

CITY OF LAKE OZARK, MISSOURI

INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 – 2
BASIC FINANCIAL STATEMENTS:	
Government – Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	3
Statement of Activities – Modified Cash Basis	4
Fund Financial Statements:	
Balance Sheet – Modified Cash Basis – Governmental Funds	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	6 – 7
Statement of Fund Net Position – Modified Cash Basis – Proprietary Funds	8
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds	9
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds	10
NOTES TO THE BASIC FINANCIAL STATEMENTS	11 – 34
OTHER INFORMATION:	
Budgetary Comparison Schedules – Modified Cash Basis	
General Fund	35
Special Revenue Fund – Transportation Fund	36
Special Revenue Fund – Special Allocation Fund	37
Notes to the Budgetary Comparison Schedules	38 – 39



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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:

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City as of December 31, 2020, and the respective changes in modified cash basis financial position and cash flows, thereof for the year then ended in accordance with the basis of accounting described in Note 1.

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.

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

April 9, 2021

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

CITY OF LAKE OZARK, MISSOURI

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 2,130,561	\$ 5,151,722	\$ 7,282,283
Total Assets	2,130,561	5,151,722	7,282,283
LIABILITIES			
Payroll Withholdings	3,551	1,368	4,919
Sheriff's Retirement	333	-	333
Crime Victim Fund-State	791	-	791
Police Training-State	111	-	111
Employee Coca-Cola Vending	591	-	591
Sales Tax	-	5,405	5,405
Excavation Deposit	6,000	-	6,000
CADV	222	-	222
Water Primacy	-	330	330
Court Bonds and Fines	18,131	-	18,131
Customer Deposits	-	110,833	110,833
Total Liabilities	29,731	117,936	147,667
NET POSITION			
Restricted for Debt Service	172,399	357,477	529,876
Restricted for Capital Improvements	-	2,451,611	2,451,611
Restricted for Customer Deposits	-	413	413
Restricted for Transportation	457,628	-	457,628
Restricted for TIF	239,977	-	239,977
Restricted for Police Training	1,829	-	1,829
Unrestricted	1,228,997	2,224,286	3,453,283
Total Net Position	\$ 2,100,830	\$ 5,033,786	\$ 7,134,616

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, 2020

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	\$ (1,255,922)	\$ 60,743	\$ 300,000	\$ (895,179)	\$ -	\$ (895,179)
Dispatch	(247,836)	145,304	-	(102,533)	-	(102,533)
Police Department	(834,307)	-	-	(834,307)	-	(834,307)
Municipal Court	(91,634)	138,367	-	46,732	-	46,732
Planning and Zoning	(78,909)	61,031	-	(17,877)	-	(17,877)
Highways and Streets	(720,385)	350	4,659	(715,376)	-	(715,376)
TIF Expenses	(1,702,712)	1,747,025	-	44,313	-	44,313
CID Expenses	(85,939)	88,384	-	2,445	-	2,445
Debt Services	(140,552)	-	-	(140,552)	-	(140,552)
Interest	(116,489)	-	-	(116,489)	-	(116,489)
Total Governmental Activities	(5,274,686)	2,241,204	304,659	(2,728,823)	-	(2,728,823)
Business-Type Activities:						
Sewer	(1,837,076)	903,769	-	-	(933,307)	(933,307)
Water	(819,049)	784,879	-	-	(34,170)	(34,170)
Total Business-Type Activities	(2,656,125)	1,688,648	-	-	(967,477)	(967,477)
Total Primary Government	\$ (7,930,811)	\$ 3,929,852	\$ 304,659	(2,728,823)	(967,477)	(3,696,300)
General Revenues:						
Property Taxes				414,963	-	414,963
Surtax				1,207	-	1,207
Railroad and Utility Tax				28,412	-	28,412
Sales and Use Tax				2,091,812	1,702,903	3,794,715
Franchise Taxes				313,251	-	313,251
Motor Fuel Taxes				40,253	-	40,253
Insurance Premium Refund				33,609	241	33,851
Utility Relocation				-	(273,910)	(273,910)
Equipment and Materials Sales				-	624	624
Right of Way Lease				6,430	-	6,430
Interest				5,856	18,780	24,636
Surplus Property				3,930	-	3,930
Miscellaneous				8,344	13,446	21,789
Total General Revenues				2,948,068	1,462,083	4,410,151
Changes in Net Position				219,245	494,606	713,851
Net Position - Beginning				1,881,585	4,539,179	6,420,764
Net Position - Ending				\$ 2,100,830	\$ 5,033,786	\$ 7,134,616

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, 2020

	Special Revenue Funds				Total Governmental Funds
	General Fund	Transportation Fund	Special Allocation Fund	Debt Service Fund	
ASSETS					
Cash on Hand	\$ 350	\$ -	\$ -	\$ -	\$ 350
Cash in Checking	923,043	306,708	239,308	171,285	1,640,344
Cash and Cash Equivalents - Bond Reserves	-	-	-	1,114	1,114
Cash - DWI Recoupment	59,737	-	-	-	59,737
Cash - CDBG	100	-	-	-	100
Cash - Fines and Bonds	16,711	-	-	-	16,711
Cash - Capital Improvements	-	502	-	-	502
Certificates of Deposit	254,966	156,736	-	-	411,702
Due From Other Funds	-	-	668	-	668
TOTAL ASSETS	\$ 1,254,907	\$ 463,946	\$ 239,977	\$ 172,399	\$ 2,131,229
LIABILITIES					
Court Bonds	\$ 3,312	\$ -	\$ -	\$ -	\$ 3,312
Property Tax	14,819	-	-	-	14,819
Payroll Withholdings	3,233	318	-	-	3,551
Sheriff's Retirement	333	-	-	-	333
Crime Victim Fund-State	791	-	-	-	791
Police Training-State	111	-	-	-	111
Employee Coca-Cola Vending	591	-	-	-	591
Due To Business-Type Activities	668	-	-	-	668
Excavation Deposit	-	6,000	-	-	6,000
CADV	222	-	-	-	222
TOTAL LIABILITIES	24,081	6,318	-	-	30,399
FUND BALANCES					
Restricted	1,829	457,628	239,977	172,399	871,833
Unassigned	1,228,997	-	-	-	1,228,997
TOTAL FUND BALANCES	1,230,826	457,628	239,977	172,399	2,100,830
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,254,907	\$ 463,946	\$ 239,977	\$ 172,399	\$ 2,131,229

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, 2020

	General Fund	Special Revenue Funds		Debt Service Fund	Total Governmental Funds
		Transportation Fund	Special Allocation Fund		
REVENUES:					
Property Taxes	\$ 189,121	\$ -	\$ -	\$ 225,842	\$ 414,963
Surtax	1,207	-	-	-	1,207
Railroad and Utility Tax	28,412	-	-	-	28,412
Sales Tax	1,388,649	681,161	-	-	2,069,811
Franchise Tax	313,251	-	-	-	313,251
TIF Sales Tax	-	-	1,416,747	-	1,416,747
TIF Pilots	-	-	330,278	-	330,278
CID Revenue	-	-	44,192	-	44,192
CID Eats	-	-	44,192	-	44,192
Motor Vehicle Sales Tax and Fees	-	22,002	-	-	22,002
Gas Tax	-	40,253	-	-	40,253
Right of Way Lease	-	6,430	-	-	6,430
Trash Pick-Up	-	15,000	-	-	15,000
City Licenses and Permits	38,898	-	-	-	38,898
Police Department	145,304	-	-	-	145,304
Court	138,367	-	-	-	138,367
Planning and Zoning	61,031	-	-	-	61,031
Administrative Fees	211,325	-	-	-	211,325
Miscellaneous	5,586	2,637	-	121	8,344
HBSRD - Reimbursements	-	4,659	-	-	4,659
Water and Transportation Administration Fees	95,000	-	-	-	95,000
Surplus Property	-	3,930	-	-	3,930
Insurance Proceeds/Premium Reimbursement	-	33,609	-	-	33,609
Recycling	-	520	-	-	520
Excavation Permit Fee	-	350	-	-	350
Total Revenues	<u>2,616,149</u>	<u>810,552</u>	<u>1,835,409</u>	<u>225,964</u>	<u>5,488,074</u>
EXPENDITURES:					
Administration and Management	1,255,922	-	-	-	1,255,922
Dispatch	247,836	-	-	-	247,836
Police Department	834,307	-	-	-	834,307
Court	91,634	-	-	-	91,634
Planning and Zoning	78,909	-	-	-	78,909
Street	-	720,385	-	-	720,385
TIF Expenses	-	-	1,702,712	-	1,702,712
CID Expenses	-	-	85,939	-	85,939
Total Expenditures	<u>2,508,609</u>	<u>720,385</u>	<u>1,788,651</u>	<u>-</u>	<u>5,017,645</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	107,541	90,167	46,758	225,964	470,429

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, 2020

	Special Revenue Funds			Debt Service Fund	Total Governmental Funds
	General Fund	Transportation Fund	Special Allocation Fund		
OTHER FINANCING SOURCES (USES):					(Continued)
Debt Service:					
Mockingbird/Shorewood/W-26 Bonds	\$ -	\$ -	\$ -	\$ (11,140)	\$ (11,140)
Eagle/Rosco Bond	-	-	-	(18,650)	(18,650)
Osage National NID Bond	-	-	-	(221,725)	(221,725)
Knox Point	-	-	-	(5,526)	(5,526)
Interest Income	4,180	958	585	133	5,856
Transfers In	-	502	-	25,826	26,328
Transfers Out	(25,826)	-	-	(502)	(26,328)
Total Other Financing Sources (Uses)	<u>(21,646)</u>	<u>1,460</u>	<u>585</u>	<u>(231,585)</u>	<u>(251,185)</u>
NET CHANGE IN FUND BALANCE	85,895	91,627	47,344	(5,621)	219,245
FUND BALANCE, BEGINNING OF YEAR	<u>1,144,931</u>	<u>366,001</u>	<u>192,633</u>	<u>178,021</u>	<u>1,881,585</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,230,826</u>	<u>\$ 457,628</u>	<u>\$ 239,977</u>	<u>\$ 172,399</u>	<u>\$ 2,100,830</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, 2020

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,789,882	\$ 434,363	\$ 2,224,246
Restricted Assets:			
Cash and Cash Equivalents - Payroll Withholdings	298	1,070	1,368
Cash and Cash Equivalents - Sales Tax	41	5,405	5,446
Cash and Cash Equivalents - Water Primacy	-	330	330
Cash and Cash Equivalents - Bond Reserves	-	357,477	357,477
Cash and Cash Equivalents - Capital Improvements	2,451,611	-	2,451,611
Cash and Cash Equivalents - Customer Deposits	55,543	55,702	111,245
Due from Other Funds	-	41	41
Total Assets	<u>4,297,375</u>	<u>854,387</u>	<u>5,151,763</u>
LIABILITIES			
Current Liabilities:			
Payable from Restricted Assets:			
Payroll Withholdings	298	1,070	1,368
Due to Other Funds	41	-	41
Sales Tax	-	5,405	5,405
Water Primacy	-	330	330
Customer Deposits	55,137	55,696	110,833
Total Liabilities	<u>55,476</u>	<u>62,500</u>	<u>117,976</u>
NET POSITION			
Restricted for Debt Service	-	357,477	357,477
Restricted for Capital Improvements	2,451,611	-	2,451,611
Restricted for Customer Deposits	406	6	413
Restricted for Due (To) From Other Funds	-	41	41
Unrestricted	1,789,882	434,363	2,224,246
Total Net Position	<u>\$ 4,241,899</u>	<u>\$ 791,887</u>	<u>\$ 5,033,786</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, 2020

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
OPERATING REVENUES:			
User Fees/Impact Fees	\$ 770,056	\$ 783,774	\$ 1,553,831
Miscellaneous Income	13,446	450	13,896
Trash	133,713	-	133,713
Recycling	-	655	655
Total Operating Revenues	917,215	784,879	1,702,093
OPERATING EXPENSES:			
Salaries	176,889	167,835	344,724
Payroll Taxes	13,139	11,668	24,807
Health Insurance	30,445	27,559	58,005
Retirement	15,267	15,266	30,533
Treatment Plant	74,164	-	74,164
Supplies	911	1,085	1,997
Sewer/Water Supplies	29,626	43,116	72,742
Uniforms	312	2,459	2,771
Equipment	53,674	8,691	62,365
Utilities	2,815	701	3,517
Telephone	2,438	2,163	4,601
Trash	126,890	-	126,890
City Engineer	2,331	-	2,331
Financials	-	300	300
Legal	1,250	1,250	2,500
Vehicle	16,080	12,120	28,199
Repairs and Maintenance	7,015	2,845	9,859
Capital Outlay	21,866	-	21,866
Administration and Management	205,000	95,000	300,000
Insurance	31,782	21,532	53,315
Miscellaneous	3,834	120	3,954
Public Relations	2,333	1,862	4,196
Dues and Contributions	3,166	165	3,331
Ads and Notice	-	95	95
Medical	15,020	-	15,020
Missouri One Call	615	615	1,229
Sewer Electric Pumps	70,143	-	70,143
Grinder Pumps-Commercial	25,200	-	25,200
Grinder Pumps-Residential	19,000	-	19,000
Water Electric Pumps	-	29,505	29,505
Water Line Repair	-	11,830	11,830
Water Meters	-	12,696	12,696
Water Extension/Mockingbird	-	2,057	2,057
Employee Drug Screening	-	361	361
Total Operating Expenses	951,205	472,896	1,424,101
Net Operating Income (Loss)	(33,990)	311,983	277,992
NON-OPERATING REVENUES (EXPENSES)			
Bond Payments	(348,423)	(230,252)	(578,675)
Insurance Premium Refund	241	-	241
Capital Purchases and Improvements	(60,608)	(115,901)	(176,508)
City Engineer	(14,813)	-	(14,813)
TIF Sales Tax	(387,712)	-	(387,712)
Lift Stations	(74,317)	-	(74,317)
Utility Relocation	(163,664)	(110,247)	(273,910)
Equipment and Materials Sales	624	-	624
Sales Tax - Capital Improvement	1,362,323	-	1,362,323
Sales Tax - Sewer Operations	340,580	-	340,580
Interest Income	16,338	2,441	18,780
Total Non-Operating Revenues (Expenses)	670,572	(453,958)	216,614
Changes in Fund Net Position	636,581	(141,975)	494,606
Total Fund Net Position - Beginning	3,605,318	933,862	4,539,179
Total Fund Net Position - Ending	\$ 4,241,899	\$ 791,887	\$ 5,033,786

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, 2020

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 917,215	\$ 784,879	\$ 1,702,093
Payments to Suppliers	(715,581)	(304,923)	(1,020,504)
Payments to Employees	(235,740)	(167,835)	(403,575)
Receipts of Customer Utility Deposits	7,139	50	7,189
Net Cash Provided (Used) by Operating Activities	<u>(26,968)</u>	<u>312,171</u>	<u>285,203</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Bond Payments	(348,423)	(230,252)	(578,675)
Insurance Premium Refund	241	-	241
City Engineer	(14,813)	-	(14,813)
Capital Improvements	(60,608)	(115,901)	(176,508)
Due To/From Other Funds	10,846	(41)	10,805
TIF Sales Tax	(387,712)	-	(387,712)
Lift Stations	(74,317)	-	(74,317)
Utility Relocation	(163,664)	(110,247)	(273,910)
Equipment and Materials Sales	624	-	624
Sales Tax	1,702,903	-	1,702,903
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>665,079</u>	<u>(456,440)</u>	<u>208,639</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	16,338	2,441	18,780
Net Cash Provided (Used) by Investing Activities	<u>16,338</u>	<u>2,441</u>	<u>18,780</u>
Net Increase in Cash and Cash Equivalents	654,449	(141,827)	512,622
Balance - Beginning of Year	<u>3,642,926</u>	<u>996,174</u>	<u>4,639,100</u>
Balance - End of Year	<u>\$ 4,297,375</u>	<u>\$ 854,347</u>	<u>\$ 5,151,722</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (33,990)	\$ 311,983	\$ 277,992
Change in Assets and Liabilities:			
Payroll Withholdings	(117)	11	(106)
Sales Tax	-	120	120
Water Primacy	-	8	8
Customer Deposits	7,139	50	7,189
Net cash provided by operating activities	<u>\$ (26,968)</u>	<u>\$ 312,171</u>	<u>\$ 285,203</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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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>Restricted</u>	<u>Current Restricted Requirement</u>	<u>Excess (Shortage)</u>
Accounts Held by City			
Water - Debt Service Revenue	\$ 82,486	\$ 80,000	\$ 2,486
Water – Depr. and Replacement	77,633	75,000	2,633
Water System P and I Account	<u>197,357</u>	<u>144,318</u>	<u>53,039</u>
	<u>\$ 357,477</u>	<u>\$ 299,318</u>	<u>\$ 58,158</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 \$7,282,283, and the bank balance was \$7,455,146. Of the bank balance, \$250,100, was covered by the Federal Depository Insurance Corporation (FDIC) and \$7,205,046, 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, 2020

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>
1/4/2021	0.10%	\$ 55,881
1/4/2021	0.10%	31,798
1/4/2021	0.22%	97,192
1/4/2021	0.10%	50,562
1/4/2021	0.10%	20,402
1/4/2021	0.10%	50,654
1/4/2021	0.10%	50,562
1/4/2021	0.05%	101,559
1/13/2021	0.10%	20,257
1/13/2021	0.05%	116,725
1/13/2021	0.10%	75,971
1/19/2021	0.22%	25,565
1/21/2021	0.10%	25,000
1/22/2021	0.10%	25,000
1/25/2021	0.10%	20,221
1/25/2021	0.10%	10,111
1/25/2021	0.20%	51,081
1/25/2021	0.20%	76,622
1/27/2021	0.10%	40,592
1/27/2021	0.10%	20,190
2/12/2021	0.10%	30,386
2/22/2021	0.20%	10,199
2/22/2021	0.20%	10,199
2/22/2021	0.20%	50,994
3/22/2021	0.15%	30,388
3/22/2021	0.15%	50,856
3/23/2021	0.15%	25,000
3/29/2021	0.15%	137,880
10/7/2021	0.25%	71,607
10/19/2021	0.25%	65,259
10/19/2021	0.25%	128,107
10/28/2021	0.20%	367,780
		<u>\$ 1,944,600</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, 2020

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 \$357,477; Capital Improvements of \$2,451,611; and Customer Deposits of \$413.

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, 2020

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	\$ 1,051,000
Additions	-
Reductions	<u>(210,000)</u>
Balance – Ending	<u>\$ 841,000</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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 16,000	\$ 2,500	\$ 18,500
2022	17,000	1,700	18,700
2023	<u>17,000</u>	<u>850</u>	<u>17,850</u>
	<u>\$ 50,000</u>	<u>\$ 5,050</u>	<u>\$ 55,050</u>

Interest expense totaled \$3,250, for the year ended.

CITY OF LAKE OZARK, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 7,000	\$ 4,485	\$ 11,485
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 – 2028	<u>30,000</u>	<u>4,030</u>	<u>34,030</u>
	<u>\$ 69,000</u>	<u>\$ 21,710</u>	<u>\$ 90,710</u>

Interest expense totaled \$4,875, for the year ended.

CITY OF LAKE OZARK, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

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

Long-Term Debt (Continued)

Governmental Activities (Continued)

Capital Projects: (Continued)

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,000	\$ 952	\$ 4,952
2022	4,000	728	4,728
2023	4,000	504	4,504
2024	5,000	280	5,280
	<u>\$ 17,000</u>	<u>\$ 2,464</u>	<u>\$ 19,464</u>

Interest expense totaled \$1,176, for the year ended.

CITY OF LAKE OZARK, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

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. 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 190,000	\$ 28,380	\$ 218,380
2022	200,000	19,505	219,505
2023	215,000	9,853	224,853
2024	100,000	2,400	102,400
	<u>\$ 705,000</u>	<u>\$ 60,138</u>	<u>\$ 765,138</u>

Interest expense totaled \$36,725, for the year ended.

CITY OF LAKE OZARK, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

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	\$ 685,000
Additions	-
Reductions	<u>(211,000)</u>
Balance – Ending	<u>\$ 474,000</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, 2020

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

Long-Term Debt (Continued)

Business-Type Activities (Continued)

SERIES 2012 BONDS:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 185,000	\$ 9,466	\$ 194,466
2022	190,000	3,230	193,230
	<u>\$ 375,000</u>	<u>\$ 12,696</u>	<u>\$ 387,696</u>

SERIES 2013 BONDS:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 32,000	\$ 2,573	\$ 34,573
2022	33,000	1,566	34,566
2023	34,000	527	34,527
	<u>\$ 99,000</u>	<u>\$ 4,666</u>	<u>\$ 103,666</u>

Interest expense totaled \$15,173 and \$3,550, for the Series 2012 bonds and Series 2013 bonds, respectively, for the year ended.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Long-Term Debt (Continued)

Business-Type Activities (Continued)

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 2020 in the amount of \$10,601, based on the interest rate reconciliation for 2019.

The City had an available credit of \$10,378, as of the year ended, based on the interest rate reconciliation for 2020. The City has applied \$10,000, of this credit as an additional principal payment in February 2021. The effect of the pre-payment of \$10,000, 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.

The credit for 2020 was based on the estimated rate used in the amortization schedule of 3.5%. The estimated rate for 2021 remained at 3.5% to reflect the new indexed rate on the MAMU Bonds and general expectations for higher variable rates this year.

CITY OF LAKE OZARK, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

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

Long-Term Debt (Continued)

Business-Type Activities (Continued)

Waste Water – MAMU Lease Purchase – 2005 (Continued)

The financial statements include lease payments totaling \$348,423, for the year ended. This includes required monthly payments totaling \$337,822 in 2020, offset by the interest credits utilized from 2019 of \$10,601, as stated above.

The following is a schedule of future minimum lease payments under the lease. This schedule represents future payments, so the 2021 lease payment total includes the additional \$22,000, applied in February, 2021, (from the \$10,378 credit for the interest rate differential discussed above). The future minimum lease payments are as follows:

	<u>Total</u>
2021	\$ 351,445
2022	349,247
2023	347,373
2024	<u>345,138</u>
Total Lease Payments	1,393,203
Less: Portion Representing Interest And Fees	<u>(78,203)</u>
Total Future Minimum Lease Payments	<u><u>\$ 1,315,000</u></u>

Base rental interest expense totaled \$51,740, 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, 2020

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 value of the future minimum lease payments as are follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 98,377</u>	<u>\$ 2,994</u>	<u>\$101,370</u>
	<u>\$ 98,377</u>	<u>\$ 2,994</u>	<u>\$101,370</u>

CITY OF LAKE OZARK, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5 – INTERFUND TRANSFERS:

Interfund transfers for the year ended consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 25,826
Transportation Fund	502	-
Debt Service Fund	<u>25,826</u>	<u>502</u>
Total	<u>\$ 26,328</u>	<u>\$ 26,328</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

Full-time employees of the City do not contribute to the pension plan. The December 31st statutorily required contribution rates are 9.1% (General) and 6.5% (Police) of annual covered payroll. 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, 2020

NOTE 6 – DEFINED BENEFIT PENSION PLAN: (Continued)

<u>Year Ended</u>	<u>Amount of Employer Contribution</u>	<u>Percentage of Contribution</u>
2020	\$ 108,613	14.8%
2019	114,839	15.6%
2018	103,200	16.2%

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:

	<u>2020</u>
Assessed valuation	
Miller County	\$ 77,496,490
Camden County	<u>9,768,050</u>
Total	<u>\$ 87,264,540</u>

Tax Levy per \$100 Assessed Valuation	
General Fund	<u>\$ 0.2425</u>

The receipts of current and delinquent property taxes during the calendar year aggregated approximately 89% 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.

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.

CITY OF LAKE OZARK, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 \$74,164, 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.

NOTE 12 – SUBSEQUENT EVENTS:

The City has evaluated subsequent events through April 9, 2021, the date which the financial statements were available to be issued.

On March 11, 2020, Coronavirus (“COVID-19”) was declared a pandemic by the World Health Organization. As of the date of this report, any potential effects of COVID-19, whether operational or financial, for the City are unknown. An estimate of the actual effects, whether operational or financial, cannot be reasonably determined as of the date of this report.

OTHER INFORMATION

CITY OF LAKE OZARK, MISSOURI

BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Property Taxes	\$ 180,000	\$ 182,000	\$ 189,121	\$ 7,121
Surtax	1,100	1,207	1,207	-
Railroad and Utility Tax	26,200	28,412	28,412	-
Sales Tax	1,286,115	1,388,649	1,388,649	-
Franchise Tax	326,750	312,162	313,251	1,089
City Licenses and Permits	42,240	38,773	38,898	125
Police Department	135,098	145,409	145,304	(105)
Court	166,100	133,886	138,367	4,481
Planning and Zoning	79,375	61,295	61,031	(264)
Administrative Fees	307,225	308,629	306,325	(2,304)
Miscellaneous	225	3,303	5,586	2,283
Water and Transportation Administration Fees	95,000	95,000	95,000	-
Carry Over	130,000	-	-	-
Total Revenues	<u>2,775,428</u>	<u>2,698,725</u>	<u>2,711,149</u>	<u>12,424</u>
EXPENDITURES:				
Administration and Management	1,207,113	1,293,298	1,255,922	37,376
Dispatch	271,108	254,891	247,836	7,055
Police Department	1,026,020	857,644	834,307	23,337
Court	106,152	91,951	91,634	317
Planning and Zoning	70,189	79,322	78,909	413
Total Expenditures	<u>2,680,582</u>	<u>2,577,106</u>	<u>2,508,609</u>	<u>68,497</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	94,846	121,619	202,541	80,922
OTHER FINANCING SOURCES (USES):				
Interest Income	3,600	4,266	4,180	(87)
Transfers In (Out)	-	-	(25,826)	(25,826)
Total Other Financing Sources (Uses)	<u>3,600</u>	<u>4,266</u>	<u>(21,646)</u>	<u>(25,912)</u>
NET CHANGE IN FUND BALANCE	98,446	125,885	180,895	55,010
FUND BALANCE, BEGINNING OF YEAR	<u>1,144,931</u>	<u>1,144,931</u>	<u>1,144,931</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,243,377</u>	<u>\$ 1,270,816</u>	<u>\$ 1,325,826</u>	<u>\$ 55,010</u>

CITY OF LAKE OZARK, MISSOURI

BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – SPECIAL REVENUE FUND
 TRANSPORTATION FUND
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Sales Tax	\$ 629,472	\$ 681,161	\$ 681,161	\$ -
Motor Vehicle Sales Tax and Fees	20,400	21,600	22,002	402
Gas Tax	42,000	40,000	40,253	253
Right of Way Lease	6,385	6,385	6,430	45
Trash Pick-Up	15,000	15,000	15,000	-
Miscellaneous	750	2,637	2,637	-
HBSRD - Reimbursements	2,800	4,368	4,659	291
Surplus Property	-	3,930	3,930	-
Insurance Proceeds/Premium Reimbursement	-	34,130	33,609	(520)
Recycling	-	-	520	520
Excavation Permit Fee	600	400	350	(50)
Total Revenues	<u>717,407</u>	<u>809,611</u>	<u>810,552</u>	<u>941</u>
EXPENDITURES:				
Street	<u>716,970</u>	<u>772,806</u>	<u>720,385</u>	<u>52,421</u>
Total Expenditures	<u>716,970</u>	<u>772,806</u>	<u>720,385</u>	<u>52,421</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>437</u>	<u>36,805</u>	<u>90,167</u>	<u>53,361</u>
OTHER FINANCING SOURCES (USES)				
Interest Income	900	950	958	8
Transfers In (Out)	-	502	502	-
Total Other Financing Sources (Uses)	<u>900</u>	<u>1,452</u>	<u>1,460</u>	<u>8</u>
NET CHANGE IN FUND BALANCE	1,337	38,258	91,627	53,369
FUND BALANCE, BEGINNING OF YEAR	<u>366,001</u>	<u>366,001</u>	<u>366,001</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 367,338</u>	<u>\$ 404,259</u>	<u>\$ 457,628</u>	<u>\$ 53,369</u>

CITY OF LAKE OZARK, MISSOURI

BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – SPECIAL REVENUE FUND
 SPECIAL ALLOCATION FUND
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
TIF Sales Tax	\$ 1,301,051	\$ 1,443,497	\$ 1,416,747	\$ (26,750)
TIF Pilots	324,000	318,488	330,278	11,790
CID Revenue	58,508	44,703	44,192	(511)
CID Eats	58,509	44,703	44,192	(511)
Carryovers	53,081	-	-	-
Total Revenues	<u>1,795,149</u>	<u>1,851,393</u>	<u>1,835,409</u>	<u>(15,983)</u>
EXPENDITURES:				
TIF Expenses	1,689,631	1,761,431	1,702,712	(58,718)
CID Expenses	106,418	90,711	85,939	(4,771.91)
Total Expenditures	<u>1,796,049</u>	<u>1,852,142</u>	<u>1,788,651</u>	<u>(63,490)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(900)</u>	<u>(749)</u>	46,758	47,507
OTHER FINANCING SOURCES (USES):				
Interest Income	900	745	585	(160)
Total Other Financing Sources (Uses)	<u>900</u>	<u>745</u>	<u>585</u>	<u>(160)</u>
NET CHANGE IN FUND BALANCE	-	(4)	47,344	47,347
FUND BALANCE, BEGINNING OF YEAR	<u>192,633</u>	<u>192,633</u>	<u>192,633</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 192,633</u>	<u>\$ 192,629</u>	<u>\$ 239,977</u>	<u>\$ 47,347</u>

CITY OF LAKE OZARK, MISSOURI
 NOTES TO THE BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED DECEMBER 31, 2020

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	\$2,508,609
Add:	
Prior year accrued liabilities recognized in the current year budget	25,953
Deduct:	
Current year accrued liabilities not recognized in the current year budget	<u>(27,728)</u>
Expenditures, budgetary basis	<u>\$2,506,834</u>
Special Revenue Fund	
<u>Transportation Fund</u>	
Expenditures, Modified Cash Basis	\$ 720,385
Add:	
Prior year accrued liabilities recognized in the current year budget	4,510
Deduct:	
Current year accrued liabilities not recognized in the current year budget	<u>(7,153)</u>
Expenditures, budgetary basis	<u>\$ 717,742</u>

CITY OF LAKE OZARK, MISSOURI
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2020

(Continued)

Special Revenue Fund (Continued)

Special Allocation Fund

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

Add:

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

Deduct:

Current year accrued liabilities not recognized in the
current year budget (1,250)

Expenditures, budgetary basis \$ 1,788,651