

CITY OF OZARK, MISSOURI

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY DATA
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2014

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56-57

City of Ozark Missouri



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To the Honorable Mayor, Members of the City Council, and Citizens of the City of Ozark:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements. The City's financial statements are prepared on an accrual basis of accounting which complies with generally accepted accounting principles (GAAP). These statements are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual financial report of the City of Ozark for the fiscal year ended December 31, 2014.

This report consists of management's representations concerning the finances of the City of Ozark. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Ozark has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Ozark's financial statements in conformity with the accrual basis of accounting. Because the cost of internal controls should not outweigh their benefits, the City of Ozark's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Ozark's financial statements have been audited by Decker & DeGood, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Ozark for the fiscal year ended December 31, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, there was a reasonable basis for rendering an unqualified opinion that the City of Ozark's financial statements for the fiscal year ended December 31, 2014, are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

GASB requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Ozark's MD&A can be found immediately following the report of the independent auditor.

Profile of the Government

The City of Ozark, incorporated on August 3, 1888, has been one of the fastest growing cities in the State of Missouri for the past several years, experiencing explosive population growth of 320% from 1990 to 2010. We are located in the southwestern part of the state, in an area considered to be a top growth area in the state. Ozark lies 10 minutes south of Springfield, the state's third largest city, and 20 minutes north of Missouri's number one tourist destination, Branson. The City of Ozark currently occupies a land area of approximately 12 square miles, and has the ability to service an additional 30.9 square miles outside of our current city limits with public water and sewer infrastructure, an area referred to as the "Urban Service Area." The City of Ozark is empowered to levy a property tax on real properties located within its boundaries, and historically only annexes property when petitioned by landowners.

The City of Ozark operates under the Mayor-Board of Aldermen form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, approving appointments to committees, hiring the city administrator, and approving appointments of certain city officials. The city administrator is responsible for carrying out the policies and ordinances of the governing council, and for overseeing the day-to-day operations of the government. The council is elected on a non-partisan basis. Council members serve two-year staggered terms, with three council members elected every year. The mayor is elected to serve a two-year term. Two council members are elected from each of the city's three wards.

The City of Ozark provides the following services as authorized by its charter: public safety (police), highway and streets, sanitation, wastewater treatment, potable water, capital improvements, emergency management, municipal court, parks & recreation, planning and zoning, and general administrative services.

The annual budget serves as the foundation for the City of Ozark's financial planning and control. Each July, administration starts collecting data necessary to make preliminary revenue estimates for the coming fiscal year. Department heads are required to submit a statement of expected expenditures for the coming fiscal year by the end of August. In September of each year, administration reviews departmental requests, makes final revenue estimates for the coming fiscal year, and begins assembling the City budget in October and November. The city administrator presents this proposed budget to the council, where the council is required to hold public hearings on the proposed budget. The council must adopt a final budget no later than December 31, the close of the City of Ozark's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Amendments to the budget must be approved by the governing council. Budget-to-actual comparisons are provided in this report for each individual department within the General Fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Ozark operates.

Local economy

Ozark offers a combination of rural beauty combined with urban land uses which provide for a diverse economic climate. The community boasts quality of life amenities such as the Finley River Valley and its surrounding natural beauty, various housing options for families, outstanding park and recreation programs and facilities, and school district. The Ozark R-VI School District currently holds an A rating from the State Department of Elementary and Secondary Education with a total enrollment of approximately 5,550 students. Located along Highway 65, the City includes three fully functioning commercial interchanges which all connect to available development property. Because of our geographic location between Springfield and Branson, our "pro-business" approach toward managing the city, and our available land and infrastructure, we feel the city shall remain as an attractive location for development in the decades to come.

Although Ozark grew from a population of 5,000 to 18,000 citizens in approximately 15 years, the economic downturn slowed Ozark's growth considerably between 2008 and 2010. However, both residential and commercial building permits have begun to increase again and we have seen a steady growth pattern beginning in 2011 which we feel will continue through 2015 and beyond. We believe Ozark's core quality of life amenities such as an affordable cost of living; affordable cost of development, low crime rate, strong schools, and close proximity to good paying jobs in the City of Springfield will continue to make Ozark a desirable place to live, retire, and raise a family.

The City of Ozark experienced steady growth in both the commercial and residential sectors for several years prior to 2007 before the economy began to weaken. Between 2008 and 2010, building permits for both residential and commercial development declined dramatically. Between 2011-2015, the city has begun to see an increase in permits and business registrations, and the city feels optimistic this trend will continue. Ozark's primary commercial areas exist at the three U.S. Highway 65 interchanges.

- (1) Sixty-Five Marketplace Shopping Center, located at the intersection of 65 and CC Highways on the north end of the City, is anchored by a Price Cutter Plus grocery store, Missouri Furniture store, and Brickstone ACE Hardware. Several restaurants and two gas station/convenience stores are located here, along with banking institutions and many other retail and service businesses. Lamberts Restaurant is located on the south side of CC and draws many tourists off Highway 65 into this commercial area. The Fremont Towne Centre is a commercial subdivision located on the west side of this intersection consisting of several professional office buildings ranging in use from medical to construction services, plus Health MEDX and the Fremont Dental Surgery Center. Many jobs are provided in this area.
- (2) The Ozark Centre shopping area, located at the intersection of 65 and FF Highways at the south end of Ozark, is anchored by a Wal-Mart Super Center and Lowe's. The shopping center also offers retail and service businesses, restaurants, banking institutions, and one gas station. An additional strip mall within this area opened in 2011, and contains several new retail stores. Other uses in this area include a Walgreens Drug Store, Goodwill Retail Store, the Chamber of Commerce offices, the Clark G. Hefner Enterprise Center, and several new restaurants.
- (3) The intersection of Highways 65 and 14 serves as the primary entrance into our Central Business District, a vital commercial area. This area provides both professional and retail services for local citizens and highway travelers consisting of retail establishments, lodging, automotive sales and service, Casey's General Store, several restaurants, several antique retailers, and various financial institutions. Ozark Corners Shopping Center is also located here and is anchored by Chambers Outlet Store and a state of the art newly renovated McDonalds.

B&B Movie Theatres opened the *Ozark/Nixa Cinema 10* in November, 2011 in the Town and Country Commercial Subdivision located just west of the intersection of Highways 65 and 14. The theatre serves as the anchor for an additional 12,000 square feet of retail space housing the Marquee Suites Restaurant and Lounge, Yogurtini Ice Cream Shop, and a regional favorite restaurant, Big Whiskey. This state of the art entertainment venue has digital technology that rivals most movie theaters in the area. For the first time in over forty years, Ozark residents can enjoy major, first run movies without having to drive into the City of Springfield. Also in the Town and Country development is a financial institution and a local high end jewelry store, Mitchem Jewelers. Also coming to this development in a new location is a full service clinic owned and operated by Mercy Health Care, one of the largest medical corporations in the U.S. There are still many lots in this development and new interest for the vacant lots is being generated.

The City continues to aggressively market the Finley River Neighborhood Redevelopment District in the heart of our Central Business District (CBD). The City completed over \$200,000 of upgrades to the area's water and electric infrastructure and in partnership with MoDot completed a \$1.3 million upgrade to the 3rd Street intersection. Included in the intersection project is a new pedestrian sidewalk that links Ozark's Central Business District to the Finley River Park. That portion of the project was funded by a \$200,000 Missouri Foundation of Health grant. Excitement continues to grow from the DREAM grant project which

will be completed in summer of 2015 by the consulting firm PGAV out of St. Louis. The completion of this project will provide the City with a valuable housing market study that will assist potential developers with the information they need to support new building projects. Our continued cooperation with State agencies such as MoDot and the Missouri Finance Board (MFB) will build important relationships that will help us secure future funding when it becomes available.

The City of Ozark is home to the Ozark Technical Community College Richwood Valley Campus serving approximately 1,500 students. This campus hosts Phase One of a pedestrian greenway trail. Phase Two, creating over one mile of trail, is slated for completion in the near future. Eventually, this pedestrian trail will connect to the Finley River Trail the City plans to construct along the banks of the beautiful Finley River.

Major manufacturers: Tracker Marine, boat trailers; Third Street Sportswear, sports apparel; Prestressed Casting Company, industrial concrete products; Concurrent Corporation, computer components; North American Tank, Stainless Steel Tanks; and Health MedEx, medical software developers.

Major retailers: Wal-Mart Super Center is the largest retail business in Ozark, employing approximately 288. Lowe's currently employs approximately 140. Lambert's restaurant employs approximately 217.

Major service businesses: Ozark Riverview Manor and Ozark Nursing and Care Center are major employers in Ozark and provide a valuable service to our senior citizens and their families. Murfins Market, Price Cutter Grocery Stores and Orschelns Farm Supply Company are also major retailers that provide jobs and added tax revenue for the community.

Shoppers in Ozark can choose from historic downtown shops, antique shops and flea markets, or the latest in shopping malls. The City of Ozark was named "Best Place to Go Antique Shopping" in southwest Missouri by Rural Missouri Magazine in 2009. Our antique shops and flea markets are visited annually by an estimated 800,000 visitors.

The City is fortunate to have several dentists, medical physicians' offices, and eye care centers located here. St. Johns Clinics & Physicians and Cox Health Systems currently operate medical clinics within the city.

According to census figures, the City of Ozark's employed labor force is approximately 5,400.

Long-term financial planning.

The new Elk Valley Wastewater Treatment Plant and Interceptor became operational in September, 2009. This project was financed through the State Revolving Fund at 1.9% interest. The addition of this wastewater treatment facility to our sewer system should meet the city's sewer capacity needs well into the future.

The Ozark Community Center (The O.C.) is a beautiful, 30,000 square foot facility and houses the parks & recreation department offices, banquet/meeting rooms, basketball courts, aerobic room, spinning room, arcade, catering facilities, snack bar, and a suspended indoor walking/running track, fitness facilities, indoor pool and other amenities and should meet the recreational needs of our citizens for many years. Phase IV of the Finley River Greenways Trail project was completed in 2009. A portion of this trail meanders alongside the peaceful Finley River behind the Ozark Community Center. A community safe room, funded partially by a FEMA grant, was constructed underneath the O.C. and currently serves the citizens of Ozark as a storm shelter.

The City of Ozark successfully passed an extension of the ½ cent sales tax for parks and storm water on April 5, 2011. This will allow the City to repay its Community Center bond debt and the City refinanced the OC facility in 2014 obtaining lower interest rates than the original loan.

The City of Ozark recently completed a Public Water System Study and Master Plan. Per new DNR

regulations, our current water system is inadequate to handle the current and future users and fire flow pressure requirements. The City has acquired the necessary properties for the purpose of constructing three new water wells and elevated storage tanks. The total cost of required improvements is anticipated to be approximately \$12 million dollars and shall commence over a 5-year period. The Board of Aldermen has already approved a water user fee increase to generate new revenue to satisfy this long term bond debt. This water user fee increase is being phased in over a 3-year period.

A significant challenge to the City of Ozark is finding the necessary revenues to maintain its rapidly deteriorating transportation network. Upkeep and maintenance of existing streets is inadequate and continues to compete with other departments within the General Revenue Fund such as public safety, planning and development services, and other administrative costs. Furthermore, the lack of revenue has kept the City from implementing new transportation capital improvements such as intersection expansions, lane additions, and turn lane extensions which are all needed to support future economic development.

Transportation planning and engineering have become priorities for the City of Ozark in the past few years. The City was successful in obtaining three Safe Routes to School Grants from the Ozark Transportation Organization (OTO), a federally funded program that allows for the construction of new sidewalks, ADA ramps, and driveway replacements between single family neighborhoods, schools, and other important commercial/recreational areas throughout the city. The city completed one Safe Routes to School project in 2013 and a new pedestrian pathway connecting the Community Center to the Highway 65/14 interchange and commercial district was also completed in 2014.

The bulk of new transportation related projects will be paid for by developers or developer agreements.

Cash management policies and practices. Cash temporarily idle during the year is invested in high yield savings or in certificates of deposit with maturities ranging from 30 days to 12 months.

Risk management.

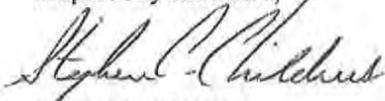
During 2014, the City was insured by Missouri Public Risk (MPR) for Property/Casualty and General Liability coverage and Workers Compensation coverage. The City carries a blanket surety bond on all employees.

Pension and other post-employment benefits. The City of Ozark 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 that provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information.

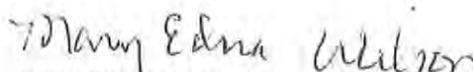
Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire City staff. We would like to thank everyone who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Ozark's finances.

Respectfully submitted,



Stephen C. Childers
City Administrator



Mary Edna Wilson
Finance Director

Unaudited

**CITY OF OZARK, MISSOURI
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2014**

ELECTED OFFICIALS

Mayor	Shane L. Nelson
Councilman – Ward I	Bradley A. Jackson
Councilman – Ward I	Jim Stewart
Councilman – Ward II	Randy Wright
Councilman – Ward II	Ted Smith
Councilman – Ward III	Eddie Campbell
Councilman – Ward III	Christopher Wegley

ADMINISTRATION

City Administrator	Steve Childers
City Attorney	David Collignon
Municipal Judge	Kenneth Johnson
Municipal Court Clerk	Iciminda Snook
City Clerk	Sharon Mickey
Finance Director	Mary Edna Wilson
Police Chief	Lyle Hodges
Public Works/EMA Director	Larry Martin
Park Director	Samantha Wagner

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Ozark, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ozark, Missouri, as of and for the year ended December 31, 2014, 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 accounting principles generally accepted in the United States of America; this includes 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 opinions 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

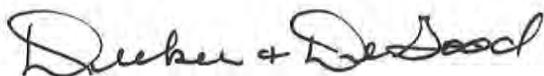
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ozark, Missouri, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 9 through 16 and pages 56 through 57, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The introductory section 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 provided any assurance on it.



Decker & DeGood
Springfield, Missouri
June 19, 2015

City of Ozark Missouri



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Ozark's financial performance provides an overview of the City's financial activities for the year ended December 31, 2014. Please read it in conjunction with the City's financial statements, which begin on page 17.

Financial Highlights and Significant Events

The City's total government-wide revenues exceeded total governmental-wide expenses for the year, resulting in an increase in net position of \$ 2,552,502.

The City successfully completed a refunding of the 2006 & 2007 COP bonds and the 2011 Advance Refunding. A sales tax extension was previously approved by voters to provide for repayment of funds.

Also the City continued to complete the 2013 Water System improvements. An elevated water storage tank was constructed, and also a well and well house. Other improvements are in various stages of planning and construction.

The City's General Fund ended the year with a fund balance of \$ 2,287,172, an increase of \$ 154,800 from the previous year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Ozark's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Ozark's finances, in a manner similar to private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the City. There are two government-wide statements, the statement of net position and the statement of activities, which are described below.

The Statement of Net Position presents information on all of the City's net assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes.)

Both of the government-wide financial statements distinguish functions of the City of Ozark that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, judiciary, public safety, transportation, culture and recreation. The business-type activities include the water, sewer, and solid waste collection systems.

The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law, while others are established to help control and manage money for a particular purpose. The City's two kinds of funds are as follows:

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual method of accounting, which measures cash when earned and expenditures when incurred. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

The City of Ozark adopts an annual budget for its governmental funds and a comparison of actual to budget has been provided to demonstrate compliance with the authorized budget. The Statement of Revenues, Expenditures and Changes in Fund Balance on a Budgetary Basis can be found on pages 56 - 57 of this report.

The basic governmental fund financial statements (Balance Sheet and Statement of Revenues, Expenditures and Change in Fund Balance) can be found on pages 19 and 21.

- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows. The basic proprietary fund financial statements (Statement of Net Position, Statement of Revenues, Expenses

and Changes in Net Position and Statement of Cash Flows) can be found on pages 23 - 25 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 - 55 of this report.

Required Supplemental Information

In addition to the basic financial statements the required supplementary information can be found on pages 56 - 57 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. The City's governmental activities net assets exceeded liabilities by \$ 16.9 million at December 31, 2014. This was an increase from the prior year due to a reduction in operating expenses.

The City's business-type activities net assets exceeded liabilities by \$ 28.7 million at December 31, 2014. This increase was due to a gain in the proprietary funds of \$ 1.0 million.

As of December 31, 2014, net position changed as follows:

	City of Ozark Net Position			
	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Current Assets	\$ 6,685,804	\$ 6,102,391	\$ 17,331,093	\$ 18,408,115
Noncurrent Assets	33,029,281	33,068,257	39,963,164	39,112,873
Total Assets	<u>39,715,085</u>	<u>39,170,648</u>	<u>57,294,257</u>	<u>57,520,988</u>
Deferred outflows	317,948	-	-	-
Current Liabilities	2,619,513	2,926,222	2,806,170	2,626,114
Long-term Debt	20,260,446	20,034,280	25,834,578	27,281,401
Total Liabilities	<u>22,879,959</u>	<u>22,960,502</u>	<u>28,640,748</u>	<u>29,907,515</u>
Net Position:				
Net investment in capital assets	10,957,196	10,591,749	12,847,034	10,420,509
Restricted	2,147,170	1,943,269	9,164,804	10,400,424
Unrestricted	4,048,708	3,155,439	6,641,671	6,792,540
Total net position	<u>\$ 17,153,074</u>	<u>\$ 15,690,457</u>	<u>\$ 28,653,509</u>	<u>\$ 27,613,473</u>

**City of Ozark
Changes in Net Position**

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Revenues:				
Program Revenues:				
Charge for services	\$ 2,239,833	\$ 2,140,970	\$ 7,399,442	\$ 6,675,797
Operating grants and contributions	97,032	125,259	-	-
Capital grants and contributions	560,616	152,082	106,970	496,600
General Revenues:				
Taxes	7,129,502	6,410,750	868,521	794,978
Interest	13,551	16,980	383,414	593,179
Other	62,877	28,937	149,093	(135,780)
Transfers	65,000	282,641	(65,000)	(282,641)
Total Revenue	10,168,411	9,157,619	8,842,440	8,142,133
Expenses:				
Administration	1,145,806	1,062,310	7,802,404	7,298,766
Public Safety	2,690,892	2,848,087	-	-
Parks and recreation	2,707,119	2,531,024	-	-
Streets	1,190,263	641,003	-	-
Interest	995,707	994,263	-	-
Total Expense	8,729,787	8,076,687	7,802,404	7,298,766
Change in Net Position	1,438,624	1,080,932	1,040,036	843,367
Net Position, beginning	15,714,450	14,609,525	27,613,473	26,770,106
Net Position, ending	\$ 17,153,074	\$ 15,690,457	\$ 28,653,509	\$ 27,613,473

Financial Analysis of the Governmental Funds

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

Governmental Funds

The focus of the City of Ozark's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Some significant items are presented below for comparison and analysis.

	Percent of Total	2014	2013	Amount	Change %
Revenues:					
Property taxes	8.96%	\$ 855,095	\$ 765,649	\$ 89,446	11.68%
Franchise fees	6.25%	596,678	545,249	51,429	9.43%
Sales taxes	52.01%	4,965,800	4,461,502	504,298	11.30%
Missouri motor fuel taxes	7.07%	674,993	646,477	28,516	4.41%
Licenses & permits	1.53%	146,519	161,862	(15,343)	-9.48%
Charges for services	15.58%	1,487,520	1,452,929	34,591	2.38%
Fines & forfeitures	5.05%	482,172	467,503	14,669	3.14%
Interest	0.14%	13,551	16,980	(3,429)	-20.19%
Grants	1.82%	174,022	118,414	55,608	46.96%
Miscellaneous	1.58%	151,025	238,963	(87,938)	-36.80%
Total	100.00%	9,547,375	8,875,528	671,847	7.57%
Expenditures:					
General government	11.56%	1,104,399	1,019,583	84,816	8.32%
Police	26.37%	2,519,417	2,426,985	92,432	3.81%
Streets	7.91%	756,113	454,316	301,797	66.43%
Parks	23.91%	2,284,614	2,175,295	109,319	5.03%
Capital outlay	15.97%	1,526,257	1,864,271	(338,014)	-18.13%
Debt service	14.28%	1,364,568	1,396,500	(31,932)	-2.29%
Total	100.00%	9,555,368	9,336,950	218,418	2.34%

A notable change in 2014 is the increase in sales tax revenue of 11.3%. This indicates a healthy local economy.

Also street expenses increased due to the increase in the street improvement project.

Business-type Activities

In reviewing the current to the past year on the waterworks and sewerage fund and solid waste fund, we noted the following:

	2014	2013	Change	
			Amount	%
Waterworks and sewerage				
Revenue	\$ 6,507,932	\$ 5,847,083	\$ 660,849	11.30%
Expense net of Depreciation and interfund	4,020,963	3,565,048	455,915	12.79%
Operating Income	890,563	621,492	269,071	43.29%
Solid waste				
Revenue	891,510	828,714	62,796	7.58%
Expense net of Depreciation and interfund	783,707	738,503	45,204	6.12%
Operating Income	107,803	90,211	17,592	19.50%

In business type activities, the increase to operating income for the Waterworks and Sewerage Fund and the Solid Waste Fund is due to an increase in rates to provide sufficient income to cover debt payments for improvements to the systems and to the reduced time allowed between bills being issued and delinquent dates.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved on December 2, 2014. A schedule of the City's original and final amended budgets compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

CAPITAL ASSET AND DEBT ADMINISTRATION

On December 31, 2014, the City had \$ 103,195,576 invested in capital assets. (See table below). This represents an increase of \$ 3,485,569 from last year.

Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 7,312,643	\$ 7,312,643	\$ 790,000	\$ 790,000	\$ 8,102,643	\$ 8,102,643
Improvements	13,713,628	12,382,753	-	-	13,713,628	12,382,753
Buildings	16,753,697	17,046,457	198,337	198,337	16,952,034	17,244,794
Water system	-	-	14,608,417	14,436,552	14,608,417	14,436,552
Waste system	-	-	43,761,134	43,550,893	43,761,134	43,550,893
Machinery & Equipment	3,734,396	3,565,511	-	-	3,734,396	3,565,511
Construction -in-Progress	-	176,438	2,323,324	250,423	2,323,324	426,861
	<u>\$ 41,514,364</u>	<u>\$ 40,483,802</u>	<u>\$ 61,681,212</u>	<u>\$ 59,226,205</u>	<u>\$ 103,195,576</u>	<u>\$ 99,710,007</u>

This year's additions include:

Land for well	\$ 129,923
Construction in progress for new well	2,145,170
2014 Case 580 backhoe	79,953
Wellington addition	100,060
Rovver X Camera	67,000
Other additions	<u>10,902</u>
Increase in Business-Type Activities	<u>2,533,008</u>
Police cars	77,602
Snow plows	24,550
Improvements to OC pool and rooms	53,652
Park buses	22,000
Other additions	173,277
Street improvements	<u>852,758</u>
Increase in Governmental Activities	<u>1,203,839</u>
Total Increase	<u>\$ 3,736,847</u>

Additional information on the City's capital assets can be found in Note D of the notes to the financial statements of this report.

Debt

At year-end, the City had \$ 46,554,817 in outstanding notes as compared to the prior year of \$ 48,398,560.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue Bonds	\$ -	\$ -	\$ 18,445,000	\$ 19,675,000	\$ 18,445,000	\$ 19,675,000
Special assessment debt	806,437	921,829	1,379,127	1,488,624	2,185,564	2,410,453
Certificates of Participation	18,466,980	18,774,707	7,457,273	7,505,293	25,924,253	26,280,000
Lease Obligations	-	10,056	-	23,051	-	33,107
TOTALS	\$ 19,273,417	\$ 19,706,592	\$ 27,281,400	\$ 28,691,968	\$ 46,554,817	\$ 48,398,560

NOTE: LCRA and PFC Debt are not included here.

Additional information on the City's long-term debt can be found in Note E of the notes to the financial statements of this report.

ECONOMIC FACTORS

The City of Ozark is the county seat of Christian County and is located in one of the fastest growing areas of the state. The population of Ozark has grown approximately 90% in the last decade. Housing starts and business development have continued to improve for the last 3 years.

NEXT YEAR'S BUDGET AND RATES

The City's 2015 budget reflects revenues of \$ 18,263,639 and expenditures of \$ 18,883,776. This budget includes \$ 500,000 for street improvements, and \$660,000 for new storm water control improvements. \$ 207,000 for water line improvements are also included. The 2013 Water Improvement projects are continuing with planning and construction of an additional elevated water storage tower, a stand tank, 2 wells and 2 well houses. This project will be ongoing through 2016. Rates and fees for the water and sewer system are reviewed to ensure adequate collections for debt retirement.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at 205 North 1st Street, Ozark, Missouri.

CITY OF OZARK, MISSOURI

STATEMENT OF NET POSITION

DECEMBER 31, 2014

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 2,231,960	\$ 6,603,504	\$ 8,835,464
Accounts receivable-			
Utilities, net	-	636,339	636,339
Property taxes	610,281	154,631	764,912
Sales taxes	487,389	66,186	553,575
Franchise taxes	109,181	-	109,181
Missouri motor fuel taxes	56,984	-	56,984
Interest	-	254,545	254,545
Internal balances	247	(247)	-
Prepaid expenses	70,042	26,841	96,883
Security deposits	11,776	-	11,776
Restricted assets-cash	3,107,944	9,589,294	12,697,238
Capital assets:			
Land	7,312,643	850,000	8,162,643
Construction in progress	-	2,323,324	2,323,324
Other capital assets, net of accumulated depreciation	25,716,638	36,789,840	62,506,478
Total Assets	39,715,085	57,294,257	97,009,342
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding, net	317,948	-	317,948
LIABILITIES			
Accounts payable	322,921	268,566	591,487
Accrued wages and benefits	114,460	49,033	163,493
Accrued sales tax	-	2,402	2,402
Accrued interest	135,690	515,805	651,495
Customer deposits and bonds	102,236	462,946	565,182
Noncurrent liabilities:			
Amounts due within one year	1,811,639	1,446,822	3,258,461
Amounts due in more than one year:			
Revenue Bonds	-	17,185,000	17,185,000
Note Payables	697,222	1,269,137	1,966,359
Special Obligations	108,665	-	108,665
Capital Lease Obligations and Participations	19,454,559	7,380,441	26,835,000
Compensated absences	132,567	60,596	193,163
Total Liabilities	22,879,959	28,640,748	51,520,707
NET POSITION			
Net investment in capital assets	10,957,196	12,847,034	23,804,230
Restricted for:			
Debt service	2,147,170	2,642,479	4,789,649
Construction projects	-	6,522,325	6,522,325
Unrestricted	4,048,708	6,641,671	10,690,379
Total Net Position	\$ 17,153,074	\$ 28,653,509	\$ 45,806,583

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

CITY OF OZARK MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,086,803	\$ 215,994	\$ 2,600	\$ -	\$ (868,209)	\$ -	\$ (868,209)
Public safety:							
Police	2,641,553	482,172	94,432	-	(2,064,949)	-	(2,064,949)
Court	49,339	-	-	-	(49,339)	-	(49,339)
Economic development	59,003	-	-	-	(59,003)	-	(59,003)
Streets	1,190,263	-	-	560,616	(629,647)	-	(629,647)
Parks and storm water	2,707,119	1,541,667	-	-	(1,165,452)	-	(1,165,452)
Interest on long-term debt	995,707	-	-	-	(995,707)	-	(995,707)
Total governmental activities	8,729,787	2,239,833	97,032	560,616	(5,832,306)	-	(5,832,306)
Business-type activities:							
Water	2,486,968	3,304,906	-	57,800	-	875,738	875,738
Sewer	4,531,729	3,203,026	-	49,170	-	(1,279,533)	(1,279,533)
Sanitation	783,707	891,510	-	-	-	107,803	107,803
Total business-type activities	7,802,404	7,399,442	-	106,970	-	(295,992)	(295,992)
Total Primary Government	\$ 16,532,191	\$ 9,639,275	\$ 97,032	\$ 667,586	(5,832,306)	(295,992)	(6,128,298)
General Revenues							
Taxes:							
Property taxes for general purposes					718,075	-	718,075
Property taxes for park purposes					173,956	-	173,956
Property taxes for debt service					-	176,773	176,773
Franchise taxes					596,678	-	596,678
Sales taxes					4,965,800	691,748	5,657,548
Missouri motor fuel taxes					674,993	-	674,993
Interest on investments					13,551	383,414	396,965
Miscellaneous					24,803	-	24,803
Transfers					65,000	(65,000)	-
Insurance proceeds					22,804	124,688	147,492
Sale of assets					15,270	24,405	39,675
Total general revenues, transfers and special items					7,270,930	1,336,028	8,606,958
Change in net position					1,438,624	1,040,036	2,478,660
Net position beginning, Restated					15,714,450	27,613,473	43,327,923
Net position ending					\$ 17,153,074	\$ 28,653,509	\$ 45,806,583

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

CITY OF OZARK, MISSOURI

BALANCE SHEET-
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

ASSETS	General Fund	Park/ Stormwater Funds	Nonmajor Funds		Total Governmental Funds
			Capital Improvement Fund	PFC & LCRA Debt Service Funds	
Cash and cash equivalents	\$ 921,144	\$ 1,097,966	\$ 180,685	\$ 32,165	\$ 2,231,960
Accounts receivable-					
Real estate taxes	490,273	120,008	-	-	610,281
Sales tax	264,743	156,460	66,186	-	487,389
Franchise tax	109,181	-	-	-	109,181
Missouri motor fuel taxes	56,984	-	-	-	56,984
Due from other funds	176	65,442	667	-	66,285
Prepaid expenses	57,978	12,064	-	-	70,042
Security deposits	-	11,776	-	-	11,776
Restricted assets: Cash and cash equivalents	1,027,358	2,080,586	-	-	3,107,944
Total Assets	\$ 2,927,837	\$ 3,544,302	\$ 247,538	\$ 32,165	\$ 6,751,842
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 256,774	\$ 66,147	\$ -	\$ -	\$ 322,921
Accrued liabilities-					
Wages	88,355	26,105	-	-	114,460
Compensated absences	123,041	9,526	-	-	132,567
Security deposits	82,305	9,000	-	-	91,305
Court bonds	10,931	-	-	-	10,931
Due to other funds	16,013	176	-	49,849	66,038
Total Liabilities	577,419	110,954	-	49,849	738,222
DEFERRED INFLOWS OF RESOURCES					
Unavailable property tax revenue	63,246	15,811	-	-	79,057
FUND BALANCES					
Fund Balances -					
Nonspendable	57,978	12,064	-	-	70,042
Restricted	293,161	3,405,473	247,538	-	3,946,172
Assigned	119,432	-	-	-	119,432
Unassigned	1,816,601	-	-	(17,684)	1,798,917
Total Fund Balances	2,287,172	3,417,537	247,538	(17,684)	5,934,563
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,927,837	\$ 3,544,302	\$ 247,538	\$ 32,165	\$ 6,751,842

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

CITY OF OZARK, MISSOURI
RECONCILIATION OF THE GOVERNMENT FUNDS
BALANCE SHEET TO THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION
DECEMBER 31, 2014

Total Fund Balances-Governmental Funds		\$	5,934,563
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.</p>			
Non-depreciable assets	7,312,643		
Depreciable assets	<u>25,716,638</u>		33,029,281
<p>Revenue that is unearned in the funds financial statement because it is not available and recognized as revenue in the government-wide financial statements.</p>			
			79,057
<p>Long-term liabilities and deferred outflows are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>			
Deferred amount on refunding			317,948
<p>Long-term liabilities at year-end consist of:</p>			
Special obligation	(115,392)		
Certificates of participations	(19,657,727)		
Note payables-PFC and LCRA	(2,298,966)		
Accrued interest	<u>(135,690)</u>		<u>(22,207,775)</u>
Net position of governmental activities		\$	<u><u>17,153,074</u></u>

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

CITY OF OZARK, MISSOURI
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Park/ Stormwater Funds	Nonmajor Funds		Total Governmental Funds
			Capital Improvement Fund	PFC & LCRA Debt Service Funds	
REVENUES					
Taxes:					
Property taxes	\$ 688,342	\$ 166,753	\$ -	\$ -	\$ 855,095
Franchise taxes	596,678	-	-	-	596,678
Sales taxes	2,891,625	1,382,428	691,747	-	4,965,800
Intergovernmental revenue:					
Missouri motor fuel taxes	674,993	-	-	-	674,993
Licenses & permits	146,519	-	-	-	146,519
Charges for services -Park programs	-	1,487,520	-	-	1,487,520
Fines & forfeitures	482,172	-	-	-	482,172
Interest	8,662	4,718	-	171	13,551
Grants	174,022	-	-	-	174,022
Rents	69,475	54,147	-	-	123,622
Donations	2,600	-	-	-	2,600
Miscellaneous	24,212	591	-	-	24,803
Total Revenues	<u>5,759,300</u>	<u>3,096,157</u>	<u>691,747</u>	<u>171</u>	<u>9,547,375</u>
EXPENDITURES					
Current:					
General government	1,045,396	-	-	-	1,045,396
Police	2,471,331	-	-	-	2,471,331
Court	48,086	-	-	-	48,086
Economic development	59,003	-	-	-	59,003
Streets	756,113	-	-	-	756,113
Parks	-	2,284,614	-	-	2,284,614
Capital outlay	1,397,185	129,072	-	-	1,526,257
Debt service:					
Principal retirement	16,493	1,980	-	338,734	357,207
Interest and fiscal agent fees	36,372	614,664	-	87,760	738,796
Bond issuance costs	-	268,565	-	-	268,565
Total Expenditures	<u>5,829,979</u>	<u>3,298,895</u>	<u>-</u>	<u>426,494</u>	<u>9,555,368</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(70,679)</u>	<u>(202,738)</u>	<u>691,747</u>	<u>(426,323)</u>	<u>(7,993)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	613,497	466,693	(548,497)	-	531,693
Transfers out	(433,693)	-	(33,000)	-	(466,693)
Lease payment to PFC and LCRA	(424,828)	-	-	424,828	-
Sale of assets	13,341	1,929	-	-	15,270
Insurance claims	10,436	12,368	-	-	22,804
Capital contribution from developers	446,726	34,300	-	-	481,026
Payment to refunded bond escrow agent	-	(19,695,333)	-	-	(19,695,333)
Premium on debt issuance	-	112,385	-	-	112,385
Issuance of 2014 COP	-	19,350,000	-	-	19,350,000
Total Other Sources (Uses)	<u>225,479</u>	<u>282,342</u>	<u>(581,497)</u>	<u>424,828</u>	<u>351,152</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>154,800</u>	<u>79,604</u>	<u>110,250</u>	<u>(1,495)</u>	<u>343,159</u>
FUND BALANCES - BEGINNING (DEFICIT)	<u>2,132,372</u>	<u>3,337,933</u>	<u>137,288</u>	<u>(16,189)</u>	<u>5,591,404</u>
FUND BALANCES- ENDING	<u>\$ 2,287,172</u>	<u>\$ 3,417,537</u>	<u>\$ 247,538</u>	<u>\$ (17,684)</u>	<u>\$ 5,934,563</u>

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

CITY OF OZARK, MISSOURI
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances--total governmental funds	\$	343,159
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlays		1,526,257
Depreciation		(1,069,537)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the same statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Debt payments of principal		357,207
Cost of refunded debt		232,948
<p>Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measureable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported regardless of when financial resources are available. This is the net adjustment to property tax revenue in converting to the full accrual basis.</p>		
		36,936
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.</p>		
Accrued interest		<u>11,654</u>
Change in net position of governmental activities	\$	<u><u>1,438,624</u></u>

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

CITY OF OZARK, MISSOURI

STATEMENT OF NET POSITION-

PROPRIETARY FUNDS

DECEMBER 31, 2014

<u>ASSETS</u>	<u>Waterworks and Sewerage Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 6,475,191	\$ 128,313	\$ 6,603,504
Receivables:			
Accounts receivables, net	564,782	71,557	636,339
Property taxes	154,631	-	154,631
Interest SRF	254,545	-	254,545
Sales tax	66,186	-	66,186
Due from other funds	441	7,659	8,100
Prepaid expenses	26,841	-	26,841
Total Current Assets	<u>7,542,617</u>	<u>207,529</u>	<u>7,750,146</u>
Noncurrent assets:			
Restricted cash and cash equivalents			
Bond reserves	3,066,969	-	3,066,969
Construction	6,522,325	-	6,522,325
Capital assets:			
Land	850,000	-	850,000
Construction in progress	2,323,324	-	2,323,324
Other capital assets, net of accumulated depreciation	36,789,840	-	36,789,840
Total Noncurrent Assets	<u>49,552,458</u>	<u>-</u>	<u>49,552,458</u>
 Total Assets	 <u>57,095,075</u>	 <u>207,529</u>	 <u>57,302,604</u>
 <u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	268,566	-	268,566
Accrued wages	49,033	-	49,033
Accrued sales tax	2,402	-	2,402
Accrued interest	515,805	-	515,805
Customer deposits	462,946	-	462,946
Due to other funds	8,326	21	8,347
Compensated absences	60,596	-	60,596
Debt due within one year:			
Revenue bonds payable	1,260,000	-	1,260,000
NID bonds payable	109,990	-	109,990
Certificates of participation loan	76,832	-	76,832
Total Current Liabilities	<u>2,814,496</u>	<u>21</u>	<u>2,814,517</u>
Noncurrent liabilities:			
Revenue bonds payable	17,185,000	-	17,185,000
NID bonds payable	1,269,137	-	1,269,137
Certificates of participation loan	7,380,441	-	7,380,441
Total Noncurrent Liabilities	<u>25,834,578</u>	<u>-</u>	<u>25,834,578</u>
Total Liabilities	<u>28,649,074</u>	<u>21</u>	<u>28,649,095</u>
 <u>NET POSITION</u>			
Net investment in capital assets	12,847,034	-	12,847,034
Restricted for-			
Debt reserves	2,642,479	-	2,642,479
Construction projects	6,522,325	-	6,522,325
Unrestricted	6,434,163	207,508	6,641,671
Total Net Position	<u>\$ 28,446,001</u>	<u>\$ 207,508</u>	<u>\$ 28,653,509</u>

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

CITY OF OZARK, MISSOURI
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Waterworks and Sewerage Fund			Solid Waste Fund	Total
	Water Dept.	Sewer Dept.	Total		
OPERATING REVENUES:					
Charges for services	\$ 3,219,640	\$ 3,004,498	\$ 6,224,138	\$ 891,510	\$ 7,115,648
Hookups and reconnect fees	80,300	198,328	278,828	-	278,828
Miscellaneous income	4,966	-	4,966	-	4,966
Total Operating Revenue	<u>3,304,906</u>	<u>3,203,026</u>	<u>6,507,932</u>	<u>891,510</u>	<u>7,399,442</u>
OPERATING EXPENSES:					
Wages and benefits	863,171	1,148,758	2,011,929	-	2,011,929
Insurance	49,675	84,950	134,625	-	134,625
Repairs and maintenance	250,887	396,666	647,553	-	647,553
Utilities	312,097	359,392	671,489	-	671,489
Contracted refuse hauling and other expense	-	-	-	783,707	783,707
All other expense	240,761	314,606	555,367	-	555,367
Depreciation	458,694	1,227,403	1,686,097	-	1,686,097
Total Operating Expenses	<u>2,175,285</u>	<u>3,531,775</u>	<u>5,707,060</u>	<u>783,707</u>	<u>6,490,767</u>
OPERATING INCOME (LOSS)	<u>1,129,621</u>	<u>(328,749)</u>	<u>800,872</u>	<u>107,803</u>	<u>908,675</u>
NON-OPERATING REVENUES (EXPENSES):					
Property taxes	-	176,773	176,773	-	176,773
Sales taxes	-	691,748	691,748	-	691,748
Sale of assets	-	24,405	24,405	-	24,405
Insurance proceeds	-	124,688	124,688	-	124,688
Interest income-checking and savings	-	45,173	45,173	-	45,173
Interest income SRF bond reserves	15,192	323,049	338,241	-	338,241
Interest expense and agent fees	(311,383)	(999,954)	(1,311,637)	-	(1,311,637)
Total Non-operating Revenues (Expenses)	<u>(296,191)</u>	<u>385,882</u>	<u>89,391</u>	<u>-</u>	<u>89,391</u>
INCOME BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>833,430</u>	<u>57,133</u>	<u>890,263</u>	<u>107,803</u>	<u>998,066</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital contributions	57,800	49,170	106,970	-	106,970
Transfers	-	-	-	(65,000)	(65,000)
Total Capital Contributions and Transfers	<u>57,800</u>	<u>49,170</u>	<u>106,970</u>	<u>(65,000)</u>	<u>41,970</u>
CHANGE IN NET POSITION			<u>997,233</u>	<u>42,803</u>	<u>1,040,036</u>
TOTAL NET POSITION - BEGINNING			<u>27,448,768</u>	<u>164,705</u>	<u>27,613,473</u>
TOTAL NET POSITION - ENDING			<u>\$ 28,446,001</u>	<u>\$ 207,508</u>	<u>\$28,653,509</u>

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

CITY OF OZARK, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Waterworks and Sewerage Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 6,408,040	\$ 862,498	\$ 7,270,538
Payments to suppliers	(1,912,199)	(783,707)	(2,695,906)
Payments to employees	(2,005,214)	-	(2,005,214)
Net Cash Provided by Operating Activities	<u>2,490,627</u>	<u>78,791</u>	<u>2,569,418</u>
CASH FLOWS FROM NONCAPITAL ACTIVITIES:			
Transfers (to)	-	(65,000)	(65,000)
Decrease (Increase) in due from other funds	-	104,470	104,470
(Increase) Decrease in due to other funds	(103,987)	(132)	(104,119)
Insurance proceeds	124,688	-	124,688
Property taxes	146,637	-	146,637
Sales taxes	665,019	-	665,019
Net Cash Provided by Noncapital Activities	<u>832,357</u>	<u>39,338</u>	<u>871,695</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Sale of assets	24,405	-	24,405
Capital contributions	106,970	-	106,970
Payments for capital acquisitions	(2,536,388)	-	(2,536,388)
Principal Repayments	(1,410,568)	-	(1,410,568)
Interest paid	(1,016,069)	-	(1,016,069)
Net Cash (Used for) Capital and Related Financing Activities	<u>(4,831,650)</u>	<u>-</u>	<u>(4,831,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest earned	45,173	-	45,173
Net Cash Provided by Investing Activities	<u>45,173</u>	<u>-</u>	<u>45,173</u>
NET CASH (DECREASE) INCREASE FOR THE YEAR	<u>(1,463,493)</u>	<u>118,129</u>	<u>(1,345,364)</u>
CASH AT BEGINNING OF YEAR	<u>17,527,978</u>	<u>10,184</u>	<u>17,538,162</u>
CASH AT END OF YEAR	<u>\$ 16,064,485</u>	<u>\$ 128,313</u>	<u>\$ 16,192,798</u>
SUMMARY OF CASH			
Cash and investments	\$ 6,475,191	\$ 128,313	\$ 6,603,504
Restricted assets-Cash	9,589,294	-	9,589,294
	<u>\$ 16,064,485</u>	<u>\$ 128,313</u>	<u>\$ 16,192,798</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating Income	\$ 800,872	\$ 107,803	\$ 908,675
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation	1,686,097	-	1,686,097
(Increase) Decrease in accounts receivable	(136,083)	(29,012)	(165,095)
(Increase) Decrease in prepaid expenses	(964)	-	(964)
Increase (Decrease) in accounts payable	98,026	-	98,026
Increase (Decrease) in accrued wages	6,715	-	6,715
Increase (Decrease) in other liabilities	(227)	-	(227)
Increase in customer deposits	36,191	-	36,191
Net Cash Provided by Operating Activities	<u>\$ 2,490,627</u>	<u>\$ 78,791</u>	<u>\$ 2,569,418</u>

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

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Ozark, Missouri, (the City) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (U.S. GAAP). The following summary of the more significant policies of the City is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

THE REPORTING ENTITY

The City of Ozark, Missouri, was incorporated August 3, 1888. The City operates under a form of government which is comprised of an elected Board of Aldermen and an elected mayor. As authorized by its charter, the City provides the following services; public safety (police and municipal court), highway and streets, sanitation, public improvements, recreation, zoning and planning, and general administrative services. The accompanying basic financial statements include the transactions of all of the City's funds. The City's funds are established under statutory authority.

Entity status for financial reporting purposes is governed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for the establishment of GAAP in governmental entities. The financial statements of the City present the financial activities of the City and any component units. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's Board or because the component unit will provide a financial benefit or impose a financial burden on the City. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units.

Blended component units

The organizations listed below are, in substance, the same as the Government, despite being legally separate from the Government. Therefore, they are reported as part of the primary government. They have a governing body that is substantially the same as the governing body of the Government; provide services entirely, or almost entirely, to the Government; or otherwise exclusively, or almost exclusively, benefit the Government even though they do not provide services directly to the Government.

Ozark Public Funding Corporation (PFC) – The Ozark Public Funding Corporation of the City of Ozark, Missouri, is a not-for-profit corporation duly organized and existing under the General Not-For-Profit Corporation, Chapter 355 of the Revised Statutes of Missouri, 1986 as amended, for the purpose of benefiting and carrying out the purpose of the City of Ozark, Missouri, by providing for the acquisition, construction, improvement, extension, repair, remodeling, renovation and financing of municipal sites, buildings, facilities, furnishings and equipment for the use of the City.

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

THE REPORTING ENTITY-continued

Land Clearance For Redevelopment Authority of the City of Ozark, Missouri (LCRA) – The LCRA was formed under sections 99.300 to 99.660 or RSMo 1994, the “Land Clearance For Redevelopment Authority Law.” It was approved by voters in February 3, 2004. The LCRA is a legally separate entity whose purpose is to eliminate blight within the City limits by acquiring and preparing land for redevelopment.

The City has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the City’s financial statements. In addition, the City is not aware of any entity which would exercise such oversight which would result in the City being considered a component unit of the entity.

FINANCIAL STATEMENTS PRESENTATION

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City’s governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund financial statements. The fund financial statements report information about the City’s funds. Separate columns are presented for each major governmental fund, major enterprise fund and blended presented component unit fund.

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

General Fund – This fund is the main operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purpose or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds:

Park/Storm Water Funds – These funds are combined under one group heading as they all relate to park improvement and operations and are used exclusively for the following:

Pool Fund – Accounts for taxes received that are legally restricted for pool recreational services, grants and revenues received and expenditures paid for recreational services provide by the pool.

Park Fund – Accounts for taxes received that are legally restricted for recreational services, grants and donations, and revenues received and expenditures paid for recreational service provided by the park department.

Park/Stormwater Sales Tax Fund – Accounts for sales taxes that are legally restricted for use by the park and for storm water control.

Park Impact Fee Fund – Accounts for the park impact fees legally restricted for park equipment and facilities.

The City reports the following major proprietary funds:

Enterprise Funds: Enterprise funds are used to 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:

Waterworks and Sewerage Fund: Accounts for the operation of the water and sewer system of the City.

Solid Waste Fund: Accounts for the operations of the sanitation services of the City.

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following fund types of nonmajor funds:

Capital Improvement Fund – This fund is used exclusively for the revenues of and expense from the ¼ cent capital improvement sales tax legally restricted for various capital improvement projects.

Debt Service Funds – This fund represents the component units PFC and LCRA which receive transfers from the General Fund \$ 428,828 for use in paying the principal and interest on bank loans.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recognized at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable, and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales tax, intergovernmental taxes, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer, and solid waste function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation, the principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE

Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

Cash balances from the majority of funds recorded as restricted accounts are pooled for investment purposes. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund. The investment pools are managed such that all participating funds have the ability to deposit and withdraw cash as if they were demand deposit accounts, and therefore all balances representing participants' equity in the investment pools are classified as cash equivalents for purposes of these statements. For investments which are held separately from the pools, those which are highly liquid (including restricted assets) with an original or remaining maturity of 90 days or less when purchased are considered to be cash equivalents.

For cash flow statement purposes, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Missouri State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements. Investments are stated at fair value.

Due to and due from other funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

All receivables were stated at gross because the amounts were collected within the following 30 days except for solid waste, water and sewer utilities receivable which had no allowances for doubtful accounts as 99% of accounts receivable is collected within the next month. An estimated amount has been recorded for services rendered, but not yet billed, as of the close of the year.

Prepaid items

Payment made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted assets

Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. The bond account is used only for the payment of principal and interest on revenue bonds. The depreciation and replacement account is to be expended only for repairs or replacements to the water and sewer fund. The bond reserve account is to be used only to pay bonds at maturity or interest as it becomes due and to the extent other funds are not available for this purpose.

Certain General Fund monies are classified as restricted assets on the Statement of Net Position and Balance Sheet because their use is limited by covenants of the capital lease agreement. The reserve account is to be used solely for the purpose of making lease payments on the applicable due dates when and to the extent other funds are not available for this purpose. The lease payment account is used only for the payment of the principal and interest on the lease obligation.

Inventories

The City does not maintain material amounts of supplies and maintenance materials; therefore, no inventory amount is reflected in the financial statements. Inventories are recorded as expenditures/expenses at the time of purchase, and, therefore, no balances for inventory on hand are reported in the statements.

Capital Assets and Depreciation

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$ 2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

CITY OF OZARK, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation-continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings	20-50 years
Building improvements	15-20 years
Utility plant and extensions	33-40 years
Infrastructure	10-40 years
Machinery, furniture and equipment	3-10 years
Vehicles	5-10 years

Capitalization of interest

As required by the interest topic of FASB *Accounting Standards Codification* (ASC), the enterprise funds capitalize net interest costs on funds borrowed to finance the construction of capital assets. Interest cost information for the enterprise funds for the year ended December 31, 2014 is as follows:

	Water Department	Sewer Department	Solid Waste Fund
Total interest costs	<u>\$ 311,383</u>	<u>\$ 999,954</u>	<u>\$ -</u>

Bond Premiums/Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, a method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period in which the debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period in which the debt is issued. The face amount of debt issued and any related premiums or discounts are reported as other financing sources/uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures during the year they are incurred.

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price less debt premium. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category, unavailable revenue. The governmental funds report unavailable revenues from one source: real estate taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Obligation for Bond Arbitrage Rebate

Pursuant to Section 148(f) of the U.S. Internal Revenue Code, the City must rebate to the United State Government the excess of interest earned from the investment of certain debt proceeds and pledged revenues over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five year anniversary of the respective debt issue. As of December 31, 2014 the City had no outstanding arbitrage rebate liability.

Vacation, sick leave, and other compensated absences

City employees are entitled to certain compensated absences based on their length of employment. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Pensions

Pension cost is recorded as an expense when submitted to the trustee.

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances-Governmental Funds

As of December 31, 2014, fund balances of the governmental funds are classified as follows:

Non-spendable - This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This classification includes amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - This classification includes amounts that can be used only for specific purposes determined by a formal action by the City Council. Such formal action may be in the form of an ordinance and may only be modified or rescinded by a subsequent formal action.

Assigned - This classification includes amounts that are intended by the City to be used for a specific purpose but are neither restricted nor committed. Assignments may be made only by the government body or official.

Unassigned - This classification represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assigned actions.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position-continued

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The following schedule shows the breakdown of reserves as required by debt issues and capital improvements:

Proprietary Fund Types-Business Type Activities

<u>Waterworks and Sewerage System Fund</u>	<u>Total</u>
Debt reserve	\$ 2,618,104
Depreciation and replacement	<u>24,375</u>
	<u>2,642,479</u>
 Construction projects	 <u>\$ 6,522,325</u>

Governmental Activities

Debt reserves	<u>\$ 2,147,170</u>
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Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 1, of the following year. Valuation for 2014 was \$ 242,101,558 with the levy set at \$.2944 total broken down \$.2355 for General Fund and \$.0589 Parks and Recreation.

Revenue Recognition - Sales Tax authorizations

Sales tax authorizations consist of a one-cent general sales recorded in the General Fund (\$ 2,791,105) plus a Christian County Sales tax (\$ 100,520), ¼ cent capital improvement sales tax (\$ 691,748), ½ cent Park/Stormwater sales tax (\$ 1,382,428) and ¼ cent sewer sales tax for capital improvements (\$ 691,747).

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Earned on SRF Bond Reserves

On the debt issues funded under the State Revolving Funds the City earns interest on reserve accounts established by the Federal Government and State of Missouri which is applied to reduce the required interest payments for the City.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The City is required by Missouri State Law RSMo 105.485 to prepare a budget each year based on estimates of revenues and expected expenditures which include at a minimum a budget message, budget summary, schedule with prior year comparison of estimated revenue and expenditures, schedule of bonded debt obligations and budget approval letter. The accompanying statement of revenues, expenditures and changes in fund balance-budget and actual includes the budgeted expenditures for the year, along with management's estimate of revenues for the year for both the original budget and the final budget which is reflective of any amendments throughout the fiscal year. The legal level of budgetary control is at the total fund level.

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (modified accrual basis) for all governmental funds.

Excess of expenditures over appropriations

For the year ended December 31, 2014, expenditures did not exceed appropriations in any of the Governmental Funds.

Missouri Revised Statutes

RSMo section 302.341 requires the City to annually calculate the percentage of its general revenue that comes from traffic violations. Any such revenues that exceed 30% of total general revenues are required to be transferred to the Director of the Missouri Department of Revenue. In the current year, the City has reported fines and forfeitures, which includes traffic violations and other additional items, in the amount of \$ 482,172. This amount is approximately 8.37% of total general revenues, and, accordingly, the City believes that they are in compliance with the requirements of the Statute.

Bond Reserve Compliance

The City was in compliance with required bonded debt reserves for the year.

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

DETAILED NOTES ON ALL FUNDS

NOTE B – DEPOSITS AND INVESTMENTS

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation.

As of December 31, 2014 the City's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does have a written investment policy covering credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's policy is to limit the length of investments to meet cash flow requirements for ongoing operations, thereby avoiding the need to sell securities before maturity.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City policy is to invest in only those instruments approved by the State of Missouri which have minimal risk.

Custodial Credit Risk is the risk that in the event of a broker/agent failure, securities that are uninsured and not registered in the name of the City and are held by either the counterparty to the transaction or the counterparty's trust department or agent but not in the government's name will not be returned to the City. The City does have a written investment policy on custodial credit risk which all investments are either insured or registered in the City's name and held by the City's agent.

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE C – RESTRICTED ASSETS

For December 31, 2014, restricted cash accounts were as follows:

ENTERPRISE FUND	<u>Restricted Cash</u>	<u>Required Per Bond Agreements</u>
Waterworks and Sewerage Fund		
Debt Reserves	\$ 2,210,708	\$ 1,786,218
Deprecation and replacement Projects	856,261 6,522,325	856,261 -
	<u>\$ 9,589,294</u>	<u>\$ 2,642,479</u>
GOVERNMENTAL ACTIVITIES	<u>Restricted Cash</u>	<u>Required Per Bond Agreements</u>
Park Fund		
Debt reserves	\$ 2,080,586	<u>\$ 2,080,586</u>
General Fund		
Debt reserves	66,584	<u>\$ 66,584</u>
Grants and donations	279,692	
Court	56,425	
Police training	20,164	
Operation reserves	604,493	
	<u>\$ 3,107,944</u>	

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2014 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 7,312,643	\$ -	\$ -	\$ 7,312,643
Construction in progress	176,438	21,940	198,378	-
Subtotal	<u>7,489,081</u>	<u>21,940</u>	<u>198,378</u>	<u>7,312,643</u>
Capital assets, being depreciated:				
Land improvements	12,382,753	1,368,524	37,649	13,713,628
Buildings	16,526,768	226,929	-	16,753,697
Machinery and Vehicles	3,565,511	168,885	-	3,734,396
Subtotal	<u>32,475,032</u>	<u>1,764,338</u>	<u>37,649</u>	<u>34,201,721</u>
Accumulated depreciation:				
Land improvements	2,921,008	479,630	-	3,400,638
Buildings	1,898,319	332,746	-	2,231,065
Machinery and Vehicles	2,596,219	257,161	-	2,853,380
Subtotal	<u>7,415,546</u>	<u>1,069,537</u>	<u>-</u>	<u>8,485,083</u>
Net other capital assets	<u>25,059,486</u>	<u>694,801</u>	<u>37,649</u>	<u>25,716,638</u>
Capital Assets	<u>\$ 32,548,567</u>	<u>\$ 716,741</u>	<u>\$ 236,027</u>	<u>\$ 33,029,281</u>

Depreciation was charged to program/function as follows:

Governmental activities:

General government	\$ 41,407
Police	170,222
Court	1,253
Streets	434,150
Parks	422,505
	<u>\$ 1,069,537</u>

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE D – CAPITAL ASSETS AND DEPRECIATION (Continued)

Business Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 790,000	\$ 60,000	\$ -	\$ 850,000
Construction in progress	250,423	2,169,915	97,014	2,323,324
Total	<u>\$ 1,040,423</u>	<u>\$ 2,229,915</u>	<u>\$ 97,014</u>	<u>\$ 3,173,324</u>
Buildings	\$ 198,337	\$ -	\$ -	\$ 198,337
Water system	14,438,019	188,108	17,710	14,608,417
Waste water system	43,550,893	227,953	17,712	43,761,134
Total	58,187,249	416,061	35,422	58,567,888
Accumulated depreciation	<u>(20,113,332)</u>	<u>(1,686,097)</u>	<u>(21,381)</u>	<u>(21,778,048)</u>
Other capital assets, net of depreciation	<u>\$ 38,073,917</u>			<u>\$ 36,789,840</u>

Depreciation was allocated by program/function as follows:

Water	\$ 458,694
Wastewater	<u>1,227,403</u>
	<u>\$ 1,686,097</u>

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E – LONG-TERM DEBT

Business-type activities

The following is a summary of debt transactions of the City for the year ended December 31, 2014 as it relates to the business type activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount due Within one Year</u>
Revenue Bonds	\$ 19,675,000	\$ -	\$ 1,230,000	\$ 18,445,000	\$ 1,260,000
Cert. of Part.	7,505,293	-	48,020	7,457,273	76,832
NID Bonds	1,488,624	-	109,497	1,379,127	109,990
Lease Obligations	23,051	-	23,051	-	-
Totals	<u>\$ 28,691,968</u>	<u>\$ -</u>	<u>\$ 1,410,568</u>	<u>\$ 27,281,400</u>	<u>\$ 1,446,822</u>
Compensated Absences	<u>\$ 61,835</u>	<u>\$ 91,013</u>	<u>\$ 92,252</u>	<u>\$ 60,596</u>	<u>\$ -</u>
As reported on the financial statement:					
Amount due within one year				\$ 1,446,822	
Amount due in more than one year:					
Revenue bonds				17,185,000	
NID Bonds				1,269,137	
Certificate of participation				<u>7,380,441</u>	
				<u>\$ 27,281,400</u>	

The bond ordinances require that the City establish rates and charges for its water and sewer services, such that the revenues derived from the water and sewer system are sufficient to provide for the payment of principal and interest on the revenue bonds and for the operation and maintenance of the water and sewer system. NID bonds are debt payments are provided by a special assessment property tax and capital leases payment comes from operation and maintenance funds.

State Revolving Fund Program Bonds: The City has \$ 18,120,000 of State Revolving Fund Program Bonds. In conjunction with this issuance, the City entered into an agreement with the Missouri Department of Natural Resources whereby the state of Missouri will advance monies to establish a reserve fund in an amount up to 70% of the outstanding bonds. This reserve fund will serve as collateral on the State Revolving Fund Program Bonds in the event of default and interest earnings on the reserve fund will be used to reduce the City's interest payment on the outstanding bonds. As of December 31, 2014, the reserve fund has approximately \$ 11,653,116.

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E – LONG-TERM DEBT (Continued)

The Proprietary Funds long-term debt as of December 31, 2014 follows:

Revenue Bonds

<p>\$ 3,000,000, 1997D Series, Waterworks and Sewerage System Revenue Bonds due in annual installments of principal ranging from \$ 125,000 to \$ 180,000 and with interest rates ranging from 4.3% to 6.0% payments are made monthly to trustee with the debt maturing January 1, 2018. State Revolving Fund Program.</p>	<p>\$ 705,000</p>
<p>\$ 975,000, 2001A Series, Waterworks and Sewerage System Revenue Bonds due in annual installments of principal ranging from \$ 35,000 to \$ 65,000 and with interest rates ranging from 4.0% to 5.0% payments are made monthly to trustee with the debt maturing January 1, 2022. State Revolving Fund Program.</p>	<p>465,000</p>
<p>\$ 7,980,000, 2006A Series, Waterworks and Sewerage System Revenue Bonds due in annual installments of principal ranging from \$ 305,000 to \$ 480,000 and with interest rates ranging from 4.0% to 5.25% payments are made monthly to trustee with the debt maturing July 1, 2026. State Revolving Fund Program.</p>	<p>5,125,000</p>
<p>\$ 15,125,000, 2007A Series, Waterworks and Sewerage System Revenue Bonds due in annual installments of principal ranging from \$ 495,000 to \$ 2,175,000 and with interest rates ranging from 4.0% to 4.375% payments are made monthly to trustee with the debt maturing January 1, 2028. State Revolving Fund Program.</p>	<p>11,825,000</p>
<p>\$ 435,000, 2012 Series, Combined Waterworks and Sewerage System Refunding Revenue Bonds due in annual installments of principal ranging from \$ 25,000 to \$ 40,000 with interest paid semiannual at rates ranging from 2.3% to 4.0%. Debt matures December 1, 2025.</p>	<p>325,000</p>

<p>Total Business-type debt revenue bonds</p>	<p><u>\$ 18,445,000</u></p>
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CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E – LONG-TERM DEBT (Continued)

The annual requirements to amortize revenue bonded debt as of December 31, 2014 follows:

Year Ending December 31,	Principal	Interest	Total
2015	\$ 1,260,000	\$ 807,903	\$ 2,067,903
2016	1,310,000	750,467	2,060,467
2017	1,360,000	692,624	2,052,624
2018	1,380,000	632,633	2,012,633
2019	1,240,000	568,951	1,808,951
2020-2024	6,760,000	1,910,145	8,670,145
2025-2028	5,135,000	426,346	5,561,346
	<u>\$ 18,445,000</u>	<u>\$ 5,789,069</u>	<u>\$ 24,234,069</u>

Certificate of Participation

\$ 7,815,000, 2013 Series, Refunding Water System Improvement \$ 7,457,273

Certificates of Participation, paying principal annually ranging from \$ 50,000 to \$ 720,000 with stated interest rates of 2.00% to 4.625%. Principal and interest due 5/1 and interest only 11/1 with debt maturing 5/1/2033. \$ 307,727 of debt was issued to the General Fund or 4.12% and the remaining \$ 7,457,273 or 95.88% to the Water Department.

Year Ending December 31,	Water Department		General Fund	
	Principal	Interest	Principal	Interest
2015	\$ 76,832	\$ 282,106	\$ 3,168	\$ 11,632
2016	153,664	279,801	6,336	11,537
2017	345,744	273,078	14,256	11,260
2018	364,952	262,418	15,048	10,820
2019	369,754	251,397	15,246	10,366
2020-2024	2,122,484	1,069,743	87,516	44,108
2025-2029	2,410,604	626,658	99,396	25,839
2030-2033	1,613,469	177,047	66,761	7,300
	<u>\$ 7,457,503</u>	<u>\$ 3,222,248</u>	<u>\$ 307,727</u>	<u>\$ 132,862</u>

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E – LONG-TERM DEBT (Continued)

Neighborhood Improvement District Bonds

\$ 1,165,000 2006 Series Kirkwood Improvement District, Principal paid annually with \$ 58,250 due each year and semiannual interest payments at 4.95% with debt maturing September 1, 2026.	\$ 699,000
\$ 797,500 2006 Series Stonegate Improvement District, Principal paid annually with \$ 39,875 due each year and semiannual interest payments at 4.45% with debt maturing June 30, 2026	478,500
\$ 270,000 2006 Series Laurel Hills Improvement District, Principal paid annually ranging from \$ 10,897 to \$ 19,777 and semiannual interest payments at 4.35% with debt maturing March 1, 2027	201,627
	\$ 1,379,127

Special improvement bonds were issued to pay for sewer improvements and are paid by a special property tax assessment.

The annual requirements to amortize special assessment debt as of December 31, 2014 is as follows:

Year Ending December 31,	Principal	Interest	Total
2015	\$ 109,990	\$ 63,801	\$ 173,791
2016	110,484	58,733	169,217
2017	111,045	45,427	156,472
2018	111,607	48,205	159,812
2019	112,193	42,960	155,153
2020-2024	570,667	135,275	705,942
2026-2027	253,141	17,221	270,362
	\$ 1,379,127	\$ 411,622	\$ 1,790,749

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E – LONG-TERM DEBT (Continued)

Governmental activities

The following is a summary of debt transactions of the City for the year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount due Within one Year
Special Assessment Bonds	\$ 921,829	\$ -	\$ 806,437	\$ 115,392	\$ 6,727
Certificates of Participation	18,774,707	19,350,000	18,466,980	19,657,727	203,168
Capital Lease Obligation	10,056	-	10,056	-	-
PFC & LCRA Notes payable	2,637,700	-	338,734	2,298,966	1,601,744
	<u>\$ 22,344,292</u>	<u>\$ 19,350,000</u>	<u>\$ 19,622,207</u>	<u>\$ 22,072,085</u>	<u>\$ 1,811,639</u>
Compensated absences	<u>\$ 139,292</u>	<u>\$ 177,888</u>	<u>\$ 184,613</u>	<u>\$ 132,567</u>	<u>\$ -</u>

As reported on the financial statement:

Amount due within one year	\$ 1,811,639
Amount due in more than one year:	
Notes payable	697,222
Special Assessment Bonds	108,665
Certificates of Participation	<u>19,454,559</u>
Total	<u>\$ 22,072,085</u>

For governmental activities, liability for compensated absences are generally liquidated by the General Fund.

The Governmental long-term special obligation debt as of December 31, 2014 follows:

\$ 155,000, December 31, 2007, Bluff Drive Community Improvement District Bonds for the purpose of signalization project. Payments are annual of \$11,920 with an interest rate of 4.50%. Debt matures matures July 17, 2027	<u>\$ 115,392</u>
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CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E – LONG-TERM DEBT (Continued)

The annual requirement to amortize special obligation bonded debt as of December 31, 2014 is as follows:

Year Ending December 31,	Principal	Interest	Totals
2015	\$ 6,727	\$ 5,193	\$ 11,920
2016	7,016	4,903	11,919
2017	7,345	4,574	11,919
2018	7,676	4,244	11,920
2019	8,021	3,898	11,919
2020-2024	45,839	13,757	59,596
2025-2027	32,768	2,991	35,759
	<u>\$ 115,392</u>	<u>\$ 39,560</u>	<u>\$ 154,952</u>

The Governmental long-term certification of participation debt as of December 31, 2014 follows:

\$ 19,350,000, 2014 Series, Refunding Certificate of Participation paying principal annually ranging from \$ 200,000 to \$ 2,765,000 with stated interest rates of 2.00% to 4.00%. With Principal and due 9/1 and interest only 3/1 with debt maturing September 1, 2044	\$ 19,350,000
\$ 7,815,000, 2013 Series, Refunding Water System Improvement Certificates of Participation, paying principal annually ranging from \$ 50,000 to \$ 720,000 with stated interest rates of 2.00% to 4.625%. Principal and interest due 5/1 and interest only 11/1 with debt maturing 5/1/2033. \$ 309,767 of debt was issued to the General Fund or 3.96% and the remaining \$ 7,505,233 or 96.04% to the Water Department.	<u>307,727</u>
	<u>\$ 19,657,727</u>

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E – LONG-TERM DEBT (Continued)

The annual requirement to amortize the certificate of participation debt as of December 31, 2014 is as follows:

Year Ending December 31,	Principal	Interest	Totals
2015	\$ 203,168	\$ 825,770	\$ 1,028,938
2016	221,336	821,675	1,043,011
2017	244,256	817,098	1,061,354
2018	255,048	812,058	1,067,106
2019	275,246	806,804	1,082,050
2020-2024	1,667,516	3,895,448	5,562,964
2025-2029	2,339,396	3,489,529	5,828,925
2030-2034	3,196,761	2,882,740	6,079,501
2035-2039	4,180,000	2,137,802	6,317,802
2040-2044	7,075,000	1,099,538	8,174,538
	<u>\$ 19,657,727</u>	<u>\$ 17,588,462</u>	<u>\$ 37,246,189</u>

Component units

The following is a summary of debt transactions of the PFC and LCRA for the year ended December 31, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount due Within one Year</u>
Note payables	<u>\$ 2,637,700</u>	<u>\$ -</u>	<u>\$ 338,734</u>	<u>\$ 2,298,966</u>	<u>\$ 1,601,744</u>
As reported on the financial statement:					
Amount due within one year				\$ 1,601,744	
Amount due in more than one year:					
Note payables				<u>697,222</u>	
Total				<u>\$ 2,298,966</u>	

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E – LONG-TERM DEBT (Continued)

The Component Units note payables debt as of December 31, 2014 follows:

Public Financing Corporation

\$ 886,400 note payable entered into February 25, 2009, for purchase of 2009 land acquisition. Payable with quarterly principal and interest payments of \$ 17,301.65 and annual adjustable interest rate of 3.11%.	<u>\$ 766,864</u>
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Land Clearance for Redevelopment Authority

\$ 170,000 note payable entered into October 31, 2006 for purchase of land known as Wilkerson property. Payable with quarterly principal and interest payments of \$ 5,406.28 and interest rate of 4.60%.	\$ 91,283
\$ 79,000 note payable entered into December 19, 2006 for purchase of 307 W. Brick property. Quarterly principal and interest payments of \$ 2,763.90 at an interest rate of 4.45%.	21,114
\$ 202,000 note payable entered into February 14, 2008 for purchase of 301 N. 3rd Street land acquisition. Quarterly principal and interest payments of \$ 6,213.95 at an interest rate of 4.21%.	30,224
\$ 68,000 note payable entered into January 26, 2007, for purchase of 303 W. Brick Street land. Quarterly principal and interest payments of \$ 2,105.69 at an interest rate of 4.35%.	20,832
\$ 620,000 note payable entered into April 20, 2007, for purchase of land known as O'Reilly, Nalley Property. Quarterly payments of principal and interest of \$ 18,927.07 at an interest rate of 3.99%	240,160

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E – LONG-TERM DEBT (Continued)

Land Clearance for Redevelopment Authority-continued

\$ 500,000 note payable entered into June 1, 2007, for purchase of land at Church and 3rd Street. Quarterly principal and interest payments of \$ 15,366.54 at an interest rate of 4.13%.	193,564
\$ 810,000 note payable entered into October 12, 2007, for purchase of land known as Wiles and Rainery property. Quarterly principal and interest payments of \$ 24,785.92 with an annual adjustable interest rate of 4.04%.	358,361
\$ 665,600 note payable entered into February 25, 2009 for purchase of 2009 land acquisition. Quarterly principal and interest payments of \$ 12,991.85 at an interest rate of 3.11%.	576,564

Total Notes Payable LCRA	\$ 1,532,102

The annual requirement to amortize the note payables as of December 31, 2014 is as follows:

Year Ending December 31,	Principal	Interest	Totals
2015	\$ 1,591,648	\$ 36,105	\$ 1,627,753
2016	269,476	22,370	291,846
2017	261,644	14,454	276,098
2018	176,198	4,309	180,507
	\$ 2,298,966	\$ 77,238	\$ 2,376,204

NOTE F – 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 maintains commercial insurance coverage for property damage and various Missouri Official's bonds. Management believes coverage is sufficient to preclude any significant uninsured losses to the City.

The City did have a settlement for 2013 of \$ 150,378 concerning builders deposit fees.

Then for 2014 due to a settlement, the City's deductible was changed from \$ 5,000 to \$ 100,000.

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE G – DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Ozark 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 governed by statute, section RSMo. 700.600-70.755. As such, it is the system's 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 401a and is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, PO Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Funding Status

Full-time employees of the City of Ozark do not contribute to the pension plan. The June 30th statutorily required contribution rates are 12.0% (General) and 11.4% (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.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 485,346
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>485,346</u>
Actual contributions	<u>485,346</u>
Increase (decrease) in NPO	-
NPO beginning of year	-
NPO end of year	<u><u>\$ -</u></u>

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE G – DEFINED BENEFIT PENSION PLAN (Continued)

The annual required contribution (ARC) was determined as part of the February 29, 2012 and February 28, 2013 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014 included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 year for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at February 29, 2012 was 13 years for the General division and 13 years for the Police division. The amortization period as of February 28, 2013 was 11 years for the General division and 10 years for the Police division.

Three-Year Trend Information

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 504,245	100.0%	-
2013	508,187	100.0%	-
2014	485,346	100.0%	-

CITY OF OZARK, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014

NOTE G – DEFINED BENEFIT PENSION PLAN (Continued)

REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Funding Progress
 (Unaudited)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-1)/c] ULA as a Percentage of Covered Payroll
2/29/2012	\$ 5,234,283	\$ 6,488,023	\$ 1,253,740	81%	\$ 3,779,251	33%
2/28/2013	6,409,618	7,320,951	911,333	88%	3,928,296	23%
2/28/2014	7,484,608	7,626,060	141,452	98%	3,927,586	4%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuation. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

NOTE H – GRANTS

Intergovernmental awards received by the City are subject to audit and adjustment by the grantor agencies. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agencies. No disallowed costs have resulted from this audit and management believes that further examination will not result in any disallowed costs.

NOTE I – CONTINGENCIES

Litigation – Various claims and lawsuits are pending against the City. In the opinion of the City's management, the potential loss on all claims and lawsuits will not be significant to the City's financial statements.

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE J – INTERFUND TRANSFERS

Interfund transfers as follows were used for operations and property lease payments as set forth in the approved budget:

	<u>To</u>	<u>From</u>
Operation transfers:		
General Fund	\$ 65,000	\$ 433,693
Park Fund	433,693	-
Solid Waste	-	65,000
	<u>\$ 498,693</u>	<u>\$ 498,693</u>
Debt service:		
General Fund	\$ -	\$ 424,828
Debt Service Fund	424,828	-
	<u>\$ 424,828</u>	<u>\$ 424,828</u>

NOTE K – INTERFUND TRANSFERS FOR CAPITAL IMPROVEMENTS

During the year, the following funds paid from the Capital Improvement Fund for reimbursements of capital improvements and assets transferred from component units to Waterworks and Sewerage System Fund are as follows:

	<u>To</u>	<u>From</u>
General Fund	\$ 548,497	\$ -
Park/Stormwater Funds	33,000	-
Capital Improvement Fund	-	581,497
	<u>\$ 581,497</u>	<u>\$ 581,497</u>

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE L – RESTATEMENT OF BEGINNING FUND BALANCE/NET POSITION

As of January 1, 2014, the City, reclassified expenditures to cost of completed work in progress thus increasing Net Position of Governmental Activities \$ 23,993 from \$ 15,690,457 to \$ 15,714,450.

NOTE M – TOWER LEASES

The City leases space on the City’s water towers to various wireless providers for the placement of antennae. A total of \$ 53,297 was received during the year ended December 31, 2014 and is reported in the General Fund. For the next five years, scheduled payments to receive are:

2015	\$ 55,510
2016	58,078
2017	59,649
2018	59,649
2019	59,649

NOTE N – BUILDING AND EQUIPMENT LEASE

The City leases fitness equipment for the Park OC Center and the building for Municipal Court. The following is a summary of future lease payments:

	<u>Fitness Equipment</u>	<u>Municipal Building</u>
2015	\$ 61,293	\$ 26,400
2016	61,293	-

CITY OF OZARK, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE O – CONSTRUCTION IN PROGRESS

Construction in progress is authorized by actions of the City Council (governing body). A summary of construction in progress as of December 31, 2014 is as follows:

Project	Cost of Project	Construction in Progress	Remaining Cost to Complete
Waterworks and Sewerage Fund			
2013 Water Improvements	\$ 6,500,000	\$2,228,826	\$ 4,271,174
Highway J Bore	298,900	20,082	278,818
Olsson 7th Street Lift Station	500,000	74,416	425,584
	<u>\$ 7,298,900</u>	<u>\$2,323,324</u>	<u>\$ 4,975,576</u>

NOTE P – ADVANCE REFUNDING

On June 1, 2014, the City issued (\$ 19,350,000) the 2014 Refunding Certificates of Participation at an interest rate of 2.00% to 4.00% for refunding of the 2011 Special Obligation Bonds \$ 800,000, 2006 Certificates of Participation \$ 4,385,000 and the 2007 Certificates of Participation \$ 14,080,000. The bonds were issued at a premium of \$ 112,274 with a debt issuance cost of \$ 268,565. Net savings on the bonds were estimated as \$ 574,826.15.

NOTE Q – FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, will require the City to record net pension obligation on the government-wide statement of net position and proprietary fund. Net pension obligation equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. GASB 68 may also require changes to the projection of benefit payments and the rate used to discount the projected benefit payments. GASB 68 will be effective for the City for the year ending December 31, 2015. The City has not yet determined the potential impact, if any; this statement could have on its financial statement.

CITY OF OZARK, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUES	General Fund			
	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Taxes:				
Property taxes	\$ 602,936	\$ 609,484	\$ 688,342	\$ 78,858
Franchise taxes	510,000	564,716	596,678	31,962
Sales taxes	2,549,400	2,739,903	2,891,625	151,722
Intergovernmental:				
Missouri motor fuel taxes	634,400	650,006	674,993	24,987
Licenses & permits	132,300	139,660	146,519	6,859
Fines & forfeitures	446,000	461,163	482,172	21,009
Interest	8,351	8,528	8,662	134
Grants	24,200	112,322	174,022	61,700
Rents	54,050	61,050	69,475	8,425
Donations	5,000	5,000	2,600	(2,400)
Miscellaneous	9,200	29,200	24,212	(4,988)
Total Revenues	<u>4,975,837</u>	<u>5,381,032</u>	<u>5,759,300</u>	<u>378,268</u>
EXPENDITURES				
Current:				
General government	1,083,025	1,114,756	1,045,396	69,360
Police	2,551,270	2,477,931	2,471,331	6,600
Court	45,350	50,578	48,086	2,492
Economic development	82,000	82,000	59,003	22,997
Street	848,070	839,070	756,113	82,957
Capital outlay	616,499	1,275,827	1,397,185	(121,358)
Debt service:				
Principal	20,000	20,000	16,493	3,507
Interest and fees	8,163	10,524	36,372	(25,848)
Total Expenditures	<u>5,254,377</u>	<u>5,870,686</u>	<u>5,829,979</u>	<u>40,707</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(278,540)</u>	<u>(489,654)</u>	<u>(70,679)</u>	<u>418,975</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(238,721)	(184,750)	(245,024)	(60,274)
Capital contributions	-	499,080	446,726	(52,354)
Insurance proceeds	-	10,436	10,436	-
Sale of assets	-	-	13,341	13,341
	<u>(238,721)</u>	<u>324,766</u>	<u>225,479</u>	<u>(99,287)</u>
EXCESS OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND (USES)	<u>\$ (517,261)</u>	<u>\$ (164,888)</u>	<u>154,800</u>	<u>\$ 319,688</u>
FUND BALANCES - BEGINNING			<u>2,132,372</u>	
FUND BALANCES - ENDING			<u>\$ 2,287,172</u>	

CITY OF OZARK, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUES	Park/Stormwater Funds			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Taxes:				
Property taxes	\$ 145,050	\$ 146,800	\$ 166,753	\$ 19,953
Sales taxes	1,410,864	1,476,234	1,382,428	(93,806)
Charge for services	1,389,800	1,397,498	1,487,520	90,022
Interest	7,000	4,500	4,718	218
Rents	38,000	47,000	54,147	7,147
Donations	-	34,300	-	(34,300)
Miscellaneous	-	-	591	591
Total Revenues	<u>2,990,714</u>	<u>3,106,332</u>	<u>3,096,157</u>	<u>(10,175)</u>
Current:				
Administration park department	2,389,402	2,339,619	2,284,614	55,005
Capital outlay	345,000	114,000	129,072	(15,072)
Debt service:				
Principal	590,000	-	1,980	(1,980)
Interest and fees	866,616	617,800	614,664	3,136
Bond issuance costs	-	268,565	268,565	-
Total Expenditures	<u>4,191,018</u>	<u>3,339,984</u>	<u>3,298,895</u>	<u>41,089</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(1,200,304)	(233,652)	(202,738)	30,914
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	426,746	307,195	466,693	159,498
Sale of assets	-	-	1,929	1,929
Insurance claims	-	-	12,368	12,368
Capital contributions	-	-	34,300	34,300
Refunded debt transactions	-	(232,948)	(232,948)	-
EXCESS OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND (USES)	<u>\$ (773,558)</u>	<u>\$ (159,405)</u>	79,604	<u>\$ 239,009</u>
FUND BALANCES - BEGINNING			<u>3,337,933</u>	
FUND BALANCES - ENDING			<u>\$ 3,417,537</u>	