

SUMMARY REPORT
CITY OF OSAGE BEACH
DECEMBER 31, 2017

May 17, 2018

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

We appreciate the opportunity to assist the Board of Aldermen of City of Osage Beach, Missouri. ("the City") in its governance and oversight function by providing annual audit services. Our audit reports for the year ended December 31, 2017, have been provided to you and management and include the following:

Comprehensive Annual Financial Report (CAFR)

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to entities for their Comprehensive Annual Financial Reports (CAFR) submitted to and approved by the GFOA. 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 generally accepted accounting principles (GAAP), GFOA requirements and applicable legal requirements. A CAFR contains substantially more information than that required by GAAP and is a sign of excellence in financial reporting.

A CAFR contains the following information:

- Introductory Section (additional GFOA requirement)
- Financial Section (GAAP)
- Statistical Section (additional GFOA requirement)

Financial Statements

The City's CAFR contains the City's annual financial statements for the fiscal year ended December 31, 2017, along with our report on those financial statements. Highlights are as follows:

- We issued an "unmodified" or "clean" opinion on the financial statements. In our opinion, the financial statements present fairly, in all material respects, the financial position of the activities and funds of the City as of December 31, 2017, and the respective changes in its financial position and cash flows for the years then ended in conformity with GAAP.
- The financial statements include 2 different sets of financial statements
 - Government-wide financial statements, which are full accrual and include all funds as well as capital assets and long-term debt and other liabilities. These are separated into governmental and business-type activities.
 - Fund financial statements, which are separated into governmental funds (revenue from taxes and other general sources and use modified accrual) and proprietary funds (revenue from user charges and full accrual).

- The following summarizes the highlights from the government-wide financial statements (primary government only) as of and for the years ended December 31, 2017, 2016, and 2015.

	2017	2016	2015
Total assets	\$ 111,281,850	\$ 112,759,927	\$ 115,394,550
Total deferred outflows of resources	503,711	613,612	723,512
Total liabilities	19,026,665	21,397,768	23,891,993
Total net position	92,758,896	91,975,771	92,226,069
Unrestricted net position	7,360,789	8,528,334	8,679,501
 Total revenues	 19,857,931	 18,831,829	 17,668,419
Total expenses	19,074,806	19,082,127	18,316,226
Change in net position	783,125	(250,298)	(647,807)

- At a high level, the City had a slight decrease of approximately \$396,000 in current and other assets and a larger decrease in capital assets of approximately \$1,081,000. This was primarily due to depreciation expense exceeding capital asset purchases in 2017. There was a slight increase in other liabilities of approximately \$247,000 while long-term liabilities decreased significantly (approximately \$2,618,000), primarily due to principal payments on long-term debt.
- At a high level, total revenues increased approximately \$1,026,000 primarily due to an increase in capital grants and charges for services, while expenses were relatively flat overall (slight decrease of approximately \$7,000) with slight variances in various categories.
- All funds had a positive fund balance.
- Management's Discussion and Analysis on pages 3-14 discusses in more detail the changes in the various categories.

Auditors' Communications Letter

This letter consists of comments about the audit process and its results that are required under our professional standards to be communicated to an audit or similar committee of the governing board of an organization or entity. For the City, the Board serves that role.

Highlights from the letter are as follows:

- We noted no transactions during the fiscal year that we considered unusual, and no new accounting standards were implemented in 2017.
- The following new accounting standard will impact the City in the future:
 - For the year ending December 31, 2018, the City will be required to implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expenses/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In general, this Statement will

require the City to record and report the net OPEB liability, along with deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It also requires significant changes to the footnote disclosures and required supplementary information.

- We evaluated the key factors and assumptions used to develop significant estimates in the financial statements in determining that they are reasonable in relation to the financial statements taken as a whole. The most significant estimates are the City's estimate of useful lives of property, equipment, and infrastructure; fair value of contributions; post-retirement obligations; and the allowance for uncollectible receivable balances.
- The financial statement disclosures are neutral, consistent, and clear. The most sensitive disclosures affecting the financial statements were capital assets, debt and commitments and contingencies.
- We found the accounting records to be in good order, and proposed a few audit adjustments to correct out of balance funds and correct transfers and depreciation as a result of our procedures.
- We had no disagreements with management on accounting or auditing issues, we had no difficulties in performing our audit, and we felt we received full cooperation from the City's staff.

Management Letter

This letter is used to communicate any findings we may have about the City's internal controls and certain other matters that are, in our opinion, significant enough to warrant your attention. Highlights are as follows:

- Although the scope of our engagement is not directed towards an opinion on the adequacy of internal control, we consider internal control as a basis for designing our audit procedures. Given this limitation and inherent limitations in internal control, we found no material weaknesses in internal control.
- We concluded the City had sufficiently addressed the prior year's significant deficiency to the City's controls and procedures over inventory. However, we encourage the City to continue to develop and monitor its procedures.

We wish to thank City and its personnel for their cooperation and assistance during our audit. We will be pleased to discuss the audit process and our audit reports at your convenience. This information in this audit report is intended solely for the use of the Board of Aldermen and management of the City.

Sincerely,

Williams Keepers LLC

WILLIAMS KEEPERS LLC