances - ending	<u>\$ 5,567,287</u>	<u>\$ 6,861,180</u>	<u>\$ 1,376,933</u>	<u>\$ 13,805,400</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, 2007

Net change in fund balances - total governmental funds: \$ 1,378,758

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

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

Depreciation expense	(1,653,541)	
Capital outlay capitalized as assets	2,927,983	
		1,274,442

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		250,000
Change in interest payable		-

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	(4,848)	
Loss on disposal of capital assets	(161,232)	
Amortization of issuance costs	(5,349)	
Change in net assets of governmental activities		\$ 2,731,771

**City of Osage Beach
Statement of Net Assets
Proprietary Funds
December 31, 2007**

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 8,436,598	\$ 89,371	\$ 77,654	\$ 51,584	\$ 8,655,207
Receivables (net of allowances for uncollectibles)					
Accounts	246,067	103,472	656	536	350,731
Interest	14,897	-	-	-	14,897
Receivable from other governments	-	-	8,418	7,499	15,917
Inventories	132,444	-	53,787	24,517	210,748
Total current assets	8,830,006	192,843	140,515	84,136	9,247,500
Non-current assets:					
Restricted cash and cash equivalents	1,436,176	-	-	-	1,436,176
Restricted investments	3,458,970	-	-	-	3,458,970
Deferred charges, net of accumulated amortization	637,453	-	-	-	637,453
Capital Assets:					
Land	531,550	-	-	-	531,550
Water system towers and lines	32,399,367	-	-	-	32,399,367
Sewage collection system and treatment plant	51,024,204	-	-	-	51,024,204
Construction in Progress	1,234,686	-	88,390	52,532	1,375,608
Buildings and improvements	235,271	-	2,289,698	617,602	3,142,571
Office furniture, fixtures and equipment	673,199	285,751	186,768	103,583	1,249,301
Less accumulated depreciation	(24,389,831)	(241,027)	(493,857)	(222,848)	(25,347,563)
Total non-current assets	67,241,045	44,724	2,070,999	550,869	69,907,637
Total assets	76,071,051	237,567	2,211,514	635,005	79,155,137
LIABILITIES					
Current Liabilities:					
Accounts payable	365,566	1,931	3,127	8,011	378,635
Accrued payroll	11,579	6,942	2,636	2,363	23,520
Accrued interest payable	910,432	-	-	-	910,432
Other accrued expenses	2,589	-	-	-	2,589
Deferred revenue	-	-	25	85	110
Compensated absences	10,047	7,744	2,635	2,989	23,415
Bonds, notes and loans payable	1,690,000	-	-	-	1,690,000
Total current liabilities	2,990,213	16,617	8,423	13,448	3,028,701
Non-current liabilities:					
Bonds, notes and loans payable	34,807,905	-	-	-	34,807,905
Arbitrage rebate payable	154,797	-	-	-	154,797
Total non-current liabilities	34,962,702	-	-	-	34,962,702
Total liabilities	37,952,915	16,617	8,423	13,448	37,991,403
NET ASSETS					
Invested in capital assets, net of related debt	28,345,351	44,724	2,070,999	550,869	31,011,943
Restricted for:					
Debt service	648,239	-	-	-	648,239
Depreciation and replacement	786,547	-	-	-	786,547
Unrestricted	8,337,999	176,226	132,092	70,688	8,717,005
Total net assets	\$ 38,118,136	\$ 220,950	\$ 2,203,091	\$ 621,557	\$ 41,163,734

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, 2007

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
REVENUES					
Charges for services	\$ 3,461,417	\$ 187,255	\$ 526,766	\$ 157,389	\$ 4,332,827
Rental income	-	-	70,246	32,852	103,098
Operating grants and contributions	968,395	-	-	-	968,395
Total operating revenues	<u>4,429,812</u>	<u>187,255</u>	<u>597,012</u>	<u>190,241</u>	<u>5,404,320</u>
OPERATING EXPENSES					
Cost of sales and services	726,013	21,307	389,826	120,474	1,257,620
Administration	130,918	47,046	5,402	10,862	194,228
Personnel services	689,237	366,456	151,810	151,330	1,358,833
Repairs and maintenance	563,191	5,398	34,688	13,335	616,612
Other supplies and expenses	30,017	-	-	-	30,017
Insurance	78,141	33,057	23,881	15,507	150,586
Depreciation	<u>2,172,247</u>	<u>11,345</u>	<u>62,195</u>	<u>29,771</u>	<u>2,275,558</u>
Total operating expenses	<u>4,389,764</u>	<u>484,609</u>	<u>667,802</u>	<u>341,279</u>	<u>5,883,454</u>
Operating income (loss)	<u>40,048</u>	<u>(297,354)</u>	<u>(70,790)</u>	<u>(151,038)</u>	<u>(479,134)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	348,930	495	6,257	318	356,000
Capital grants and contributions	3,024,003	-	372,900	13,364	3,410,267
Interest expense	(1,714,615)	-	-	-	(1,714,615)
Miscellaneous revenue	2,699	-	8,332	90,278	101,309
Gain (loss) on sale of capital assets	3,162	10,500	-	-	13,662
Bond and financial services fees	<u>(195,487)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(195,487)</u>
Total non-operating revenue (expenses)	<u>1,468,692</u>	<u>10,995</u>	<u>387,489</u>	<u>103,960</u>	<u>1,971,136</u>
Income (loss) before contributions and transfers	1,508,740	(286,359)	316,699	(47,078)	1,492,002
Transfers in	<u>2,380,000</u>	<u>154,583</u>	<u>-</u>	<u>105,417</u>	<u>2,640,000</u>
Change in net assets	<u>3,888,740</u>	<u>(131,776)</u>	<u>316,699</u>	<u>58,339</u>	<u>4,132,002</u>
Total net assets - beginning					
As originally reported	36,072,470	329,969	1,954,977	562,417	38,919,833
Prior period adjustments	<u>(1,843,074)</u>	<u>22,757</u>	<u>(68,585)</u>	<u>801</u>	<u>(1,888,101)</u>
Net assets - beginning, restated	<u>34,229,396</u>	<u>352,726</u>	<u>1,886,392</u>	<u>563,218</u>	<u>37,031,732</u>
Total net assets - ending	<u>\$ 38,118,136</u>	<u>\$ 220,950</u>	<u>\$ 2,203,091</u>	<u>\$ 621,557</u>	<u>\$ 41,163,734</u>

See accompanying notes to the basic financial statements.

City of Osage Beach
Statement of Cash Flows
For the Year Ended December 31, 2007

	Enterprise Funds				
	Water and Sewer	Ambulance	Lee C. Fine	Grand Glaize	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Collections from customers and users	\$ 3,481,944	\$ 191,020	\$ 597,413	\$ 184,265	\$ 4,454,642
Payments for goods and services	(1,036,368)	(62,675)	(466,482)	(163,139)	(1,728,664)
Payments on behalf of employees for services	(679,861)	(362,214)	(151,944)	(149,647)	(1,343,666)
Payments for interfunds services used	(91,526)	(42,202)	-	-	(133,728)
Other operating revenues	775,607	-	-	90,278	865,885
Net cash provided (used) by operating activities	2,449,796	(276,071)	(21,013)	(38,243)	2,114,469
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund transfers	2,380,000	154,583	-	105,417	2,640,000
Net cash provided (used) by noncapital financing activities	2,380,000	154,583	-	105,417	2,640,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(5,484,098)	(27,066)	(437,148)	(52,532)	(6,000,844)
Capital grants and contributions	3,024,003	-	372,900	13,364	3,410,267
Sale of capital assets	3,162	10,500	-	-	13,662
Principal paid on capital debt	(1,545,000)	-	-	-	(1,545,000)
Bond proceeds	2,578,376	-	-	-	2,578,376
Bond issuance costs	(51,068)	-	-	-	(51,068)
Interest paid on capital debt	(1,784,781)	-	-	-	(1,784,781)
Net cash provided (used) by capital and related financing activities	(3,259,406)	(16,566)	(64,248)	(39,168)	(3,379,388)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	348,930	495	6,257	318	356,000
Proceeds from sale of investments	2,096,096	-	-	-	2,096,096
Net cash provided (used) by investing activities	2,445,026	495	6,257	318	2,452,096
Net increase in cash and cash equivalents	4,015,416	(137,559)	(79,004)	28,324	3,827,177
Cash and cash equivalents-beginning of year	5,857,358	226,930	156,658	23,260	6,264,206
Cash and cash equivalents-end of year	<u>\$ 9,872,774</u>	<u>\$ 89,371</u>	<u>\$ 77,654</u>	<u>\$ 51,584</u>	<u>\$ 10,091,383</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 40,048	\$ (297,354)	\$ (70,790)	\$ (151,038)	\$ (479,134)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Miscellaneous revenue	775,607	-	8,332	90,278	874,217
Depreciation and amortization	2,172,248	11,345	62,195	29,771	2,275,559
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	35,077	3,765	(7,931)	(5,976)	24,935
(Increase) decrease in inventory	(52,976)	-	(13,186)	(10,853)	(77,015)
Increase (decrease) in accounts payable and accrued liabilities	462,737	6,173	2,968	9,655	481,533
Increase (decrease) in deferred revenue	(14,550)	-	(2,601)	(80)	(17,231)
Total adjustments	3,378,143	21,283	49,777	112,795	3,561,998
Net cash provided by operating activities	<u>\$ 3,418,191</u>	<u>\$ (276,071)</u>	<u>\$ (21,013)</u>	<u>\$ (38,243)</u>	<u>\$ 3,082,864</u>

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 Alderman, 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 issued separately prepared financial statements.

B. Fund Accounting

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

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

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

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 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 principals, 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 year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset or that significantly increase the efficiency or capacity of an asset are capitalized. Other costs, such as capital outlays incurred for repairs and maintenance, are expensed as incurred.

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

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

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

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

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

J. Compensated Absences

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

K. Long-Term Obligations

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

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

L. Fund Equity

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

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

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

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

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

M. Estimates

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

2. LEGAL COMPLIANCE - BUDGET

The City's policy is to prepare the operating budgets in accordance with U.S. generally accepted accounting principles. The City prepared budgets for all governmental fund types for the year ended December 31, 2007.

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 Alderman 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 Alderman. 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, 2007. Deposits, categorized by level of custodial risk, were as follows as of December 31, 2007:

	Cash and Cash Equivalents	Certificates of Deposit	Petty Cash	Total
Bank balance				
Insured by the FDIC	\$ 120,000	\$ 3,348,396	\$ -	\$ 3,468,396
Collateralized with securities pledged by the financial institution	1,548,981	20,731,000	-	22,279,981
Collateralized by securities held by the pledging financial institutions' trust department or agent but not in the depositor government's name	651,684	-	-	651,684
Uncollateralized	-	-	-	-
	<u>\$ 2,320,665</u>	<u>\$ 24,079,396</u>	<u>\$ -</u>	<u>\$ 26,400,061</u>
Carrying value	<u>\$ 4,970,951</u>	<u>\$ 20,731,000</u>	<u>\$ 2,425</u>	<u>\$ 25,704,376</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	\$ 20,867,966	\$ 1,570	\$ 20,869,536
Restricted assets:			
Cash and cash equivalents	2,146,864	2,687,976	4,834,840
Total	<u>\$ 23,014,830</u>	<u>\$ 2,689,546</u>	<u>\$ 25,704,376</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	992,109	-	-	992,109	992,109
Guaranteed investment contracts (credit rating of AAA)					
Restricted	1,615,764	692,887	995,522	3,304,173	3,304,173
Total investments	<u>\$ 2,607,873</u>	<u>\$ 692,887</u>	<u>\$ 995,522</u>	<u>\$ 4,296,282</u>	<u>\$ 4,296,282</u>

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

	Government-Wide Statement of Net Assets		
	Primary Government	Component Unit	Total
Restricted assets:			
Investments	\$ 3,484,490	\$ 811,792	\$ 4,296,282

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.

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, 77% are guaranteed investment contracts.

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, 2007, cash was restricted and fund balances were reserved for various uses as follows:

	Cash	Fund Balance
General Fund		
Restricted for bail bond deposits	\$ 12,328	\$ -
Restricted for building permit deposits	20,000	-
Amounts held for others	15,884	-
Transportation Fund		
Reserved for highway and street improvements		6,861,180
Capital Improvement Fund		
Reserved for bond requirements	687,996	687,996
Reserved for capital projects	-	688,937
Water and Sewer Fund		
Restricted for bond requirements	4,895,146	4,895,146
TIF Fund		
Restricted for bond requirements	3,499,768	3,499,768

5. RECEIVABLES

Receivables are composed of the following at December 31, 2007:

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Taxes receivable	\$ 1,529,651	\$ -	\$ 1,529,651	\$ 1,052,521
Accounts receivable	-	378,566	378,566	-
Other receivable	15,835	-	15,835	-
Interest	31,447	14,897	46,344	-
	1,576,933	393,463	1,970,396	1,052,521
Allowance for uncollectible accounts	-	(27,835)	(27,835)	(83,392)
Accounts receivable	\$ 1,576,933	\$ 365,628	\$ 1,942,561	\$ 969,129

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance December 31, 2006	Additions	Retirements	Transfers	Balance December 31, 2007
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,491,257	\$ -	\$ 129,850	\$ -	\$ 1,361,407
Construction in progress	1,004,440	2,073,713	-	(193,224)	2,884,929
Total capital assets, not being depreciated	2,495,697	2,073,713	129,850	(193,224)	4,246,336
Capital assets, being depreciated:					
Buildings and improvements	7,173,399	22,695	-	-	7,196,094
Machinery and equipment	2,532,028	569,189	138,833	163,892	3,126,276
Infrastructure	24,226,307	262,386	-	29,332	24,518,025
Total capital assets, being depreciated	33,931,734	854,270	138,833	193,224	34,840,395
Less accumulated depreciation for:					
Buildings and improvements	1,832,758	223,207	-	-	2,055,965
Machinery and equipment	1,849,215	260,674	107,452	-	2,002,437
Infrastructure	7,510,839	1,169,661	-	-	8,680,500
Total accumulated depreciation	11,192,812	1,653,542	107,452	-	12,738,902
Total capital assets being depreciated, net	22,738,922	(799,272)	31,381	193,224	22,101,493
Total capital assets, net	\$ 25,234,619	\$ 1,274,441	\$ 161,231	\$ -	\$ 26,347,829

	Balance December 31, 2006	Additions	Retirements	Transfers	Balance December 31, 2007
Business-type activities:					
Capital assets, not being depreciated:					
Land and easements	\$ 531,550	\$ -	\$ -	\$ -	\$ 531,550
Construction in progress	1,075,514	1,248,296	964,230	16,028	1,375,608
Total capital assets, not being depreciated	1,607,064	1,248,296	964,230	16,028	1,907,158
Capital assets, being depreciated:					
Buildings and improvements	2,797,396	348,758	-	(3,583)	3,142,571
Equipment	1,109,818	71,228	21,610	89,865	1,249,301
Water system, tower and lines	31,216,015	1,253,678	-	(70,326)	32,399,367
Sewage collection system and treatment plant	47,029,103	4,027,085	-	(31,984)	51,024,204
Total capital assets, being depreciated	82,152,332	5,700,749	21,610	(16,028)	87,815,443
Less accumulated depreciation for:					
Buildings and improvements	451,121	91,606	-	-	542,727
Equipment	936,078	65,825	21,608	-	980,295
Water system, tower and lines	3,631,623	804,644	-	-	4,436,267
Sewage collection system and treatment plant	18,224,391	1,163,883	-	-	19,388,274
Total accumulated depreciation	23,243,213	2,125,958	21,608	-	25,347,563
Total capital assets being depreciated, net	58,909,119	3,574,791	2	(16,028)	62,467,880
Business-type activities capital assets, net	<u>\$ 60,516,183</u>	<u>\$ 4,823,087</u>	<u>\$ 964,232</u>	<u>\$ -</u>	<u>\$ 64,375,038</u>

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

Governmental activities:	
General administration	\$ 243,080
Public safety	125,394
Streets and highways	1,233,351
Parks and recreation	51,717
Total depreciation expense - governmental activities:	<u>\$ 1,653,542</u>
Business-type activities:	
Water/Sewer	2,022,647
Ambulance	11,345
Airports	91,966
Total depreciation expense - business-type activities:	<u>\$ 2,125,958</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, 2007:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in one year
Primary Government:					
General Long-Term Debt					
General obligation bonds	\$ 1,315,000	\$ -	\$ 250,000	\$ 1,065,000	\$ 255,000
Compensated absences	75,701	27,829	22,981	80,549	80,549
Enterprise Funds					
Revenue bonds	36,005,000	2,550,000	1,545,000	37,010,000	1,690,000
Compensated absences	23,082	7,355	7,022	23,415	23,415
	<u>\$ 37,418,783</u>	<u>\$ 2,585,184</u>	<u>\$ 1,825,003</u>	<u>\$ 38,178,964</u>	<u>\$ 2,048,964</u>
Component Unit:					
Revenue bonds	<u>\$ 25,115,000</u>	<u>\$ -</u>	<u>\$ 900,000</u>	<u>\$ 24,215,000</u>	<u>\$ 590,000</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, 2007
Governmental Activities	<u>\$ 2,025,000</u>	1.25 - 3.20%	<u>\$ 1,065,000</u>

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

Year Ending December 31	Principal	Interest	Total
2008	\$ 255,000	\$ 30,715	\$ 285,715
2009	260,000	24,340	284,340
2010	270,000	17,060	287,060
2011	280,000	8,960	288,960
Total	<u>\$ 1,065,000</u>	<u>\$ 81,075</u>	<u>\$ 1,146,075</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, 2007, of \$267,595,010 the constitutional total general obligation debt limit was \$53,519,002.

The legal debt margin of the City at December 31, 2007, was:

Constitutional debt limit	\$ 53,519,002
General obligation bonds payable	<u>(1,065,000)</u>
Excess legal debt margin	<u>\$ 52,454,002</u>

State Revolving Loan-

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

Revenue bonds payable are comprised of the following individual issues:

	Original Amount	Interest Rate	Final Maturity Date	Balance December 31, 2007
2001A, Clean Water	\$ 5,000,000	4.0%-5.0%	1/1/2022	\$ 3,895,000
2002B, Drinking Water	24,585,000	2.0%-5.0%	7/1/2022	20,260,000
2003B, Drinking Water	6,075,000	2.0%-4.7%	1/1/2024	5,695,000
2005C, Clean Water	4,950,000	3.0%-5.25%	7/1/2025	4,610,000
2007A, Drinking Water	2,550,000	4.0%-5.0%	1/1/2027	<u>2,550,000</u>
				<u>\$ 37,010,000</u>

The following is a summary of net revenue bonds payable for December 31, 2007:

Bonds Payable at December 31, 2007	\$ 37,010,000
Advanced Refunding (net of accumulated amortization)	(1,602,715)
Unamortized Premiums/Discounts	<u>1,090,620</u>
	36,497,905
Less amount due within one year	<u>(1,690,000)</u>
Net Revenue Bonds Payable December 31, 2007	<u>\$ 34,807,905</u>

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

Year Ending December 31	Principal	Interest	Total
2008	\$ 1,690,000	\$ 1,793,759	\$ 3,483,759
2009	1,745,000	1,718,762	3,463,762
2010	1,815,000	1,642,436	3,457,436
2011	1,865,000	1,574,428	3,439,428
2012	1,945,000	1,486,003	3,431,003
2013-2017	11,050,000	5,884,895	16,934,895
2018-2022	13,725,000	2,777,856	16,502,856
2023-2025	3,175,000	248,759	3,423,759
Total	\$ 37,010,000	\$ 17,126,898	\$ 54,136,898

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, 2007 is \$6,180,000.

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, 2007 is \$18,035,000.

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 \$2,220,270 and \$2,312,511, respectively.

The annual requirements to amortize debt outstanding in the as of December 31, 2007, including interest payments, are as follows:

Year Ending December 31	Principal	Interest	Total
2008	\$ 590,000	\$ 866,613	\$ 1,456,613
2009	665,000	838,697	1,503,697
2010	730,000	806,437	1,536,437
2011	785,000	771,403	1,556,403
2012	860,000	732,610	1,592,610
2013-2017	5,235,000	2,952,395	8,187,395
2018-2022	6,780,000	1,493,750	8,273,750
2023	8,570,000	59,750	8,629,750
Total	<u>\$ 24,215,000</u>	<u>\$ 8,521,655</u>	<u>\$ 6,053,150</u>

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

8. DEFEASED BONDS OUTSTANDING

In prior years, the City defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On December 31, 2007, \$19,900,000 of bonds outstanding are considered defeased.

9. INTERFUND TRANSACTIONS

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

A summary of interfund transfers for the year ended December 31, 2007, follows:

	TRANSFERRED TO Enterprise Funds			
	Water/Sewer Fund	Ambulance Fund	Grand Glaize Fund	Total
TRANSFERRED FROM Governmental Funds:				
General Fund	\$ -	\$ 154,583	\$ 105,417	\$ 260,000
Capital Improvement Fund	2,380,000	-	-	2,380,000
	<u>\$ 2,380,000</u>	<u>\$ 154,583</u>	<u>\$ 105,417</u>	<u>\$ 2,640,000</u>

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

Interfund Charges for Support Services

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

Water/Sewer Fund	\$ 91,526
Ambulance Fund	42,202
	<u>\$ 133,728</u>

10. COMMITMENTS AND CONTINGENCIES

A Risk Management

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

B. Litigation

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

C. Contracts for Construction

The City has entered into agreements with contractors for various projects for street construction, park construction and construction of water and sewer facilities. As of December 31, 2007, commitments under contracts were as follows:

Project	Spent-to-Date	Commitment
Park Construction	\$ 2,103,608	\$ 1,179,981
Transportation	-	110,514
Water/Sewer Construction	779,309	64,236
Grand Glaize Airport	30,857	259,344
	<u>\$ 2,913,774</u>	<u>\$ 1,614,075</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, 2007.

12. PENSION PLAN

Plan Description

The City, by a Board of Alderman resolution, created a defined contribution, single employer, retirement plan under Internal Revenue Code Section 401 for the employees of the City. The Board of Alderman 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 \$241,168 to the plan for the year ended December 31, 2007.

13. POST EMPLOYMENT BENEFITS

The City provides postemployment healthcare benefits to all employees with at least 10 years of service prior to retirement and who have reached 55 years of age. The City does not subsidize retiree healthcare benefits.

The City will account for and report its costs and obligations related to postemployment healthcare benefits as required under GASB Statement 45 beginning fiscal year 2008.

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, 2007, the City paid \$388,608 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 11, 2007 as follows:

	For the 2007 Calendar Year
Assessed valuation for Miller County:	
Tax Increment Financing	\$ 15,513,600
Tax rates per \$100 assessed valuation:	
General Fund	\$ 0.0408

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. PRIOR PERIOD ADJUSTMENT

During the process of converting to a new accounting software package, the City discovered inconsistencies between the amount of fixed assets recorded in the general ledger and the amount recorded in the fixed asset database. The problem occurred due to the inaccurate recording of non-capitalized assets in the fixed asset reconciliation worksheets in previous years. The following table presents the net assets as previously reported at December 31, 2006 in the 2006 financial statements and the effect of restatements.

	Increase (Decrease) in Net Assets		
	Governmental Activities	Business-type Activities	Total
As originally reported	\$ 36,794,675	\$ 38,919,833	\$ 75,714,508
Adjustment for capital assets incorrectly recorded	(509,544)	(1,888,101)	(2,397,645)
As restated	<u>\$ 36,285,131</u>	<u>\$ 37,031,732</u>	<u>\$ 73,316,863</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Osage Beach
Budget and Actual (with Variances)
General Fund
For the year ended December 31, 2007

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
REVENUES				
Taxes				
Sales	\$ 4,900,000	\$ 4,900,000	\$ 4,804,956	\$ (95,044)
Franchise	598,000	598,000	680,236	82,236
Licenses, fines, permits and fees	648,200	648,200	608,366	(39,834)
Intergovernmental	39,200	39,200	13,146	(26,054)
Interest	170,000	170,000	340,354	170,354
Payments from enterprise funds	133,728	133,728	133,728	-
Miscellaneous	38,500	38,500	158,840	120,340
Total revenues	6,527,628	6,527,628	6,739,626	211,998
EXPENDITURES				
Current:				
General government	2,552,694	2,552,694	2,477,412	75,282
Public Safety	2,946,749	2,946,749	2,707,922	238,827
Park and recreation	147,480	147,480	126,692	20,788
Information technology	284,752	284,752	270,226	14,526
Capital Outlay				
Equipment	4,558,787	4,558,787	2,594,468	1,964,319
Total Expenditures	10,490,462	10,490,462	8,176,720	2,313,742
(Deficiency) of revenues over expenditures	(3,962,834)	(3,962,834)	(1,437,094)	(2,101,744)
OTHER FINANCING SOURCES (USES)				
Transfers out	(260,000)	(260,000)	(260,000)	-
Proceeds from sale capital assets	31,300	31,300	16,182	15,118
Total other financing sources and uses	(228,700)	(228,700)	(243,818)	15,118
Net change in fund balances	(4,191,534)	(4,191,534)	(1,680,912)	(2,510,622)
Fund balances - beginning	7,248,199	7,248,199	7,248,199	-
Fund balances - ending	\$ 3,056,665	\$ 3,056,665	\$ 5,567,287	\$ (2,510,622)

City of Osage Beach
Budget and Actual (with Variances)
Transportation
For the year ended December 31, 2007

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
REVENUES				
Taxes				
Sales	\$ 2,450,000	\$ 2,450,000	\$ 2,377,744	\$ (72,256)
Motor vehicle fuel and license	154,000	154,000	154,604	604
County road taxes	37,000	37,000	49,751	12,751
Licenses, fines, permits and fees	100	100	346	246
Intergovernmental	2,167,838	2,167,838	2,183,007	15,169
Interest	95,000	95,000	231,054	136,054
Miscellaneous	-	-	11,672	11,672
Total revenues	4,903,938	4,903,938	5,008,178	104,240
EXPENDITURES				
Current:				
Streets and highways	678,505	678,505	736,966	(58,461)
Capital Outlay				
Streets and highways	5,152,738	5,152,738	724,131	4,428,607
Debt Service:				
Principal	250,000	250,000	250,000	-
Interest and other charges	36,715	36,715	36,215	500
Total Expenditures	6,117,958	6,117,958	1,747,312	4,370,646
Excess (deficiency) of revenues over expenditures	(1,214,020)	(1,214,020)	3,260,866	(4,266,406)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale capital assets	7,100	7,100	17,886	(10,786)
Total other financing sources and uses	7,100	7,100	17,886	(10,786)
Net change in fund balances	(1,206,920)	(1,206,920)	3,278,752	(4,485,672)
Fund balances - beginning	3,582,428	3,582,428	3,582,428	-
Fund balances - ending	\$ 2,375,508	\$ 2,375,508	\$ 6,861,180	\$ (4,485,672)

City of Osage Beach
Budget and Actual (with Variances)
Capital Improvement
For the year ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Sales	\$ 2,450,000	\$ 2,450,000	\$ 2,377,728	\$ (72,272)
Intergovernmental	10,000	10,000	33,011	23,011
Total revenues	<u>2,460,000</u>	<u>2,460,000</u>	<u>2,410,739</u>	<u>(49,261)</u>
EXPENDITURES				
Current:				
Capital improvement	<u>273,750</u>	<u>273,750</u>	<u>249,821</u>	<u>23,929</u>
Total Expenditures	<u>273,750</u>	<u>273,750</u>	<u>249,821</u>	<u>23,929</u>
Excess (deficiency) of revenues over expenditures	<u>2,186,250</u>	<u>2,186,250</u>	<u>2,160,918</u>	<u>(25,332)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,380,000)</u>	<u>(2,380,000)</u>	<u>(2,380,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(2,380,000)</u>	<u>(2,380,000)</u>	<u>(2,380,000)</u>	<u>-</u>
Net change in fund balances	(193,750)	(193,750)	(219,082)	25,332
Fund balances - beginning	<u>1,596,015</u>	<u>1,596,015</u>	<u>1,596,015</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,402,265</u>	<u>\$ 1,402,265</u>	<u>\$ 1,376,933</u>	<u>\$ 25,332</u>

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

For The Year Ended December 31, 2007

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, 2007.

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 Alderman 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 FIVE FISCAL YEARS
(accrual basis of accounting)

	FISCAL YEAR				
	2003	2004	2005	2006	2007
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 14,723,034	\$ 14,763,649	\$ 16,012,730	\$ 24,452,788	\$ 25,282,829
Restricted	4,443,505	5,316,741	5,444,585	5,178,443	8,238,113
Unrestricted	6,279,125	6,711,585	6,982,526	7,163,444	5,495,960
Total governmental activities net assets	<u>\$ 25,445,664</u>	<u>\$ 26,791,975</u>	<u>\$ 28,439,841</u>	<u>\$ 36,794,675</u>	<u>\$ 39,016,902</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 18,235,911	\$ 22,500,841	\$ 16,037,165	\$ 31,692,173	\$ 31,011,943
Restricted	5,237,113	2,156,307	6,801,445	1,039,125	1,434,786
Unrestricted	8,937,140	8,863,032	12,098,906	6,188,535	8,717,005
Total Business-type activities net assets	<u>\$ 32,410,164</u>	<u>\$ 33,520,180</u>	<u>\$ 34,937,516</u>	<u>\$ 38,919,833</u>	<u>\$ 41,163,734</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 32,958,945	\$ 37,264,490	\$ 32,049,895	\$ 53,747,316	\$ 56,294,772
Restricted	9,680,618	7,473,048	12,246,030	6,217,568	9,672,899
Unrestricted	15,216,265	15,574,617	19,081,432	13,351,979	14,212,965
Total primary government net assets	<u>\$ 57,855,828</u>	<u>\$ 60,312,155</u>	<u>\$ 63,377,357</u>	<u>\$ 73,316,863</u>	<u>\$ 80,180,636</u>

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 FIVE FISCAL YEARS
(accrual basis of accounting)

	FISCAL YEAR				
	2003	2004	2005	2006	2007
Expenses					
Governmental Activities:					
General government	\$ 1,801,310	\$ 1,986,201	\$ 2,042,939	\$ 2,774,733	\$ 2,767,841
Public Safety	2,227,219	2,261,432	2,456,013	2,676,484	2,864,264
Park and Recreation	158,651	190,979	255,247	144,529	182,050
Information Technology	-	-	234,900	329,674	311,734
Streets and Highways	1,137,973	1,517,385	1,456,232	1,567,449	2,247,683
Capital Improvements	76,510	47,157	44,300	226,831	249,821
Interest on Long-term debt	5,401,663	6,003,154	6,489,631	40,053	36,215
Total governmental activities expenses				<u>7,759,753</u>	<u>8,659,608</u>
Business-type activities:					
Water/Sewer	4,910,674	5,423,374	5,208,031	5,941,742	6,299,866
Ambulance	569,338	633,519	473,746	425,918	484,609
Airports	669,123	792,893	904,081	1,011,665	1,009,081
Total Business-type activities expenses	<u>6,149,135</u>	<u>6,849,786</u>	<u>6,585,858</u>	<u>7,379,325</u>	<u>7,793,556</u>
Total primary government expenses	<u>\$ 11,550,798</u>	<u>\$ 12,852,940</u>	<u>\$ 13,075,489</u>	<u>\$ 15,139,078</u>	<u>\$ 16,453,164</u>
Program Revenues					
Governmental Activities:					
Charges for services:					
General Government	\$ 447,887	\$ 472,741	\$ 450,944	\$ 451,851	\$ 305,473
Public Safety	210,888	239,394	274,622	334,901	303,239
Operating grants and contributions	51,919	6,542	14,539	83,969	123,189
Capital grants and contributions	-	-	-	7,203,665	2,105,975
Total governmental activities program revenues	<u>710,694</u>	<u>718,677</u>	<u>740,105</u>	<u>8,074,386</u>	<u>2,837,876</u>
Business-type activities:					
Charges for services:					
Water/Sewer	3,457,600	3,807,186	3,733,451	4,146,811	3,461,417
Ambulance	251,865	250,202	244,243	231,997	187,255
Airports	498,309	545,889	724,045	848,985	787,253
Operating grants and contributions	926,607	917,900	827,218	957,794	968,395
Capital grants and contributions	-	-	-	1,901,582	3,410,267
Total business-type activities program revenues	<u>5,134,381</u>	<u>5,521,177</u>	<u>5,528,957</u>	<u>8,087,169</u>	<u>8,814,587</u>
Total primary government program revenues	<u>\$ 5,845,075</u>	<u>\$ 6,239,854</u>	<u>\$ 6,269,062</u>	<u>\$ 16,161,555</u>	<u>\$ 11,652,463</u>

CITY OF OSAGE BEACH, MISSOURI

TABLE 2

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

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense)/Revenue				
Governmental activities	\$ (4,688,753)	\$ (5,284,477)	\$ (5,749,526)	\$ 314,633
Business-type activities	(1,014,754)	(1,328,609)	(1,056,901)	707,844
Total primary government net expenses	<u>\$ (5,703,507)</u>	<u>\$ (6,613,086)</u>	<u>\$ (6,806,427)</u>	<u>\$ 1,022,477</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
County road taxes	\$ 36,245	\$ 38,411	\$ 36,793	\$ 45,805
Sales taxes	7,355,893	7,906,614	8,271,408	9,461,972
Franchise taxes	587,203	610,049	606,054	602,872
Motor vehicle fuel & license	148,404	152,407	151,446	154,275
Payments from enterprise funds	-	-	-	-
Unrestricted investment earnings	144,040	176,199	378,696	546,027
Other income	1,980	63,109	152,983	178,140
Gain (loss) on sale of capital assets	-	-	-	(67,494)
Adjustment for Capital Assets	-	-	-	(509,544)
Transfers	(2,216,000)	(2,316,000)	(2,199,990)	(2,881,396)
Total governmental activities	<u>6,057,765</u>	<u>6,630,789</u>	<u>7,397,390</u>	<u>7,530,657</u>
Business-type activities				
Unrestricted investment earnings	72,939	122,624	274,248	408,943
Other income	-	-	-	-
Gain (loss) on sale of capital assets	-	-	-	(15,866)
Adjustment for Capital Assets	-	-	-	(1,888,101)
Transfers	2,216,000	2,316,000	2,199,990	2,881,396
Total business-type activities	<u>2,288,939</u>	<u>2,438,624</u>	<u>2,474,238</u>	<u>1,386,372</u>
Total primary government	<u>\$ 8,346,704</u>	<u>\$ 9,069,413</u>	<u>\$ 9,871,628</u>	<u>\$ 8,917,029</u>
Change in Net Assets				
Governmental activities	1,369,012	1,346,312	1,647,864	7,845,290
Business-type activities	1,274,185	1,110,015	1,417,337	2,094,216
Total primary government	<u>\$ 2,643,197</u>	<u>\$ 2,456,327</u>	<u>\$ 3,065,201</u>	<u>\$ 9,939,506</u>

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 3

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

	FISCAL YEAR				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,315,332	6,750,885	7,027,972	7,248,199	5,567,287
Total general fund	<u>\$ 6,315,332</u>	<u>\$ 6,750,885</u>	<u>\$ 7,027,972</u>	<u>\$ 7,248,199</u>	<u>\$ 5,567,287</u>
All Other Governmental Funds					
Reserved	\$ 541,000	\$ 541,000	\$ 628,176	\$ 618,423	\$ 687,996
Unreserved, reported in:					
Special revenue funds	3,902,505	4,775,741	4,816,409	4,560,020	7,550,117
Total all other governmental funds	<u>\$ 4,443,505</u>	<u>\$ 5,316,741</u>	<u>\$ 5,444,585</u>	<u>\$ 5,178,443</u>	<u>\$ 8,238,113</u>

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 FIVE FISCAL YEARS
(modified accrual basis of accounting)

	FISCAL YEAR				
	2003	2004	2005	2006	2007
Revenues					
Taxes	\$ 8,127,745	\$ 8,707,481	\$ 9,065,701	\$ 10,264,924	\$ 10,445,019
Licenses, fines, permits & fees	545,665	594,822	607,096	656,747	608,712
Intergovernmental	51,919	6,542	14,539	83,969	2,229,164
Interest	144,040	176,199	378,696	546,027	571,408
Payments from enterprise funds	115,326	117,313	118,470	130,005	133,728
Other	1,980	63,109	152,983	178,140	170,512
Total Revenues	8,986,675	9,665,466	10,337,485	11,859,812	14,158,543
Expenditures					
General Government	\$ 1,619,544	\$ 1,809,180	\$ 1,795,000	\$ 2,478,779	\$ 2,477,412
Public Safety	2,158,769	2,187,311	2,384,832	2,597,737	2,707,922
Park and Recreation	134,295	165,613	223,003	100,418	126,692
Information Technology	-	-	234,900	329,543	270,226
Streets and Highways	420,447	748,431	724,328	789,009	736,966
Capital Improvement	-	-	-	226,831	249,821
Capital Outlay	1,407,396	847,251	2,090,261	2,220,821	3,318,599
Debt Service	-	-	-	-	-
Interest and fiscal agent fees	93,974	47,891	45,240	41,193	36,215
Principal	195,000	235,000	235,000	240,000	250,000
Total Expenditures	6,029,425	6,040,677	7,732,564	9,024,331	10,173,853
Excess of revenues over (under)	2,957,250	3,624,789	2,604,921	2,835,481	3,984,690
Other financing sources (uses)					
Bond Proceeds	2,025,000	-	-	-	-
Payment to bond refunding escrow agent	(2,042,155)	-	-	-	-
Transfers in	496,688	-	-	-	-
Transfers out	(2,712,688)	(2,316,000)	(2,199,990)	(2,881,396)	(2,640,000)
Sale of Capital Assets	-	-	-	-	34,068
Total other financing sources (uses)	(2,233,155)	(2,316,000)	(2,199,990)	(2,881,396)	(2,605,932)
Net Change in Fund Balances	\$ 724,095	\$ 1,308,789	\$ 404,931	\$ (45,915)	\$ 1,378,758
Debt service as a percentage of noncapital expenditures	6.25%	5.45%	4.97%	4.12%	4.69%

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 FIVE 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

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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Construction (17)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 435	\$ -	\$ 368	\$ 141	\$ -
Food And Kindred Products (20)	-	-	-	-	-	-	-	-	-	10
Printing, Publishing, & Allied In (27)	-	-	-	-	-	-	-	-	-	-
Elect/Electronic Machinery, Equip. (36)	-	-	-	-	-	-	-	-	-	7
Misc. Manufacturing Industries (39)	-	-	-	-	-	-	-	-	-	58
Communications (48)	3,529	3,799	4,078	4,391	4,309	4,764	4,868	5,201	5,668	5,785
Wholesale Trade Durable Goods (50)	1,602	2,498	1,581	1,421	1,484	820	922	1,858	953	1,583
Wholesale Trade Nondurable Goods (51)	-	-	72	107	80	28	169	265	324	440
Building Materials (52)	2,982	3,082	3,245	3,203	13,248	19,685	12,188	13,406	14,452	7,092
General Merchandise Stores (53)	634	877	681	648	65,133	44,525	1,358	1,662	16,968	86,938
Food Stores (54)	8,445	10,393	13,143	13,433	13,465	11,827	12,792	31,890	33,704	34,935
Automotive Store & Service Stations (55)	1,335	2,209	2,403	2,013	4,935	6,493	5,142	6,942	7,155	6,435
Apparel & Accessory Stores (56)	56,194	56,949	54,269	51,863	50,016	36,509	41,609	49,033	54,708	60,299
Furniture & Home Furnishings (57)	10,698	12,108	12,083	18,254	40,631	45,523	61,504	68,894	73,372	73,034
Eating & Drinking (58)	35,417	37,130	35,465	36,798	38,648	41,468	46,300	51,529	51,869	51,825
Misc. Retail (59)	103,643	111,416	117,190	122,309	57,510	52,316	48,240	43,955	46,043	45,491
Hotel, Rooming Houses, Camp/Other (70)	12,080	12,312	12,996	13,016	12,166	11,411	11,249	9,904	9,817	10,745
Personal Services (72)	-	-	-	-	132	64	-	-	8	7
Misc. Business Services (73)	498	673	1,584	2,192	2,488	2,436	2,152	2,223	2,297	2,743
Automotive Repair Services (75)	1,569	1,716	1,707	1,860	1,897	1,780	1,717	1,794	2,023	2,268
Misc. Repair Services (76)	-	-	-	-	-	134	352	-	-	-
Amusement/Recreation Services (79)	4,254	4,314	4,100	3,971	3,858	3,791	3,965	4,431	4,311	4,322
Health Services (80)	-	7	-	-	-	-	-	-	81	349
Misc. Services (89)	5,499	5,820	7,112	8,359	10,240	11,033	11,788	12,383	14,286	15,439
Suppressed Totals ¹	48,083	60,713	64,288	64,831	61,407	104,057	164,184	163,272	146,639	76,693
Total	\$ 296,462	\$ 326,016	\$ 336,045	\$ 348,729	\$ 381,870	\$ 399,104	\$ 430,514	\$ 469,058	\$ 484,834	\$ 486,498
City Direct Sales Tax Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Source: Missouri Department of Revenue

Notes:

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

This is the only information available from the state.

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

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 7

DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN YEARS

FISCAL YEAR	CITY DIRECT RATE	CAMDEN COUNTY RATE	MILLER COUNTY RATE	MILLER CO. AMBULANCE RATE	TDD PREWITT PT. RATE	OSAGE STATION RATE	TDD STATION RATE	STATE SALES TAX RATE
1997	2%	1%	1%	0.00%	0.00%	0.00%	0.00%	5.225%
1998	2%	1%	1%	0.00%	0.00%	0.00%	0.00%	5.225%
1999	2%	1%	1%	0.00%	0.00%	0.00%	0.00%	5.225%
2000	2%	1%	1%	0.00%	0.00%	0.00%	0.00%	5.225%
2001	2%	1%	1%	0.00%	0.00%	0.00%	0.00%	5.225%
2002	2%	1%	1%	0.00%	0.00%	0.00%	0.00%	5.225%
2003	2%	1%	1%	0.00%	0.00%	0.00%	0.00%	5.225%
2004	2%	1%	1%	0.50%	0.50%	0.00%	0.00%	5.225%
2005	2%	1%	1%	0.50%	0.50%	0.75%	0.75%	5.225%
2006	2%	1%	1%	0.50%	0.50%	0.75%	0.75%	5.225%
2007	2%	1.25%	1%	0.50%	0.50%	0.75%	0.75%	5.225%

CITY OF OSAGE BEACH, MISSOURI

TABLE 8

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

		Fiscal Year 2007					Fiscal Year 1998				
		Percentage Of Total					Percentage Of Total				
		City Sales Tax					City Sales Tax				
SIC Code	SIC Description	Taxable Sales	Tax Collected	Entity Count	Rank	Tax	Taxable Sales	Tax Collected	Entity Count	Rank	Tax
53	General Merchandise Stores	\$86,938	\$1,739	19	1	17.87%	\$634	\$13	23	14	0.21%
57	Furniture & Home Furnishings	\$73,034	\$1,461	56	2	15.01%	\$10,698	\$214	32	5	3.60%
56	Apparel & Accessory Stores	\$60,299	\$1,206	55	3	12.39%	\$56,194	\$1,124	51	2	18.93%
58	Eating & Drinking	\$51,825	\$1,037	58	4	10.65%	\$35,417	\$708	56	3	11.93%
59	Misc. Retail	\$45,491	\$910	230	5	9.35%	\$103,643	\$2,073	226	1	34.92%
54	Food Stores	\$34,935	\$699	25	6	7.18%	\$8,445	\$169	20	6	2.85%
89	Misc. Services	\$15,139	\$303	77	7	3.11%	\$5,499	\$110	24	7	1.85%
70	Hotel, Rooming Houses, Camp/Other	\$10,745	\$215	30	8	2.21%	\$12,080	\$242	34	4	4.07%
52	Building Materials	\$7,092	\$142	23	9	1.46%	\$2,982	\$60	21	10	1.00%
55	Automotive Store & Service Stations	\$6,435	\$129	28	10	1.32%	\$1,335	\$27	30	13	0.45%
48	Communications	\$5,785	\$116	69	11	1.19%	\$3,529	\$71	33	9	1.19%
79	Amusement/Recreation Services	\$4,322	\$86	12	12	0.89%	\$4,254	\$85	12	8	1.43%
73	Misc. Business Services	\$2,743	\$55	44	13	0.56%	\$498	\$10	20	15	0.17%
75	Automotive Repair Services	\$2,268	\$45	26	14	0.47%	\$1,569	\$31	20	12	0.53%
50	Wholesale Trade Durable Goods	\$1,583	\$32	30	15	0.33%	\$1,602	\$32	24	11	0.54%
51	Wholesale Trade Nondurable Goods	\$440	\$9	19	16	0.09%	\$0	\$0	0	16	0.00%
80	Health Services	\$349	\$7	14	17	0.07%	\$0	\$0	0	17	0.00%
39	Misc. Manufacturing Industries	\$58	\$1	10	18	0.01%	\$0	\$0	0	18	0.00%
20	Food and Kindred Products	\$10	\$0	15	19	0.00%	\$0	\$0	0	19	0.00%
72	Personal Services	\$7	\$0	15	20	0.00%	\$0	\$0	0	19	0.00%
Suppressed Totals ¹		\$77,000	\$1,540			15.83%	\$48,456	\$969			16.32%
Total		\$486,498	\$9,730			100%	\$296,835	\$5,937			100%

Source: Missouri Department of Revenue

Notes:

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

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

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

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 9

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

FISCAL YEAR	GOVERNMENTAL ACTIVITIES GENERAL OBLIGATION BONDS	COMBINED WATER/SEWER BONDS	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME CAMDEN COUNTY	PERCENTAGE OF PERSONAL INCOME MILLER COUNTY	PER CAPITA
1998	\$ 2,920,000	\$ 11,745,000	\$ 14,665,000	21.85%	26.64%	\$4,380
1999	2,750,000	15,878,430	18,628,430	25.16%	31.35%	5,401
2000	2,575,000	19,979,111	22,554,111	25.67%	33.43%	6,159
2001	2,395,000	29,019,793	31,414,793	33.99%	42.96%	8,309
2002	2,205,000	34,696,974	36,901,974	37.67%	48.48%	9,489
2003	2,025,000	34,890,000	36,915,000	35.25%	47.50%	9,301
2004	1,790,000	33,705,000	35,495,000	32.13%	41.64%	8,700
2005	1,555,000	37,410,000	38,965,000	31.70%	41.87%	9,149
2006	1,315,000	36,005,000	37,320,000	30.68%	40.24%	8,763
2007	1,065,000	37,010,000	38,075,000	29.42%	37.90%	8,606

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 FIVE 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%	309
2007	1,065,000	12.44%	241

Note:

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

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

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 11

DIRECT AND OVERLAPPING GOVERNMENT ACTIVITIES DEBT
As of December 31, 2007

NAME OF GOVERNMENTAL UNIT	DEBT OUTSTANDING	PERCENTAGE APPLICABLE TO CITY OF OSAGE BEACH ¹	AMOUNT APPLICABLE TO CITY OF OSAGE BEACH
City of Osage Beach	\$1,065,000	100%	\$1,065,000
Camdenton R-III School District	30,980,000	15.0%	4,647,000
School of the Osage R-II	22,560,000	1.5%	338,400
Osage Beach Fire Protection District	680,000	52.3%	355,640
			<u>\$6,406,040</u>

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

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

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 12

LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$23,240,652	\$24,849,742	\$25,494,259	\$28,383,427	\$29,951,824	\$34,283,562	\$37,194,816	\$43,720,535	\$46,481,936	\$53,519,002
Total Net debt applicable to limit	2,920,000	2,750,000	2,575,000	2,395,000	2,205,000	2,025,000	1,790,000	1,555,000	1,315,000	1,065,000
Legal debt margin	\$20,320,652	\$22,099,742	\$22,919,259	\$25,988,427	\$27,746,824	\$32,258,562	\$35,404,816	\$42,165,535	\$45,166,936	\$52,454,002

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

12.56%	11.07%	10.10%	8.44%	7.36%	5.91%	4.81%	3.56%	2.83%	1.99%
--------	--------	--------	-------	-------	-------	-------	-------	-------	-------

Legal Debt Margin Calculation for Fiscal Year 2007

Total Assessed Value	\$267,595,010
Debt limit (20% of total assessed value)	53,519,002
Debt applicable to limit:	
General obligation bonds	1,065,000
Legal debt margin	\$52,454,002

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		
1998	\$ 2,224,048	\$ 1,347,078	\$ 876,970	\$ 800,000	\$ 225,083	\$ 1,025,083	\$1,444,569
1999	2,662,017	1,333,986	1,328,031	850,000	558,388	1,408,388	1,546,520
2000	2,786,220	1,502,383	1,283,837	905,000	851,672	1,756,672	1,642,490
2001	2,628,278	1,707,244	921,034	965,000	989,798	1,954,798	1,680,996
2002	2,670,078	1,941,652	728,426	1,240,000	698,307	1,938,307	1,550,000
2003	4,300,977	1,865,894	2,435,083	770,000	1,237,855	2,007,855	1,675,000
2004	4,705,646	1,960,020	2,745,626	1,185,000	1,608,897	2,793,897	1,725,000
2005	4,825,174	2,057,580	2,767,594	1,245,000	1,241,043	2,486,043	1,899,996
2006	4,551,764	2,127,326	2,424,438	1,405,000	1,828,613	3,233,613	2,467,396
2007	3,810,347	2,217,517	1,592,830	1,545,000	1,714,615	3,259,615	2,380,000

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

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

³ Gross Revenue includes interest income.

⁴ Excludes depreciation expense.

CITY OF OSAGE BEACH, MISSOURI

TABLE 14

DEMOGRAPHIC STATISTICS
LAST TEN YEARS

FISCAL YEAR	Population ¹	Personal Income ²		Per Capita Personal Income ²		Unemployment Rate ³	
		Camden County (expressed in thousands)	Miller County (expressed in thousands)	Camden County (expressed in thousands)	Miller County (expressed in thousands)	Camden County	Miller County
1998	3,348	\$ 67,120	\$ 55,051	\$ 21,696	\$ 16,781	5.1%	6.1%
1999	3,449	74,035	59,414	22,640	17,406	4.3%	4.5%
2000	3,662	87,873	67,476	24,687	18,377	3.9%	4.2%
2001	3,781	92,411	73,122	25,015	18,996	5.0%	5.4%
2002	3,889	97,966	76,113	25,439	19,048	5.7%	6.3%
2003	3,969	104,731	77,718	26,443	19,637	5.6%	5.9%
2004	4,080	110,479	85,247	26,862	20,891	5.6%	6.3%
2005	4,259	122,902	93,067	28,084	21,758	5.1%	5.6%
2006	4,259	121,632	92,735	28,084	21,758	4.7%	5.1%
2007	4,424	129,424	100,471	29,604	22,786	4.9%	5.2%

Sources:¹U.S. Census Bureau (July 1st of each estimate year).²U.S. Department Of Commerce Bureau Of Economic Analysis³U.S. Dept. of Labor Bureau of Labor 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.

CITY OF OSAGE BEACH, MISSOURI

TABLE 15

PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Factory Outlet Village	800-1200	1	22.12%	700-1000	1	20.24%
Lake Regional Hospital	1100	2	21.15%	490	2	11.67%
Hy-Vee	435	3	8.37%	0		
Wal-Mart Supercenter	430	4	8.27%	400	3	9.52%
Central Bank of Lake of the Ozarks	165	5	3.17%	100	6	2.38%
Lowes	164	6	3.15%	0		
Target	150	7	2.88%	0		
Inn at the Grand Glaize	120	8	2.31%	110	5	2.62%
City of Osage Beach	107	9	2.06%	95	7	2.26%
Home Depot	100	10	1.92%	0		
Osage Beach Health Care Center	90		1.73%	70	8	1.67%
Camden Co. R-II School District	33		0.63%	60	9	1.43%
Marina Bay	0		0.00%	130	4	3.10%
Ozark Care Center	0		0.00%	48	10	1.14%

Sources:

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

CITY OF OSAGE BEACH, MISSOURI

TABLE 16

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

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
City Administrator	3	3	4	4	3.5	4	5	3	2	2
City Clerk's Office	4	4	4	4	4	4	4	4	4	4
Information Technology ²	0	0	0	0	0	0	0	2	2	2
Finance Department	5	5	5	5	5	5	5	5	5	5
Municipal Court	1	1	1	1	1	1	1	1	1	1
Building Department ¹	3	3	3	3	3	3	3	3.5	3.5	3.5
Human Resources ³	0	0	1	1	1	1	1	1	1	1
Planning Department	1	1	2	4	4	4	3	3	3	3
Engineering Department ¹	1	4	4	4	4	4	4	4.5	4.5	4.5
Police										
Law Enforcement	26	28	28	28	28	28	28	27	30	30
911 Center	9	9	9	10	10	10	10	10	11	11
Public Works										
Parks	1	1	1	4	4	4	4	2	2	2
Transportation	8	8	8	8	8	8	8	8	8	8
Water ¹	1	1	3	4	4	4	4	4	4.5	4.5
Sewer ¹	7	8	8	9	9	9	9	9	9.5	9.5
Ambulance										
Ambulance	8	8	9	10	10	10	10	10	7	7
Airport										
Lee C. Fine ^{1/4}	0	0	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Grand Glaize ^{1/4}	0	0	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total	78	84	96	105	104.5	105	105	103	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

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

⁴Both Airports were purchased by the City in 1999.

CITY OF OSAGE BEACH, MISSOURI

TABLE 17

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Reports of Incidents	386	462	473	430	476	460	553	590	535	520
Traffic Violations	1056	1206	1713	2209	2477	1935	1905	2833	3176	2412
Traffic Warnings	2537	2380	3172	3106	2951	2308	1853	1214	2039	2382
911 Center¹										
Number of Calls Answered	17558	16192	15547	15359	15600	14993	13673	20509	24789	20624
Ambulance										
Calls for service	1175	1094	967	977	1037	1086	988	860	815	831
Highways and Streets										
Road Repairs	99	106	111	98	126	117	186	171	41	38
Building										
Permits	168	169	209	171	205	198	234	202	237	236
Wastewater										
Average Daily Sewage Treatment (thousands of Gallons)	1,216	1,090	1,119	1,266	1,262	1,281	1,339	1,292	1,254	1,302
Airports²										
<u>Lee C. Fine:</u>										
Number of Landings	0	0	0	0	3644	3480	5977	5833	6148	5124
<u>Grand Glaize:</u>										
Number of Landings	0	0	0	0	3650	5786	4882	6253	5925	5024

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.

CITY OF OSAGE BEACH, MISSOURI
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

TABLE 18

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	20	22	22	22	26	26	26	21	21	22
Ambulance Protection:										
Number of Vehicles	2	2	2	2	3	3	2	2	2	2
Highways and Streets										
Miles of Streets Paved	35.66	35.66	35.72	35.72	35.96	36.16	36.16	36.16	36.16	37
Miles of Sidewalks	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63
Number of Street Lights	224	224	224	224	224	224	475	485	486	495
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)	3	47.34	57.07	73.7	107.71	150.07	192.99	236.43	236.43	238.56
Fire Hydrants	151	451	540	621	809	892	901	904	913	915
Wells	2	4	4	4	5	5	5	5	5	5
Water Towers	1	2	2	2	3	3	3	3	4	4
Sewer										
Sanitary Sewers (miles)	124.56	124.56	125.51	126.74	126.74	132.89	132.89	135.00	135.79	140.79
Pump Stations	1089	1089	1089	1089	1089	1104	1105	1105	1119	1138

Sources: Various Government Departments

SINGLE AUDIT REPORTS

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Osage Beach, Missouri (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basis financial statements as listed in the accompanying table of contents and have issued our report thereon dated May 20, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

In addition, we noted certain other matters that we reported to management in a separate letter dated May 20, 2008.

Compliance

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

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

Williams Keepers LLC

May 20, 2008

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

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

Compliance

We have audited the compliance of the City of Osage Beach, Missouri (the City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned

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

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

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

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

Williams Hupers LLC

May 20, 2008

CITY OF OSAGE BEACH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2007

	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Homeland Security			
Passed through the Missouri Emergency Management Agency:			
FEMA/SEMA	97.036	1673-MO & 1676-MO	45,694
U.S. Department of Transportation			
Passed through the State of Missouri Department of Transportation:			
Click It or Ticket Project	20.600	GAC035	1,617
Sobriety Check Point (Overtime)	20.600	07-154-AL-81	1,536
Sobriety Check Point (Equipment)	20.600	07-154-AL-03	698
HMT	20.600	07-PT-02-101	4,459
DWI Crackdown	20.600	GAC067	827
Corridor Enforcement	20.600	GAC065	687
Ballistic Vest Program	20.600	1121-0235	1,485
State Block Grant - Lee C. Fine Airport Wildlife Hazard Study	20.106	035-46B	8,424
State Block Grant - Lee C. Fine Airport Asphalt Overlay	20.106	06-46B-4	372,900
Environmental Protection Agency			
Passed through Missouri Department of Natural Resources:			
Capitalization Grant for Clean Water State Revolving Funds	66.458	C295504-01	1,703,661
Capitalization Grant for Drinking Water State Revolving Funds	66.468	DW291150-03	1,319,841
Total expenditures of federal awards			<u>\$ 3,461,829</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, 2007

A. SUMMARY OF AUDIT RESULTS

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

	Federal CFDA Number
State Block Grant - Lee C. Fine Wildlife Hazard Study	20.106
State Block Grant - Lee C. Fine Asphalt Overlay	20.106
Capitalization Grant for Drinking Water State Revolving Funds	66.468

8. The dollar threshold used to distinguish between Type A and B programs, as described in Section 520(b) of OMB Circular A-133, was \$300,000.
9. Using the criteria as defined in Section 530 of OMB Circular A-133, the City of Osage Beach did qualify as a low-risk auditee for the year ended December 31, 2007.

B. FINDINGS--FINANCIAL STATEMENT AUDIT

#07-01 – Lack of Segregation of Duties

Statement of Condition: The City has a lack of segregation of duties in certain areas of utility billings, airport cash receipts, and journal entries.

Criteria: Segregation of duties encompasses assigning the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets to different people within the City. Segregation of duties lessens the risk that one person could make an error or perpetuate fraud that would not be discovered by someone else in the normal course of performing their duties.

Effect of Condition: There is an increased risk to the City of loss or errors in recording transactions, safeguarding assets and financial statement reporting.

Cause of the Condition: There are limited staff with the appropriate abilities available to fully segregate all duties.

Recommendation: We recommend the City consider reviewing the assigned responsibilities to determine the feasibility of further segregation of duties or investigate mitigating controls.

City's Response: The City will review assigned responsibilities to determine if further segregation of duties is possible and if mitigating controls can be established. In doing this, the City will need to weigh the cost of establishing further controls with the benefit of increased controls. The City believes an appropriate level of review can be established in the previously mentioned areas in order to strengthen internal controls.

#07-02 – Preparation of GAAP Financial Statements

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

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

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

- Actual preparation of certain aspects of the financial statements, specifically the note disclosures, so as to be complete and free of significant error under current GAAP standards.

Cause of Condition: In evaluating the situation for the City we considered that the City's accounting staff, though trained in accounting and reporting standards, do not necessarily keep current with the GAAP accounting and reporting standards.

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

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

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

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

None.

CITY OF OSAGE BEACH

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
For the Year Ended December 31, 2007

None.