

CITY OF LAKE OZARK, MISSOURI

INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the
Board of Aldermen of
City of Lake Ozark, Missouri:

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Lake Ozark, Missouri (the "City"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

The Other Information, which consists of the Budgetary Comparison Schedules, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Graves and Associates,
CPAs, LLC

GRAVES AND ASSOCIATES, CPAs, LLC
Jefferson City, Missouri

May 31, 2022

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAKE OZARK, MISSOURI

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 2,886,489	\$ 5,816,107	\$ 8,702,596
Total Assets	2,886,489	5,816,107	8,702,596
LIABILITIES			
Court Bonds and Fines	1,688	-	1,688
Property Tax	14,545	-	14,545
Capital Improvement Deposits	208,235	-	208,235
ARPA Deferred Revenues	184,416	-	184,416
Special Event Equipment Rental	700	-	700
Payroll Withholdings	3,632	1,490	5,121
Sheriff's Retirement	41	-	41
Crime Victim Fund-State	717	-	717
Police Training-State	101	-	101
Employee Coca-Cola Vending	513	-	513
Sales Tax	-	6,244	6,244
Excavation Deposit	750	-	750
CADV	201	-	201
Water Primacy	-	496	496
Customer Deposits	-	111,798	111,798
Total Liabilities	415,536	120,028	535,564
NET POSITION			
Restricted for Debt Service	196,624	361,815	558,439
Restricted for Capital Improvements	-	2,824,429	2,824,429
Restricted for Customer Deposits	-	426	426
Restricted for Transportation	621,945	-	621,945
Restricted for TIF	272,149	-	272,149
Restricted for Police Training	1,829	-	1,829
Unrestricted	1,378,406	2,509,409	3,887,815
Total Net Position	\$ 2,470,953	\$ 5,696,079	\$ 8,167,032

The accompanying notes are an integral part of these financial statements.

CITY OF LAKE OZARK, MISSOURI

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
General Government	\$ (1,266,149)	\$ 67,695	\$ 315,000	\$ (883,454)	\$ -	\$ (883,454)
Dispatch	(261,799)	192,659	-	(69,140)	-	(69,140)
Police Department	(1,077,688)	-	-	(1,077,688)	-	(1,077,688)
Municipal Court	(84,950)	155,163	-	70,214	-	70,214
Planning and Zoning	(114,044)	116,380	-	2,337	-	2,337
Highways and Streets	(717,585)	650	2,390	(714,546)	-	(714,546)
TIF Expenses	(1,841,504)	1,866,172	-	24,668	-	24,668
CID Expenses	(99,553)	106,706	-	7,153	-	7,153
Debt Services	(165,379)	-	-	(165,379)	-	(165,379)
Interest	(88,953)	-	-	(88,953)	-	(88,953)
Total Governmental Activities	(5,717,603)	2,505,426	317,390	(2,894,788)	-	(2,894,788)
Business-Type Activities:						
Sewer	(2,329,345)	954,142	-	-	(1,375,203)	(1,375,203)
Water	(809,714)	858,885	-	-	49,171	49,171
Total Business-Type Activities	(3,139,059)	1,813,027	-	-	(1,326,032)	(1,326,032)
Total Primary Government	<u>\$ (8,856,662)</u>	<u>\$ 4,318,453</u>	<u>\$ 317,390</u>	<u>(2,894,788)</u>	<u>(1,326,032)</u>	<u>(4,220,820)</u>
General Revenues:						
Property Taxes				434,976	-	434,976
Railroad and Utility Tax				29,259	-	29,259
Sales and Use Tax				2,410,339	1,963,877	4,374,215
Franchise Taxes				327,765	-	327,765
Motor Fuel Taxes				42,903	-	42,903
Insurance Premium Refund				128	-	128
Right of Way Lease				5,095	-	5,095
Legal Reimbursement				1,250	-	1,250
Grant Income				2,618	-	2,618
Interest				2,358	6,198	8,556
Miscellaneous				8,220	18,251	26,471
Total General Revenues				<u>3,264,911</u>	<u>1,988,325</u>	<u>5,253,236</u>
Changes in Net Position				370,123	662,293	1,032,416
Net Position - Beginning				2,100,830	5,033,785	7,134,615
Net Position - Ending				<u>\$ 2,470,953</u>	<u>\$ 5,696,078</u>	<u>\$ 8,167,031</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

CITY OF LAKE OZARK, MISSOURI

BALANCE SHEET – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	Special Revenue Funds		Debt Service Fund	Total Governmental Funds
		Transportation Fund	Special Allocation Fund		
ASSETS					
Cash on Hand	\$ 350	\$ -	\$ -	\$ -	\$ 350
Cash in Checking	1,065,201	466,246	272,149	195,503	1,999,098
Cash and Cash Equivalents - Bond Reserves	-	-	-	1,115	1,115
Cash - ARPA	184,416	-	-	-	184,416
Cash - DWI Recoupment	64,060	-	-	-	64,060
Cash - CDBG	100	-	-	-	100
Cash - Fines and Bonds	16,869	-	-	-	16,869
Cash - Capital Improvements	-	208,235	-	-	208,235
Certificates of Deposit	255,374	156,873	-	-	412,247
Due From Other Funds	1	-	-	7	8
TOTAL ASSETS	<u>\$ 1,586,370</u>	<u>\$ 831,354</u>	<u>\$ 272,149</u>	<u>\$ 196,624</u>	<u>\$ 2,886,497</u>
LIABILITIES					
Court Bonds and Fines	\$ 1,688	\$ -	\$ -	\$ -	\$ 1,688
Property Tax	14,545	-	-	-	14,545
Capital Improvement Deposits	-	208,235	-	-	208,235
ARPA Deferred Revenues	184,416	-	-	-	184,416
Special Event Equipment Rental	700	-	-	-	700
Payroll Withholdings	3,208	424	-	-	3,632
Sheriff's Retirement	41	-	-	-	41
Crime Victim Fund-State	717	-	-	-	717
Police Training-State	101	-	-	-	101
Employee Coca-Cola Vending	513	-	-	-	513
Excavation Deposit	-	750	-	-	750
CADV	201	-	-	-	201
Due To Other Funds	7	-	-	1	8
TOTAL LIABILITIES	<u>206,135</u>	<u>209,409</u>	<u>-</u>	<u>1</u>	<u>415,544</u>
FUND BALANCES					
Restricted	1,829	621,945	272,149	196,624	1,092,547
Unassigned	1,378,406	-	-	-	1,378,406
TOTAL FUND BALANCES	<u>1,380,235</u>	<u>621,945</u>	<u>272,149</u>	<u>196,624</u>	<u>2,470,953</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,586,370</u>	<u>\$ 831,354</u>	<u>\$ 272,149</u>	<u>\$ 196,624</u>	<u>\$ 2,886,497</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LAKE OZARK, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Special Revenue Funds		Debt Service Fund	Total Governmental Funds
		Transportation Fund	Special Allocation Fund		
REVENUES:					
Property Taxes	\$ 193,468	\$ -	\$ -	\$ 241,508	\$ 434,976
Railroad and Utility Tax	29,259	-	-	-	29,259
Sales Tax	1,599,680	785,555	-	-	2,385,235
Franchise Tax	327,765	-	-	-	327,765
TIF Sales Tax	-	-	1,535,030	-	1,535,030
TIF Pilots	-	-	331,141	-	331,141
CID Revenue	-	-	53,353	-	53,353
CID Eats	-	-	53,353	-	53,353
Motor Vehicle Sales Tax and Fees	-	25,104	-	-	25,104
Gas Tax	-	42,903	-	-	42,903
Right of Way Lease	-	5,095	-	-	5,095
Trash Pick-Up	-	15,000	-	-	15,000
City Licenses and Permits	46,113	-	-	-	46,113
Police Department	192,659	-	-	-	192,659
Court	155,163	-	-	-	155,163
Planning and Zoning	116,380	-	-	-	116,380
Administrative Fees	216,583	-	-	-	216,583
Miscellaneous	3,552	4,563	-	106	8,220
HBSRD - Reimbursements	-	2,390	-	-	2,390
Legal - Reimbursements	1,250	-	-	-	1,250
Grant Income	2,618	-	-	-	2,618
Water and Transportation Administration Fees	105,000	-	-	-	105,000
Insurance Proceeds/Premium Reimbursement	-	128	-	-	128
Excavation Permit Fee	-	650	-	-	650
Total Revenues	<u>2,989,489</u>	<u>881,388</u>	<u>1,972,878</u>	<u>241,614</u>	<u>6,085,368</u>
EXPENDITURES:					
Administration and Management	1,266,149	-	-	-	1,266,149
Dispatch	261,799	-	-	-	261,799
Police Department	1,077,688	-	-	-	1,077,688
Court	84,950	-	-	-	84,950
Planning and Zoning	114,044	-	-	-	114,044
Street	-	717,585	-	-	717,585
TIF Expenses	-	-	1,841,504	-	1,841,504
CID Expenses	-	-	99,553	-	99,553
Total Expenditures	<u>2,804,629</u>	<u>717,585</u>	<u>1,941,057</u>	<u>-</u>	<u>5,463,271</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	184,860	163,802	31,821	241,614	622,097
OTHER FINANCING SOURCES (USES):					
Debt Service:					
Mockingbird/Shorewood/W-26 Bonds	-	-	-	(11,750)	(11,750)
Eagle/Rosco Bond	-	-	-	(18,900)	(18,900)
Osage National NID Bond	-	-	-	(218,380)	(218,380)
Knox Point	-	-	-	(5,302)	(5,302)
Interest Income	1,434	515	351	58	2,358
Transfers In	-	-	-	36,884	36,884
Transfers Out	(36,884)	-	-	-	(36,884)
Total Other Financing Sources (Uses)	<u>(35,450)</u>	<u>515</u>	<u>351</u>	<u>(217,390)</u>	<u>(251,974)</u>
NET CHANGE IN FUND BALANCE	149,410	164,317	32,172	24,224	370,123
FUND BALANCE, BEGINNING OF YEAR	<u>1,230,826</u>	<u>457,628</u>	<u>239,977</u>	<u>172,399</u>	<u>2,100,830</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,380,235</u>	<u>\$ 621,945</u>	<u>\$ 272,149</u>	<u>\$ 196,624</u>	<u>\$ 2,470,953</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LAKE OZARK, MISSOURI

STATEMENT OF FUND NET POSITION – MODIFIED CASH BASIS – PROPRIETARY FUNDS
DECEMBER 31, 2021

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,029,299	\$ 480,110	\$ 2,509,409
Restricted Assets:			
Cash and Cash Equivalents - Payroll Withholdings	398	1,092	1,490
Cash and Cash Equivalents - Sales Tax	-	6,244	6,244
Cash and Cash Equivalents - Water Primacy	-	496	496
Cash and Cash Equivalents - Bond Reserves	-	361,815	361,815
Cash and Cash Equivalents - Capital Improvements	2,824,429	-	2,824,429
Cash and Cash Equivalents - Customer Deposits	58,520	53,704	112,224
Total Assets	<u>4,912,646</u>	<u>903,461</u>	<u>5,816,107</u>
LIABILITIES			
Current Liabilities:			
Payable from Restricted Assets:			
Payroll Withholdings	398	1,092	1,490
Sales Tax	-	6,244	6,244
Water Primacy	-	496	496
Customer Deposits	58,098	53,700	111,798
Total Liabilities	<u>58,496</u>	<u>61,532</u>	<u>120,028</u>
NET POSITION			
Restricted for Debt Service	-	361,815	361,815
Restricted for Capital Improvements	2,824,429	-	2,824,429
Restricted for Customer Deposits	422	4	426
Unrestricted	2,029,299	480,110	2,509,409
Total Net Position	<u>\$ 4,854,150</u>	<u>\$ 841,929</u>	<u>\$ 5,696,079</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LAKE OZARK, MISSOURI

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION – MODIFIED CASH BASIS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
OPERATING REVENUES:			
User Fees/Impact Fees	\$ 812,550	\$ 838,266	\$ 1,650,816
Miscellaneous Income	18,251	20,619	38,870
Trash	141,592	-	141,592
Total Operating Revenues	972,392	858,885	1,831,278
OPERATING EXPENSES:			
Salaries	192,851	176,129	368,980
Payroll Taxes	14,284	12,234	26,518
Health Insurance	52,092	26,346	78,438
Retirement	17,233	21,850	39,084
Treatment Plant	84,797	-	84,797
Supplies	3,360	926	4,286
Sewer/Water Supplies	29,021	53,086	82,107
Uniforms	796	921	1,718
Equipment	57,909	12,620	70,529
Utilities	2,596	845	3,441
Telephone	2,654	2,053	4,707
Trash	152,229	-	152,229
City Engineer	3,895	3,740	7,635
Financials	-	300	300
Vehicle	13,672	22,183	35,855
Repairs and Maintenance	7,155	5,773	12,927
Capital Outlay	47,970	-	47,970
Administration and Management	210,000	95,000	305,000
Insurance	41,279	27,273	68,552
IT Services	109	31	140
Miscellaneous	4,554	2,170	6,723
Public Relations	913	638	1,550
Dues and Contributions	2,257	275	2,532
Ads and Notice	162	-	162
Medical	9,487	-	9,487
Missouri One Call	635	635	1,270
Sewer Electric Pumps	69,390	-	69,390
Leased Equipment	17,300	-	17,300
Sewer Reserves	25,000	-	25,000
Grinder Pumps-Commercial	26,250	-	26,250
Grinder Pumps-Residential	25,817	-	25,817
Water Electric Pumps	-	34,928	34,928
Water Line Repair	-	6,381	6,381
Water Meters	-	12,706	12,706
Water Extension/Mockingbird	-	25,030	25,030
Training and Recruitment	50	130	180
Employee Drug Screening	-	45	45
Total Operating Expenses	1,115,717	544,248	1,659,966
Net Operating Income (Loss)	(143,325)	314,637	171,312
NON-OPERATING REVENUES (EXPENSES)			
Bond Payments	(351,445)	(229,569)	(581,014)
Capital Purchases and Improvements	(313,305)	(35,897)	(349,202)
City Engineer	(37,050)	-	(37,050)
TIF Sales Tax	(420,052)	-	(420,052)
Lift Stations	(91,776)	-	(91,776)
Sales Tax - Capital Improvement	1,571,110	-	1,571,110
Sales Tax - Sewer Operations	392,767	-	392,767
Interest Income	5,327	871	6,198
Total Non-Operating Revenues (Expenses)	755,576	(264,595)	490,981
Changes in Fund Net Position	612,251	50,042	662,293
Total Fund Net Position - Beginning	4,241,899	791,887	5,033,785
Total Fund Net Position - Ending	\$ 4,854,150	\$ 841,929	\$ 5,696,079

The accompanying notes are an integral part of these financial statements.

CITY OF LAKE OZARK, MISSOURI

STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 972,392	\$ 858,885	\$ 1,831,278
Payments to Suppliers	(839,157)	(367,092)	(1,206,249)
Payments to Employees	(276,460)	(176,129)	(452,590)
Receipts of Customer Utility Deposits	2,920	(1,955)	965
Net Cash Provided (Used) by Operating Activities	<u>(140,305)</u>	<u>313,709</u>	<u>173,404</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Bond Payments	(351,445)	(229,569)	(581,014)
City Engineer	(37,050)	-	(37,050)
Capital Improvements	(313,305)	(35,897)	(349,202)
TIF Sales Tax	(420,052)	-	(420,052)
Lift Stations	(91,776)	-	(91,776)
Sales Tax	1,963,877	-	1,963,877
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>750,249</u>	<u>(265,466)</u>	<u>484,783</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	5,327	871	6,198
Net Cash Provided (Used) by Investing Activities	<u>5,327</u>	<u>871</u>	<u>6,198</u>
Net Increase in Cash and Cash Equivalents	615,271	49,114	664,385
Balance - Beginning of Year	<u>4,297,375</u>	<u>854,347</u>	<u>5,151,722</u>
Balance - End of Year	<u><u>\$ 4,912,646</u></u>	<u><u>\$ 903,461</u></u>	<u><u>\$ 5,816,107</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (143,325)	\$ 314,637	\$ 171,312
Change in Assets and Liabilities:			
Payroll Withholdings	100	22	122
Sales Tax	-	839	839
Water Primacy	-	166	166
Customer Deposits	2,961	(1,996)	965
Due To (From) Other Funds	(41)	41	-
Net cash provided by operating activities	<u><u>\$ (140,305)</u></u>	<u><u>\$ 313,709</u></u>	<u><u>\$ 173,404</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

As discussed further in Note 1, these financial statements are presented in accordance with modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (“U.S. GAAP”) established by the Governmental Accounting Standards Board (“GASB”). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to U.S. GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

Financial Reporting Entity

The City’s financial reporting entity is comprised of the following:

Primary Government: City of Lake Ozark, Missouri

Primary Government

The City of Lake Ozark, Missouri’s (the “City”) primary government is a general purpose local government formed as a council-manager form of municipal government under the laws of the State. The governing body is an elected six-member Board of Aldermen with the Mayor serving as the president of the Aldermen. The City is managed by a City Administrator, appointed by the Board of Aldermen, who serves as the City’s CEO. The City operates the general government activities of the community, including police protection, street and road maintenance, sewer and water, court, and various administrative functions.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity, except for fiduciary funds. The Statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Governmental fund equity is classified as fund balance.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

Fund Financial Statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitutes its assets, deferred outflows, liabilities, deferred inflows, net position or fund balance, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, or
- Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The City has elected to treat all of its funds as major.

The funds of the financial reporting entity are described subsequently:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of the specific revenue sources that are either restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following Special Revenue Funds:

<u>Fund Description</u>	<u>Brief</u>
Transportation Fund	Accounts for gasoline excise, commercial vehicle taxes, and transportation sales tax legally restricted for street improvements.
Special Allocation Fund	Accounts for TIF taxes collected for the Eagle's Landing development.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Fund

Accounts for the accumulation of resources for, and the payment of, principal, interest, and fiscal charges on long-term debt.

Proprietary Funds

Enterprise Funds

Account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following Enterprise Funds:

Fund Description

Water and Sewer Funds

Brief

Accounts for the activities of the public trust in providing water and wastewater services to the public.

Sewer Capital Project Fund

Accounts for contributions, specific revenues, sewer capital improvement sales tax, and expenditures for various sanitary sewer capital projects as the Board of Aldermen may designate.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item “b.” on the next page.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Measurement Focus and Basis of Accounting (Continued)

Measurement Focus (Continued)

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their Balance Sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or non-current or financial or non-financial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than U.S. GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the Statement of Net Position or Balance sheet's cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments and some payables arising from cash transactions or events.

This modified cash basis of accounting differs from U.S. GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from cash transactions or events are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting (Continued)

If the City utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for the governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Financial Position

Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit. The same is used for purposes of the Statement of Cash Flows.

Investments

Investments classified in the financial statements consist of certificates of deposit acquired with cash whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

Capital Assets

As a result of the use of the modified cash basis of accounting, capital assets are recorded as expenditures/expenses at the time of purchase and, therefore, no balances for assets or accumulated depreciation are reported on the Balance Sheet.

Restricted Assets

Restricted assets include assets that are restricted as to their use. The primary restricted assets are related to utility customer deposits and municipal court bonds.

Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Position (Continued)

Long-Term Debt

As a result of the use of the modified cash basis of accounting, all long-term debt arising from cash transactions to be repaid from governmental and business-type resources are not reported as liabilities in the financial statements. The debt proceeds are reported as “Other Financing Sources” and payment of principal and interest reported as “Other Financing Uses.”

Net Position/Fund Balance Classifications

Government-Wide Financial Statements:

Net Position is classified and displayed in the following components:

- i. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, with restriction constraints placed on their use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
- ii. Unrestricted – Net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position.

It is the City’s policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements:

Governmental Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and is classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

Nonspendable—Amounts that cannot be spent because they either are not in spendable form or legally or contractually required to be maintained intact.

Restricted—Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Position (Continued)

Net Position/Fund Balance Classifications (Continued)

Fund Financial Statements: (Continued)

Governmental Funds (Continued)

Committed—Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the City’s highest level of decision-making authority. (In the case of the City, commitments are evidenced by adoption of an ordinance by the Board of Aldermen.)

Assigned—Amounts constrained by the City’s intent to be used for specific purposes but that are neither restricted nor committed. (In the case of the City, assignments are evidenced either by resolution of the Board of Aldermen or by the City Administrator in written form as approved by a vote of the Board of Aldermen pursuant to City policy.)

Unassigned—The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

It is the City’s policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also City policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

The City has no formal minimum fund balance policies or any formal stabilization arrangements in place as of the year ended.

Proprietary Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of proprietary funds is reported as net position and is classified in the same manner as the government-wide financial statements, as previously described.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Position (Continued)

Revenues, Expenditures, and Expenses

Program Revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government	Licenses and permits
Public Safety	Fine revenue
Highways and Streets	Commercial vehicle and gasoline excise tax shared by the State

All other governmental revenues are reported as general revenues. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activity resulting from cash basis transactions or events, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Position (Continued)

Internal and Interfund Balances and Activities (Continued)

Fund Financial Statements (Continued)

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements, but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another when payment is not expected and reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances resulting from cash basis transactions or events, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the “Governmental” and “Business-Type Activities” columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Interfund activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities, except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements, but as adjustments to expenditures/expenses in the respective funds.

Use of Estimates

The preparation of financial statements in accordance with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect the reported amounts and disclosures; accordingly, actual results could differ from those estimates.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

By its nature, as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City’s compliance with significant laws, regulations, grants and contracts, and demonstration of its stewardship over City resources.

The required transfers to the bond reserve accounts are as follows:

<u>Accounts Held by City</u>	<u>Restricted</u>	<u>Current Restricted Requirement</u>	<u>Excess (Shortage)</u>
Water – Debt Service Revenue	\$ 82,580	\$ 80,000	\$ 2,580
Water – Depr. and Replacement	77,735	75,000	2,735
Water System P and I Account	201,500	144,318	57,182
	<u>\$ 361,815</u>	<u>\$ 299,318</u>	<u>\$ 62,497</u>

NOTE 3 – DEPOSITS AND INVESTMENTS:

Deposits

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, amounts invested in overnight repurchase agreements, and certificates of deposit.

Custodial Credit Risk-Deposits – Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. As of the year ended, the carrying amount of the City's deposits was \$8,702,596, and the bank balance was \$8,719,374. Of the bank balance, \$250,200, was covered by the Federal Depositary Insurance Corporation (“FDIC”) and \$8,469,174, was covered by collateral held at the City's safekeeping bank agent, in the City's name.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS: (Continued)

Investment Interest Rate Risk – The City has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at year end, are provided in the schedule below.

Certificate of Deposit		
<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Carrying Value</u>
1/3/2022	0.08%	\$ 97,326
1/7/2022	0.07%	55,927
1/7/2022	0.07%	31,824
1/7/2022	0.07%	50,603
1/7/2022	0.07%	20,419
1/7/2022	0.07%	50,697
1/7/2022	0.07%	50,603
1/7/2022	0.03%	101,602
1/12/2022	0.07%	20,273
1/12/2022	0.03%	116,773
1/12/2022	0.07%	76,032
1/18/2022	0.08%	25,600
1/21/2022	0.07%	25,020
1/21/2022	0.07%	25,020
1/24/2022	0.07%	20,238
1/24/2022	0.07%	10,119
1/24/2022	0.08%	51,149
1/24/2022	0.08%	76,723
1/26/2022	0.07%	40,624
1/26/2022	0.07%	20,206
2/11/2022	0.07%	30,411
2/22/2022	0.07%	10,212
2/22/2022	0.07%	10,212
2/22/2022	0.07%	51,061
3/21/2022	0.07%	25,025
3/21/2022	0.07%	30,419
3/21/2022	0.07%	50,908
3/28/2022	0.07%	138,021
9/2/2022	0.10%	71,766
9/14/2022	0.10%	65,407
9/14/2022	0.10%	128,397
9/23/2022	0.10%	368,505
		<u>\$ 1,947,120</u>

Investment Credit Risk – The City has no investment policy that limits its investment choices other than the limitation of state law.

Concentration of Investment Credit Risk – The City places no limit on the amount it may invest in any one issuer. As of the year ended, the City had no concentration of credit risk.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 – DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS:

Restricted/Reserved Assets

Governmental Funds:

General Fund: The amount of net position/fund balance as of the year ended which was restricted by enabling legislation totaled \$1,829, for Police Training and was enacted by Missouri State Statute Section 590.178 RSMo.

All other restricted Governmental Fund net position/fund balance are for the purpose of the individual fund.

Proprietary Funds:

The amounts reported as restricted assets are composed of amounts held Debt Service of \$361,815; Capital Improvements of \$2,824,429; and Customer Deposits of \$426.

Bond Reserve

Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position – Modified Cash Basis, because their use is limited by applicable bond covenants.

Water – Debt Service Reserve:

- Ordinance created a Debt Service Reserve Fund that will be funded in the amount of \$50,000, and \$30,000, for the Water – Series 2012 and 2013 Bonds, respectively, from the proceeds of the bonds at the time of issuance to be used by the City solely to prevent any default in the payment of interest on or principal of the bonds.

Water – Depreciation and Replacement:

- Beginning April 1, 2005, \$1,500 a month was paid to the Depreciation and Replacement Fund until the Fund reached an aggregate sum of \$75,000.

Water System P and I Account:

- Ordinance created a Principal and Interest Reserve Fund that, with respect to both the Water – Series 2012 and 2013 Bonds, on the first day of each month, will be funded at not less than at 1/6 of the amount of interest, and not less than 1/12 of the amount of principal payments that will become due on the Bonds' next succeeding interest and principal payment dates.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 – DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS: (Continued)

Long-Term Debt

The City's long-term debt arising from modified cash basis transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

The following is a summary of bond transactions of the City as of the year ended:

	General Obligation Bonds
Balance – Beginning	\$ 841,000
Additions	-
Reductions	(217,000)
Balance – Ending	<u>\$ 624,000</u>

Capital Projects:

The City issued Series 2003, general obligation improvement bonds in the amount of \$225,000, with an interest rate of 4.699085% in December 2003. The proceeds were used for Eagle Crest and Roscoe Developments. The City has the authorization to issue an additional \$225,000, of bonds.

The annual debt service requirements to maturity, including principal and interest for long-term debt, as of the year ended, were as follows:

	Principal	Interest	Total
2022	\$ 17,000	\$ 1,700	\$ 18,700
2023	17,000	850	17,850
	<u>\$ 34,000</u>	<u>\$ 2,550</u>	<u>\$ 36,550</u>

Interest expense totaled \$2,500, for the year ended.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 – DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS: (Continued)

Long-Term Debt (Continued)

Governmental Activities (Continued)

Capital Projects: (Continued)

The City issued Series 2008, general obligation improvement bonds in the amount of \$125,000, with an interest rate of 6.50% in December 2008. The proceeds were used for the Mockingbird Road and Shorewood Road NID. The City has the authorization to issue an additional \$100,000, of bonds.

The annual debt service requirements to maturity, including principal and interest for long-term debt, as of the year ended, were as follows:

	Principal	Interest	Total
2022	\$ 7,000	\$ 4,030	\$ 11,030
2023	8,000	3,575	11,575
2024	8,000	3,055	11,055
2025	9,000	2,535	11,535
2026	9,000	1,950	10,950
2027 – 2028	21,000	2,080	23,080
	<u>\$ 62,000</u>	<u>\$ 17,225</u>	<u>\$ 79,225</u>

Interest expense totaled \$4,485, for the year ended.

The City issued Series 2004 limited general obligation bonds in the amount of \$58,000, with an interest rate of 5.60% in February 2004. The proceeds were used to pay off the Knox Point note payable.

The annual debt service requirements to maturity, including principal and interest for long-term debt, as of the year ended, were as follows:

	Principal	Interest	Total
2022	\$ 4,000	\$ 728	\$ 4,728
2023	4,000	504	4,504
2024	5,000	280	5,280
	<u>\$ 13,000</u>	<u>\$ 1,512</u>	<u>\$ 14,512</u>

Interest expense totaled \$952, for the year ended.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 – DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS: (Continued)

Long-Term Debt (Continued)

Governmental Activities (Continued)

Capital Projects: (Continued)

On March 1, 2005, the City issued \$2,500,000, of Neighborhood Improvement District Bonds (Osage National Project) Series 2005. The proceeds were used to repay certain temporary notes issued to pay costs of the Project and to pay costs of issuing the bonds.

On December 22, 2009, the City refunded in advance the Series 2005 Bonds and authorized and issued \$2,365,000, of new Neighborhood Improvement District Bonds (Osage National Project) Series 2009. This resulted in an economic gain for the City of \$64,495. The interest rates on the bond range from 4.1% to 5.0%. The proceeds (including \$64,495, premium on bonds redeemed) were used to repay the Series 2005 Bonds (\$2,367,920), and to pay for underwriter issuance costs (\$61,575), of the bonds.

The bonds are to be repaid from special assessments levied upon real property benefited by the Project, and, if not so paid, from current income and revenues and surplus funds of the City. The City is not authorized to impose any new or increased ad valorem property tax to pay the bonds without voter approval.

The annual debt service requirements to maturity, including principal and interest for long-term debt, as of the year ended, were as follows:

	Principal	Interest	Total
2022	\$ 200,000	\$ 19,505	\$ 219,505
2023	215,000	9,853	224,853
2024	100,000	2,400	102,400
	<u>\$ 515,000</u>	<u>\$ 31,758</u>	<u>\$ 546,758</u>

Interest expense totaled \$28,380, for the year ended.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 – DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS: (Continued)

Long-Term Debt (Continued)

Business-Type Activities

The following is a summary of proprietary revenue bond transactions of the City as of the year ended:

	<u>Revenue Bonds</u>
Balance – Beginning	\$ 474,000
Additions	-
Reductions	<u>(217,000)</u>
Balance – Ending	<u><u>\$ 257,000</u></u>

Water: Series 2012/2013

On April 18, 2012, the City issued \$1,680,000, in waterworks system revenue bonds with interest rates ranging from 1.0% to 3.4% on bonds maturing from 2013 to 2022 (effective average interest rate approximately 2.7%). The bonds are special obligations of the City, payable solely from, and secured as to the payment of principal and interest by a pledge of the net income and revenues derived from the operation of the systems. The proceeds (including \$27,720 discount on bonds) were used to repay the Series 2002 Bonds (\$1,605,000), and accrued interest (\$11,023), and to pay for underwriter and other issuance costs (\$36,257), of the bonds.

On November 12, 2013, the City issued \$300,000, in additional waterworks system revenue bonds, bearing interest at rate of 3.1%, maturing from 2014 to 2023. The bonds are special obligations of the City, payable solely from, and secured as to the payment of principal and interest by a pledge of the net revenues derived by the City from the operation of the systems. The proceeds were used for the purpose of extending and improving the System (\$270,000), and deposit to the Debt Service Reserve Fund (\$30,000).

The 2012 and 2013 bond issues include a requirement to maintain a Debt Service Reserve Fund of \$50,000 and \$30,000, respectively, and a Depreciation Replacement Fund of \$75,000, collectively for the two bonds.

The annual debt service requirements to maturity, including principal and interest for long-term debt, as of the year ended, were as follows:

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 – DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS: (Continued)

Long-Term Debt (Continued)

Business-Type Activities (Continued)

SERIES 2012 BONDS:

	Principal	Interest	Total
2022	<u>\$ 190,000</u>	<u>\$ 3,230</u>	<u>\$ 193,230</u>
	<u>\$ 190,000</u>	<u>\$ 3,230</u>	<u>\$ 193,230</u>

SERIES 2013 BONDS:

	Principal	Interest	Total
2022	<u>\$ 33,000</u>	<u>\$ 1,566</u>	<u>\$ 34,566</u>
2023	<u>34,000</u>	<u>527</u>	<u>34,527</u>
	<u>\$ 67,000</u>	<u>\$ 2,093</u>	<u>\$ 69,093</u>

Interest expense totaled \$9,466 and \$2,753, for the Series 2012 bonds and Series 2013 bonds, respectively, for the year ended.

Waste Water – MAMU Lease Purchase – 2005

On June 29, 2005, the City entered into a lease-purchase agreement with the Missouri Association of Municipal Utilities (MAMU) for \$5,620,000, to pay the Series 1998 and Series 2002 Revenue Bonds.

Interest on the lease-purchase agreement accrues based on the variable rate of interest for commercial paper, adjusted periodically throughout the year. However, payments are applied monthly according to an amortization schedule utilizing an estimated fixed interest rate for the calendar year, as established at the beginning of the year. A reconciliation is prepared subsequent to year end, whereby the City receives a credit or is assessed additional liability based on the interest rate reconciliation.

The City had an available credit in 2021 in the amount of \$22,644, based on the interest rate reconciliation for 2020.

The City had an available credit of \$22,412, as of the year ended, based on the interest rate reconciliation for 2021. The City has applied \$22,000, of this credit as an additional principal payment in February 2022. The effect of the pre-payment of \$22,000, eliminates future interest/fees. A new amortization schedule reflecting these changes has been prepared and is used in the schedule of future minimum lease payments on the following page.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 – DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS: (Continued)

Long-Term Debt (Continued)

Business-Type Activities (Continued)

Waste Water – MAMU Lease Purchase – 2005 (Continued)

The credit for 2021 was based on the estimated rate used in the amortization schedule of 3.5%. The estimated rate for 2022 remained at 3.5% to reflect the new indexed rate on the MAMU Bonds and general expectations for higher variable rates this year.

The financial statements include lease payments totaling \$351,445, for the year ended. This includes required monthly payments totaling \$351,445 in 2021, offset by the interest credits utilized from 2020 of \$22,644, as stated above.

The following is a schedule of future minimum lease payments under the lease. This schedule represents future payments, so the 2022 lease payment total includes the additional \$22,000, applied in February 2022, (from the \$22,412 credit for the interest rate differential discussed above). The future minimum lease payments are as follows:

	Total
2022	\$ 349,639
2023	348,414
2024	317,090
Total Lease Payments	1,015,143
Less: Portion Representing Interest And Fees	(31,143)
Total Future Minimum Lease Payments	\$ 984,000

Base rental interest expense totaled \$40,418, for the year ended; see also above explanation of interest payments and credits.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 – DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS: (Continued)

Leases

On September 4, 2009, the City entered into an agreement with Lakewood Corporation for the lease of office space. The Initial Term of the lease was in the amount of \$45,613, payable in successive monthly installments of \$3,801. The initial term of the lease automatically renewed for six successive one year periods.

The lease includes an exclusive option to purchase the property for \$1,000,000. A credit in the amount of \$350,000, against the purchase price shall be given by the seller at the time of closing.

In September 2016, the City paid \$139,045, to Lakewood Corporation to be credited to the purchase price of the office space.

Commencing September 4, 2016, the City extended the lease for three years to end on September 3, 2019 (the “Additional Term”). The rent for the term will be the sum of \$136,840, to be paid in 36 equal monthly installments of \$3,801, commencing September 1, 2016.

The principal amount of all monthly lease payments during the Additional Term will be credited to the purchase price of the office space. The Additional Term shall be automatically renewed for two successive one year periods. In the event the office space is not purchased by the City on or before the termination of all additional terms, Lakewood Corporation shall retain all amounts paid by the City.

On December 31, 2018, the City made a special principal payment of \$50,000, and agreed to a revised and updated amortization schedule for the lease/purchase of the office space. In August 2019, the City renegotiated the agreement extending the final payment to September 2021. This revision included an obligation for making a special principal payment of \$100,000, before the end of 2020. One payment of \$50,000, was made December 13, 2019, and the other \$50,000, payment was made August 14, 2020.

The lease was paid in full during August 2021. Interest expense totaled \$3,015 for the year ended.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 – INTERFUND TRANSFERS:

Interfund transfers for the year ended consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 36,884
Debt Service Fund	36,884	-
Total	<u>\$ 36,884</u>	<u>\$ 36,884</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 – DEFINED BENEFIT PENSION PLAN:

Plan Description

The City participates in the Missouri Local Government Employees Retirement System (“LAGERS”), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, Section 70.600 – 70.755, RSMo. As such, it is the LAGERS’ responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax-exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Funding Status

The statutorily required contribution rates were 8.9% (General) and 5.8% (Police) of annual covered payroll from January 1, 2021 through July 31, 2021. Beginning August 1, 2021, through December 31, 2021, the statutorily required contributions rates were 16.2% (of which 2% was contributed by fulltime employees) (General) and 11.7% (of which 2% was contributed by fulltime employees) (Police). The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute. The contributions for the last three fiscal years were as follows:

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 – DEFINED BENEFIT PENSION PLAN: (Continued)

Year Ended	Amount of Employer Contribution	Percentage of Contribution
		Jan 1 st -July 31 st : 14.7%; August 1 st - December 31 st : 27.9%
2021	\$ 147,711	
2020	108,613	14.8%
2019	114,839	15.6%

These contributions represent 100 percent of the required contributions each calendar year.

NOTE 7 – PROPERTY TAXES:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and become payable by December 31. All unpaid taxes levied November 1 become delinquent on January 1 of the following year. The assessed valuation and tax levy for the City was as follows as of the year ended:

	2021
Assessed valuation	
Camden County	\$ 9,780,140
Miller County	<u>86,628,280</u>
Total	<u>\$ 96,408,420</u>

Tax Levy per \$100 Assessed Valuation	
General Fund	<u>\$ 0.2287</u>

The receipts of current and delinquent property taxes during the calendar year aggregated approximately 88% of the current assessment computed on the basis of the levy as shown above.

Technical issues resulted in a delay of tax mailings and, thus, affected the timing of collections for the year ended. The City has a plan in place to process and monitor annual tax statements more timely going forward.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 – CONTINGENCIES COMMITMENTS:

Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 9 – JOINT VENTURE LAKE OZARK/OSAGE BEACH SEWAGE TREATMENT PLANT:

On August 5, 1981, the City agreed to joint ownership with the City of Osage Beach, Missouri, of a Sewage Treatment Plant (“STP”). The Board administering the STP consists of eight members, four from each city. Amounts to be billed to each city are based upon usage billed at identical rate structures. Costs of operation and maintenance shall be split jointly between the two cities. For the year ended, the City paid \$84,797, for their share of STP expenses. A separate audit is performed on this entity and a copy may be reviewed at the Board of Aldermen office.

NOTE 10 – RISK MANAGEMENT:

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

NOTE 11 – PROPRIETARY OPERATING AND NON-OPERATING:

The Sewer operating revenues do not include the sales tax revenue for operations on the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds, on page 9. The sales tax revenue for operations is classed as non-operating revenues, in accordance with GASB. This presentation results in a net operating loss for the year for the sewer fund.

NOTE 12 – SUBSEQUENT EVENTS:

The City has evaluated subsequent events through May 31, 2022, the date which the financial statements were available to be issued.

OTHER INFORMATION

CITY OF LAKE OZARK, MISSOURI

BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Property Taxes	\$ 182,000	\$ 187,500	\$ 193,468	\$ 5,968
Surtax	1,200	1,200	-	(1,200)
Railroad and Utility Tax	26,200	29,259	29,259	-
Sales Tax	1,412,951	1,496,114	1,599,680	103,566
Franchise Tax	324,001	333,596	327,765	(5,832)
City Licenses and Permits	39,300	45,388	46,113	725
Police Department	69,615	189,717	192,659	2,942
Court	140,150	158,050	155,163	(2,887)
Planning and Zoning	76,325	112,823	116,380	3,557
Administrative Fees	219,325	220,089	216,583	(3,506)
Miscellaneous	525	502	3,552	3,049
Legal Fee Reimbursement	-	-	1,250	1,250
Grant Income	-	2,618	2,618	-
Water and Transportation Administration Fees	105,000	105,000	105,000	-
Carry Over	166,000	-	-	-
Total Revenues	<u>2,762,592</u>	<u>2,881,856</u>	<u>2,989,490</u>	<u>107,634</u>
EXPENDITURES:				
Administration and Management	1,247,818	1,312,540	1,266,149	46,391
Dispatch	283,727	267,948	261,799	6,149
Police Department	1,012,522	1,098,342	1,077,688	20,654
Court	104,720	85,630	84,950	680
Planning and Zoning	117,774	116,523	114,044	2,479
Total Expenditures	<u>2,766,561</u>	<u>2,880,983</u>	<u>2,804,629</u>	<u>76,354</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,969)	873	184,861	183,988
OTHER FINANCING SOURCES (USES):				
Interest Income	4,200	1,360	1,434	74
Transfers In (Out)	-	-	(36,884)	(36,884)
Total Other Financing Sources (Uses)	<u>4,200</u>	<u>1,360</u>	<u>(35,450)</u>	<u>(36,810)</u>
NET CHANGE IN FUND BALANCE	231	2,233	149,410	147,178
FUND BALANCE, BEGINNING OF YEAR	<u>1,230,826</u>	<u>1,230,826</u>	<u>1,230,826</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,231,057</u>	<u>\$ 1,233,058</u>	<u>\$ 1,380,236</u>	<u>\$ 147,178</u>

CITY OF LAKE OZARK, MISSOURI

BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – SPECIAL REVENUE FUND
TRANSPORTATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Sales Tax	\$ 693,083	\$ 736,578	\$ 785,555	\$ 48,977
Motor Vehicle Sales Tax and Fees	21,000	25,400	25,104	(296)
Gas Tax	42,000	42,000	42,903	903
Right of Way Lease	10,207	5,095	5,095	-
Trash Pick-Up	15,000	15,000	15,000	-
Miscellaneous	300	3,313	4,563	1,250
HBSRD - Reimbursements	2,500	2,390	2,390	-
Insurance Proceeds/Premium Reimbursement	-	128	128	-
Excavation Permit Fee	500	650	650	-
Total Revenues	<u>784,590</u>	<u>830,553</u>	<u>881,388</u>	<u>50,835</u>
EXPENDITURES:				
Street	<u>771,495</u>	<u>794,524</u>	<u>717,585</u>	<u>76,939</u>
Total Expenditures	<u>771,495</u>	<u>794,524</u>	<u>717,585</u>	<u>76,939</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>13,095</u>	<u>36,029</u>	<u>163,802</u>	<u>127,773</u>
OTHER FINANCING SOURCES (USES)				
Interest Income	<u>850</u>	<u>490</u>	<u>515</u>	<u>25</u>
Total Other Financing Sources (Uses)	<u>850</u>	<u>490</u>	<u>515</u>	<u>25</u>
NET CHANGE IN FUND BALANCE	13,945	36,519	164,317	127,798
FUND BALANCE, BEGINNING OF YEAR	<u>457,628</u>	<u>457,628</u>	<u>457,628</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 471,573</u>	<u>\$ 494,147</u>	<u>\$ 621,945</u>	<u>\$ 127,798</u>

CITY OF LAKE OZARK, MISSOURI

BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – SPECIAL REVENUE FUND
SPECIAL ALLOCATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
TIF Sales Tax	\$ 1,468,759	\$ 1,476,514	\$ 1,535,030	\$ 58,517
TIF Pilots	318,620	318,829	331,141	12,312
CID Revenue	50,850	50,850	53,353	2,503
CID Eats	50,850	50,850	53,353	2,503
Total Revenues	1,889,079	1,897,043	1,972,878	75,835
EXPENDITURES:				
TIF Expenses	1,786,549	1,841,504	1,841,504	-
CID Expenses	103,230	103,234	99,553	(3,681)
Total Expenditures	1,889,779	1,944,737	1,941,057	(3,681)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(700)	(47,695)	31,821	79,516
OTHER FINANCING SOURCES (USES):				
Interest Income	700	351	351	0
Total Other Financing Sources (Uses)	700	351	351	0
NET CHANGE IN FUND BALANCE	-	(47,344)	32,172	79,516
FUND BALANCE, BEGINNING OF YEAR	239,977	239,977	239,977	-
FUND BALANCE, END OF YEAR	\$ 239,977	\$ 192,633	\$ 272,149	\$ 79,516

CITY OF LAKE OZARK, MISSOURI
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2021

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

1. In accordance with Section 67, RSMo., the City adopts a budget for each fund.
2. Prior to January 1, the City Administrator, who serves as the budget officer, submits to the Board of Aldermen a proposed budget for the fiscal year beginning on the following January 1. The proposed budget includes estimated revenues and proposed expenditures for all the City funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. Prior to January 1, the budgets are legally enacted by a vote of the Board of Aldermen.
4. Subsequent to its formal approval of the budget, the Board of Alderman has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.

Budgeted amounts are as originally adopted, or as finally amended by the Board of Aldermen. The budget is prepared on the modified cash basis of accounting. Depreciation and amortization are not included in the budget. Budgeted amounts lapse at year end.

A reconciliation of the different bases of revenue and expenditure recognition for the year ended is as follows:

General Fund	
Expenditures, Modified Cash Basis	\$2,506,834
Add:	
Prior year accrued liabilities recognized in the current year budget	27,728
Deduct:	
Current year accrued liabilities not recognized in the current year budget	<u>(206,135)</u>
Expenditures, budgetary basis	<u>\$2,328,427</u>
Special Revenue Fund	
<u>Transportation Fund</u>	
Expenditures, Modified Cash Basis	\$ 717,742
Add:	
Prior year accrued liabilities recognized in the current year budget	7,153
Deduct:	
Current year accrued liabilities not recognized in the current year budget	<u>(209,409)</u>
Expenditures, budgetary basis	<u>\$ 515,486</u>

CITY OF LAKE OZARK, MISSOURI
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2021

(Continued)

Special Revenue Fund (Continued)

Special Allocation Fund

Expenditures, Modified Cash Basis	\$ 1,788,651
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Add:

Prior year accrued liabilities recognized in the current year budget	1,250
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Deduct:

Current year accrued liabilities not recognized in the current year budget	<u>(1,250)</u>
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Expenditures, budgetary basis	<u>\$ 1,788,651</u>
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