

CITY OF OZARK, MISSOURI

AUDIT REPORT

DECEMBER 31, 2011

CITY OF OZARK, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	1 – 5
Elected Officials and Administration	6
 FINANCIAL SECTION	
Independent Auditor’s Report	7 – 8
 REQUIRED SUPPLEMENTARY INFORMATION	
Management’s Discussion and Analysis.....	9 – 23
 BASIC FINANCIAL STATEMENTS	
<i>Government-Wide Financial Statements</i>	
Statement of Net Assets	24
Statement of Activities	25
 <i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds.....	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	27 – 28
Statement of Net Assets – Proprietary Funds.....	29
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	30 - 31
Statement of Cash Flows – Proprietary Funds	32
Notes to Basic Financial Statements.....	33 – 75
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund.....	76
Budgetary Comparison Schedule – Capital Improvement Fund.....	77
Budgetary Comparison Schedule – Park/Stormwater Sales Tax Fund.....	78
Notes to Required Supplementary Information – Budgetary Comparison Schedules	79

CITY OF OZARK, MISSOURI

TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Nonmajor Governmental Funds.....80

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds.....81

Budgetary Comparison Schedule –
Nonmajor Special Revenue Funds.....82 – 83

Budgetary Comparison Schedule –
Waterworks and Sewerage Fund84

Budgetary Comparison Schedule –
Solid Waste Fund.....85

Statement of Net Assets –
Component Units86

Statement of Revenues, Expenses and Changes in Fund Net Assets –
Component Units87

Tax Assessment Information.....88

FEDERAL COMPLIANCE

Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*89 – 90

Schedule of Findings and Responses91

INTRODUCTORY SECTION

City of Ozark, Missouri

Office of Administration



P.O. Box 295
Ozark, Missouri 65721

Fax 417-581-0575
Phone 417-581-2407

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, 2011.

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 The Whitlock Company, 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, 2011, 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, 2011, are fairly presented in conformity with the accrual basis of accounting. 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 auditors.

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 15 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 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 economic, educational, and cultural opportunities for its citizens. Located at the crossroads of Highways 65 and 14, it is surrounded by rolling hills and beautiful scenery. Ozark is a thriving community that enjoys a small-town feel with all the amenities of being in a metropolitan area. The City experienced rapid growth in its residential development in recent years, however, the reduction in residential building permits and overall economic downturn has slowed Ozark's growth considerably in the last four years. Although the city does not expect in the near future to return to the rapid residential growth rates we experienced prior to 2008, we believe Ozark's quality of life amenities such as affordable cost of living; low crime rate; strong, A+ rated school district; and surrounding natural beauty will continue to make Ozark a desirable place to live, retire, and raise a family in this active and progressive town.

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. Throughout 2011, the city experienced a slight increase in permits and business registrations, and the city feels optimistic this trend will continue throughout 2012 and 2013. Ozark's primary commercial areas exist at 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 Care First and the newly constructed Fremont Dental 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 this year and contains several new stores including Hibbett's Sporting Goods, Maurice's, Fantastic Sam's Hair Salon, Moody Blue Clothing Company and Hometown Sports.
- (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, automotive sales and service, Casey's General Store, several restaurants, and various financial institutions. Ozark Corners Shopping Center is also located here and is anchored by Orscheln's Farm and Home Supply and a McDonalds which is soon to be completely renovated to meet LEED architectural standards.

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 and Yogurtini Ice Cream Shop. 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. The City believes the recent opening of the *Ozark/Nixa Cinema 10* will generate interest in additional retail development in this commercial area as there are plenty of available "shovel ready" lots.

The City continues to aggressively market the Finley River Neighborhood Redevelopment District in the heart of our Central Business District (CBD). Although it has been difficult to find new developers/users in the current economic climate, our efforts to implement our redevelopment plan have not wavered. A growing level of excitement has been generated within our Central Business District due to our second year of participating in the State of Missouri's DREAM grant program which we received in 2010. The DREAM program continues to provide the City of Ozark with direct access and support from the Department of Economic Development and Missouri Finance Board (MFB), as well as help in supporting our applications for funding from other state agencies. For example, the City of Ozark was successful in working with the Missouri Department of Transportation to secure transportation funding to improve Third Street, the primary roadway providing access to our CBD. This project is estimated to cost over \$1.3 million dollars and will provide additional driving lanes, turn lanes, signalization, and pedestrian sidewalks for this congested area of our community.

The City of Ozark is home to the Ozark Technical Community College Richwood Valley Campus serving nearly 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; Simclair Corporation, computer components; Intrinsic Audio Solutions, Inc., high end audio speakers; and Health MedEx, medical software developers.

Major retailers: Wal-Mart Super Center is the largest retail business in Ozark, employing 375. Lowe's currently employs approximately 110.

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.

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, 62,000 square foot facility and houses the parks & recreation department offices, banquet/meeting rooms, basketball courts, aerobic room, spinning room, 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. This will allow the City to repay its Community Center bond debt over a much longer period of time and will significantly lower annual bond payments over the life of the bonds.

A significant challenge facing the City of Ozark is providing adequate funding to support existing and future transportation needs. Upkeep and maintenance of existing streets is inadequate with existing revenues. Current revenues cannot provide for major capital improvements needed for future growth and economic development. A constant revenue stream for the past fifteen years from the Christian County government will be eliminated and the Federal Highway Bill pending in Congress provides no clear dollar values for revenue from either the federal or state government. A Transportation Advisory Committee was formed in 2011 to address these issues and to evaluate voter acceptance of a new one half cent sales tax for transportation needs. At the recommendation of this advisory committee, the Board of Aldermen postponed this ballot initiative for now but will revisit it again in 2012.

Transportation planning, engineering and construction have become priorities for the City of Ozark in the past few years. The City was successful in obtaining a Transportation Enhancement Grant from the Ozark Transportation Organization (OTO) in 2009, a federally funded program, which allowed for the construction of 14,800 linear feet of new sidewalks, ADA ramps, and driveway replacements along a busy stretch of Highway 14. This project was completed in 2010. The City received additional transportation

funds in 2009 through the American Rehabilitation and Recovery Act (ARRA) that were utilized to complete Phase III of the Highway 14 sidewalk project connecting the Central Business District to the Ozark Community Center and Finley River Greenway Trailhead. This project was also completed in 2010.

The City of Ozark received a Healthy and Active Communities Grant from the Missouri Foundation of Health in November, 2010. The City will receive \$192,425 over the course of two years. These funds will be used to connect roadways to complimentary systems of trails and bike paths to the Finley River Park; to provide safe pedestrian pathways; to assist in quality programming that encourages physical activity in that environment; and to implement a complete streets ordinance to assist in safe and convenient travel on all roadways within the City of Ozark.

The City completed a new pedestrian pathway connecting the Community Center, Junior High School, High School and the Central Business District funded partially by a "Safe Routes to School" enhancement grant. The final portion of this sidewalk project is scheduled to be completed in the fall of 2012 and will connect the Ozark Community Center to the recent improvements made to the Highway 65/14 overpass.

The City will continue to maintain our existing streets. 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. The City of Ozark participates in the state pool for workers compensation insurance. During 2011, the City was insured with Trident Insurance Company for Property/Casualty and General Liability 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, which 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

Alice R. Edwards
Finance Director

CITY OF OZARK, MISSOURI
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2011

ELECTED OFFICIALS

Mayor	Shane L. Nelson
Councilman – Ward I	Mark Spinabella
Councilman – Ward I	Chris Snyder
Councilman – Ward II	Dennis Sparrow
Councilman – Ward II	Rick Gardner
Councilman – Ward III	Eddie Campbell
Councilman – Ward III	James Haik III

ADMINISTRATION

City Administrator	Steve Childers
City Attorney	David Collignon
Municipal Judge	Kenneth Johnson
Municipal Court Clerk	Iciminda Snook
City Clerk	Lana Wilson
Administrative Projects Director	Cara Borneman
Finance Director	Alice Edwards
Police Chief	Lyle Hodges
Public Works/EMA Director	Larry Martin
Park Director	Samantha Wagner

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Ozark, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Ozark, Missouri**, as of and for the fiscal year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **City of Ozark, Missouri's** management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Ozark, Missouri**, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report October 1, 2012, on our consideration of the **City of Ozark, Missouri's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 23 and 76 through 79 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ozark, Missouri's financial statements as a whole. The introductory section; combining and individual nonmajor fund financial statements; budgetary comparisons for the nonmajor special revenue funds, and proprietary funds; and tax assessment information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section; budgetary comparisons for the nonmajor special revenue funds, and proprietary funds; and tax assessment information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The image shows a handwritten signature in black ink. The signature reads "THE WHITLOCK CO., LLP" in a cursive, slightly stylized font. The letters are connected, and there is a long horizontal stroke at the beginning of the word "THE".

Springfield, Missouri
October 1, 2012

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

An objective and easily readable analysis of the City's financial activities. The Management's Discussion and Analysis presents an analytical overview of both short-term and long-term financial information.

City of Ozark, Missouri



P.O. Box 295
Ozark, Missouri 65721

Fax 417-581-0575
Phone 417-581-2407

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2011

Our discussion and analysis of the City of Ozark's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the City's financial statements that follow.

FINANCIAL HIGHLIGHTS

- The City's total government-wide revenues exceeded total government-wide expenses by \$1,955,703 for the year, resulting in an increase in total net assets of 5.3 percent from the previous year.
- The City received a total of \$489,611.69 in grants including state and federal grants to help fund the following projects:
 1. Historic Preservation Grant - \$2,500.00.
 2. DEA Reimbursement for Police overtime - \$13,006.66.
 3. Missouri Department of Hwy Safety Grant - overtime for DWI checkpoints and hazardous moving violations - \$12,419.32.
 4. Missouri Safety Center Grant – overtime for seat belt usage enforcement, child restraints enforcement, and DWI violations - \$3,457.28.
 5. Federal Forfeiture Funds to Police Department - \$193,436.87.
 6. COPS 2006 Technology Grant - \$5,760.00.
 7. COPS 2008 Technology Grant - \$24,760.77.
 8. Violence Against Women Act Grant - \$42,023.60.
 9. Bullet Vest Partnership Grant - \$6,049.99.
 10. STP Urban Funds – STP 9900(824) - \$88,170.62.
 11. STP Funds – STP 9900(883) – \$4,026.58.
 12. James River Basin Partnership Grant – MS4 Compliance - \$40,000.00.
 13. Missouri Department of Natural Resources Water Study Engineering Grant - \$54,000.00.
- The City's General Fund ended the year with a fund balance of \$1,504,402, an increase of \$384,333 from last year.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

Report Components

This annual report consists of five parts as follows:

Government-wide Financial Statements: The Statement of Net Assets and the Statement of Activities on pages 24 and 25 of the audit report provides information about the activities of the City as a whole and presents a longer-term view of the City's finances.

Fund Financial Statements: Fund financial statements focus on the individual parts of the City government. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant (major) funds. For *governmental activities*, these statements tell how services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the water, sewer and sanitation activities, which the City operates like a business.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management's Discussion and Analysis and the General Fund and Major Special Revenue Fund Budgetary Comparison Schedules represent financial information required to be presented by GASB. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report includes optional financial information, such as combining statements for non-major funds (which are added together and shown in the fund financial statements in a single column), budgetary comparison schedules not required by GASB 34, and tax assessment information. This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

Basis of Accounting

The City has elected to present its financial statements on the accrual basis of accounting which complies with generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities.

Reporting the City as a Whole

The City's Reporting Entity Presentation

This annual report includes all activities for which the Ozark City Council is fiscally responsible. These activities, defined as the City's reporting entity, are operated within separate legal entities that make up the primary government and other separate legal entities that are included as component units.

The primary government includes the following legal entity:

- The City of Ozark

The component unit presentation includes the following legal entities:

- The Public Funding Corporation of the City of Ozark, Missouri
- The Land Clearance for Redevelopment Authority of the City of Ozark, Missouri

The Government-Wide Statement of Net Assets and the Statement of Activities

Our financial analysis of the City as a whole and the government-wide financial statements are presented on the following pages of the audit report. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base and the condition of the City's streets, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

Governmental activities – Most of the City's basic services are reported here, including the police, general administration, streets, parks and cemetery. Sales taxes, franchise fees, fines, building permits and zoning fees, other taxes, and state and federal grants finance most of these activities.

Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems' activities and solid waste activities are reported here.

Component unit activities – Although the Public Funding Corporation of the City of Ozark, Missouri and the Land Clearance for Redevelopment Authority of the City of Ozark, Missouri are separate legal entities, the City includes their activities since the City Council has the ability to exercise oversight responsibility.

Reporting the City's Most Significant Funds

The Fund Financial Statements

Our analysis of the City's major funds and the fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. These fund financial statements help the reader determine whether there are more or fewer financial resources that can be spent in the near future for City programs.

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 used to report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. 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 (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The City considers the General Fund, Capital Improvement Fund, and Parks/Storm Water Sales Tax Fund to be its significant or major governmental funds. All other governmental funds are aggregated in a single column entitled non-major funds.

Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported the same as businesses where capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City has two proprietary funds – the Waterworks and Sewerage Fund and the Solid Waste Fund.

The City currently has no fiduciary funds. *Fiduciary funds* are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements and similar arrangements.

CITY OF OZARK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE 12/31/11

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Changes in Net Assets

For the year ended December 31, 2011, net assets of the primary government changed as follows:

	Governmental Activities		Business- type Activities		Total	
	2010	2011	2010	2011	2010	2011
Current and other assets	4,606,132	6,028,560	10,579,534	11,154,330	15,185,666	17,182,890
Capital assets, net	28,834,263	28,096,459	39,571,465	39,414,985	68,405,728	67,511,444
Total assets	33,440,395	34,125,019	50,150,999	50,569,315	83,591,394	84,694,334
Current and other liabilities	588,921	750,372	2,951,396	2,939,059	3,540,317	3,689,431
Long-term debt outstanding	19,530,469	19,918,772	23,899,388	22,509,208	43,429,857	42,427,980
Total liabilities	20,119,390	20,669,144	26,850,784	25,448,267	46,970,174	46,117,411
Net assets:						
Investment in capital assets,						
net of debt	8,962,641	7,755,881	14,232,920	15,457,380	23,195,561	23,213,261
Restricted	2,338,884	2,518,620	5,724,473	5,483,079	8,063,357	8,001,699
Unrestricted	2,019,480	3,181,374	3,342,822	4,180,589	5,362,302	7,361,963
Total net assets	13,321,005	13,455,875	23,300,215	25,121,048	36,621,220	38,576,923

CITY OF OZARK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE 12/31/11

Governmental Activities

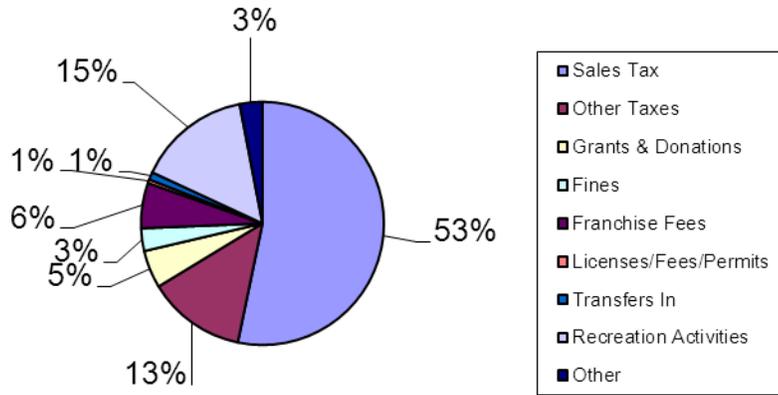
Condensed Statement of Activity

	Governmental Activities		Business- type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program revenues:						
Charges for services	1,823,037	1,732,918	6,243,958	6,115,118	8,066,995	7,848,036
Operating grants/contributions	322,711	393,020	-	54,000	322,711	447,020
Capital grants/contributions	668,800	61,865	579,487	808,315	1,248,287	870,180
General revenues:						
Taxes	5,653,830	6,084,899	706,002	796,574	6,359,832	6,881,473
Interest income	44,309	55,343	789,507	660,942	833,816	716,285
Miscellaneous income	317,000	28,939	879	707	317,879	29,646
Special Item -						
Gain/(Loss)-sale of assets	8,283		1,702		9,985	-
Insurance Proceeds		11,167		33,753		44,920
Transfers	45,000	50,500	(45,000)	(50,500)	-	-
Total revenues	8,882,970	8,418,651	8,276,535	8,418,909	17,159,505	16,837,560
Expenses:						
Administrative	1,259,316	1,401,799	-		1,259,316	1,401,799
Public safety	2,562,377	2,505,658	-		2,562,377	2,505,658
Streets	1,002,473	987,582	-		1,002,473	987,582
Recreation	2,552,525	2,498,403	-		2,552,525	2,498,403
Interest on long-term debt	908,406	890,339	-		908,406	890,339
Water department	-		1,916,786	1,969,881	1,916,786	1,969,881
Sewer department	-		4,094,586	3,988,930	4,094,586	3,988,930
Sanitation	-		673,435	639,265	673,435	639,265
Total expenses	8,285,097	8,283,781	6,684,807	6,598,076	14,969,904	14,881,857
Change in net assets	597,873	134,870	1,591,728	1,820,833	2,189,601	1,955,703
Net assets, beginning	12,723,132	13,321,005	21,708,487	23,300,215	34,431,619	36,621,220
Net assets, ending	13,321,005	13,455,875	23,300,215	25,121,048	36,621,220	38,576,923

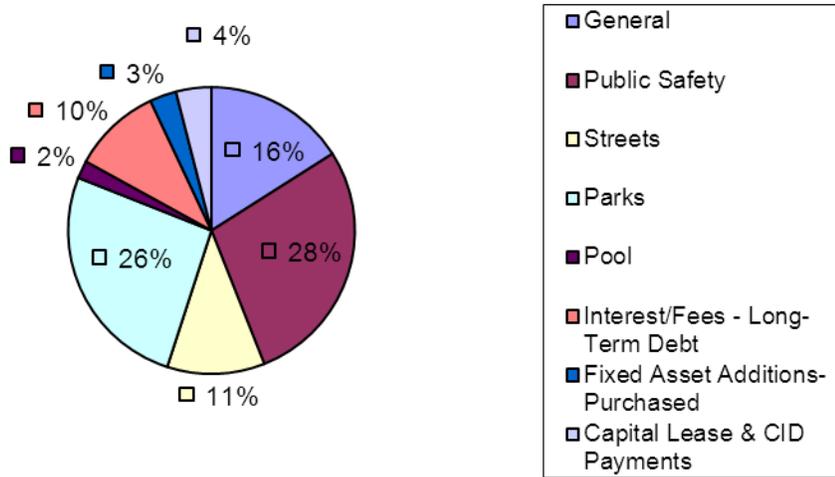
To aid in the understanding of the Statement of Activities as presented in the audit report, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financed through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended December 31, 2011, the City's governmental activities were funded as follows:

Sources of Funds for Governmental Activities



Uses of Funds in Governmental Activities



For the year ended December 31, 2011, total expenses for governmental activities amounted to \$8,283,781. Of these total expenses, taxpayers and other general revenues funded only \$6,180,348, while those directly benefiting from the program funded \$1,732,918. Grants and other contributions funded \$454,885; and transfers in from Solid Waste Fund contributed \$50,500.

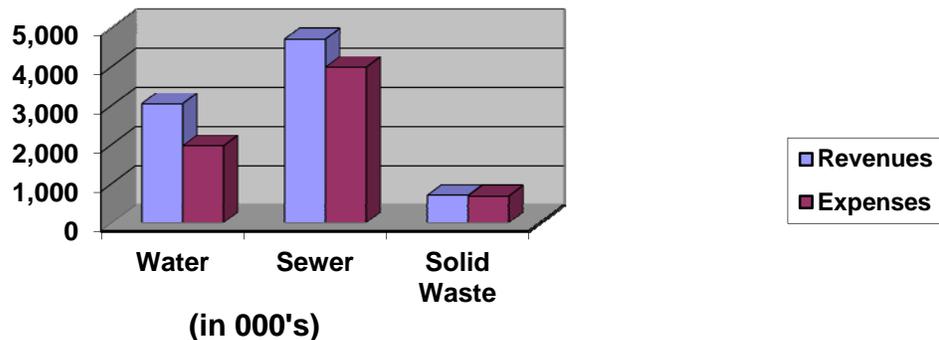
Fixed asset additions and capital lease payments are not considered expenses on government-wide financials; however, they are shown because they are a use of government funds. Fixed asset additions from developers are not considered expenses on government-wide financials. These are not shown.

Business-type Activities

The Water Department reported total revenues of \$3,052,492 and total expenses of \$1,969,881, while the Sewer Department recorded total revenues of \$4,711,357 and total expenses of \$3,988,930. This resulted in a net income of \$1,805,038 for the Water Fund. The City experienced growth this year in water customers of 3.1 percent.

The City of Ozark contracts with Allied Waste Services for trash pickup for residential customers. The number of trash customers increased 3.8 percent from last year. The Solid Waste Fund reported total revenues of \$705,560 and total expenses of \$689,765, resulting in a net income of \$15,795.

Business-Type Operating Revenues and Expenses



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's major governmental funds experienced noteworthy changes from the prior year and are highlighted as follows:

- The General Fund reported revenues of \$4,685,387, transfers in and out of \$323,658 combined, other financing sources of \$40,275, and expenditures of \$4,664,987, resulting in a net increase in fund balance of \$384,333.
- The Capital Improvement Fund reported revenues of \$610,100, transfers in and out of (\$523,158) combined, and expenditures of \$42,463, resulting in a net increase in fund balance of \$44,479.
- The Parks/Storm Water Sales Tax Fund reported revenues of \$2,247,682, transfers in and out of \$306,863 combined, other financing sources of \$800,000, and expenditures of \$2,505,348, resulting in a net increase in fund balance of \$849,197.

General Fund Budgetary Highlights

Budgetary Analysis – General Fund

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 19, 2011. A schedule of the City's original and final amended budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

The following are significant variations between original and final budget amounts and between final budget amounts and actual revenues and expenses within the General Fund. These variations can be expected to have a material effect on the financial status of the City.

Revenues

- The City's one cent sales tax revenues were more than anticipated in 2011. We projected sales tax revenues to be comparable to 2010 actual revenues but amended this amount up by \$77,400. We actually received \$76,434 more than the amended budget causing revenue to be much greater than the original budget and also greater than the final budget.
- The City budgeted for a slight decrease in Empire Electric Franchise tax in 2011. This budget amount was increased by \$28,000 in the final budget. We actually received slightly more than the final budget amount which is \$22,000 more than last year.
- The Ozark Police Department received federal forfeiture funds of \$193,437 that were not included in the original budget projections. The budget was amended up by \$186,622. Thus, revenues were greater than the original budget and \$6,815 more than the final budget.
- The Police Department planned to hire one additional officer in 2011 to be paid out of Federal Forfeiture Funds. This officer's salary and benefits were to be paid out of the General Fund with the Federal Forfeiture Funds account reimbursing the General Fund \$44,650 in salaries and benefits. This officer was not added until the end of 2011 and the budget was amended to remove this revenue from the budget.

CITY OF OZARK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE 12/31/11

- The City budgeted to receive the remaining balance of \$17,500 from a 2010 VAWA (Violence Against Women Act) grant. The Police Department was awarded this grant for a second year in 2011 and the budget was increased by \$24,500. This caused the final budget to be greater than the original budget and the actual grant revenue was slightly more than the final budget.
- The City budgeted to receive \$47,704 in STP Urban Funds #STP 9900(824) for Highway 14 preliminary and final design engineering. The City was allotted additional funds and the budget was increased by \$40,696. This caused the final budget to be much greater than the original budget. Actual revenues were slightly less than the final budget.
- Ozark was awarded a Missouri Foundation of Health Donation of \$200,000 in 2010 for the construction of sidewalks and received \$38,845 of these private donation funds in 2010. The City budgeted to receive \$130,248 of these private funds in 2011. However, this sidewalk project was pushed back and this budget was decreased by \$130,248. The City expects to receive these funds in 2012.
- The City budgeted an inter-fund transfer of \$158,000 from the Capital Improvement Fund to the General Fund to reimburse for contract resurfacing expense. However, it was determined the General Fund had funds available to pay a portion of the resurfacing and this transfer was scaled back by \$50,000. The actual transfer-in was \$50,000 less than the original budget but equal to the final budget.

Expenses

General Revenue

- The City chose to replace its outdated phone system in 2011 but this expense was not included in the original budget. The cost to lease purchase this equipment was distributed between the appropriate departments and the budget was amended to include General Revenue's portion of the cost, \$17,313. The actual expense was \$4,368 less than the final budget.
- The City spent \$113,658 in 2011 for the design and engineering phase of the Highway 14 Project. The original budget only included \$59,630 for this expense. The budget was increased for this expense by \$50,870 but the actual expense was still slightly greater than the final budget.

Police

- Police salaries were less than anticipated in the original budget. Thus, the budget was amended down by \$64,590. Final Police salaries expense for 2011 was still \$16,153 less than the final amended budget.
- The budget for Police medical expense was also less than anticipated in the original budget and the budget was amended down by \$12,000. Final medical expense was slightly higher than the final budget.
- Police gas and oil budget had to be increased by \$33,000 due to the increase in gas prices in 2011. This caused the final budget to be much greater than the original budget. The actual expense was slightly more than the final budget.
- The City chose to replace its outdated phone system in 2011 but this expense was not included in the original budget. The cost to lease purchase this equipment was distributed among the appropriate departments and the budget was amended to include the Police Department's portion of this cost, \$15,359. The actual expenditure was slightly less than the final budget.
- Unspent Federal Forfeiture Funds received in 2010 of approximately \$155,000 were available for 2011. The City did not budget to spend these funds in the original 2011 budget but later amended the budget to expend \$143,000 of these funds. The City expended only \$108,754 for Federal Forfeiture Funds expenses in 2011 causing actual expenses to be much greater than the original budget but less than the final budget. The balance in the Federal Forfeiture Funds account at the end of 2011 will be available in 2012 for eligible Police expenses.

CITY OF OZARK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE 12/31/11

Street

- Street Department salaries were less than anticipated in the appropriated budget and the budget was amended down \$8,000. Actual Street salaries were still \$10,000 less than the final budget.
- New equipment expenditures were less than anticipated in the original and amended budgets. The City planned to expend \$47,000 for new equipment in 2011 but the actual expense was only \$32,049. Thus, the actual expense was much less than the original and final budgets.
- The balance of \$169,093 in the Missouri Foundation of Health Donation project was appropriated in the original budget. However, this amount had to be amended down because the project was pushed back until 2012. The original budget of \$169,093 was amended down to only \$14,093 for 2011. This caused the final budget to be much less than the original budget but almost equal to the actual expense.
- The City planned to spend \$158,000 in the Contract Resurfacing program in 2011. The actual expense for resurfacing was \$141,336. This caused actual resurfacing expense to be less than the original and final budgets.
- The City entered into a lease purchase agreement to acquire a new 2012 Public Works Truck in the latter portion of 2011. This was not a budgeted expense and the Street budget was amended to include its portion of the total lease purchase expense of \$29,108 in 2011. This caused the final budget to be much greater than the original budget but equal to the actual expense.

Significant differences between the current and prior year budgets:

- The City budgeted to receive three grants in 2010: Transportation Enhancement Grant for Sidewalks - \$107,955; ARRA Supplements - \$132,861; and STP Urban Funds - \$123,975. The City did not expect to receive these grants in 2011 and budgeted accordingly.
- The City budgeted to receive \$100,000 in E911 Sales Tax in 2010 due to an agreement with the Christian County E911 Board that included a county central dispatch for all emergency calls. The City received this sales tax for one year only. This budget was decreased to zero in 2011.
- The City paid off a \$100,000 Public Funding Corporation property lease in 2010. This was included in the 2010 budget as both Donated Fixed Asset – Admin (revenue) and Donated Capital Outlay (expense) for accounting purposes. Both budgets were zero for 2011.
- The 2011 budget for Lease Payment – LCRA was \$282,030. This budget was only \$126,984 in 2010. This difference was due to LCRA loans going from interest only to full principal and interest payments during 2011 which in turn increased the City's lease payments to the LCRA.
- An inter-fund transfer from the Capital Improvement Fund of \$166,288 was budgeted in 2010. This inter-fund transfer was reduced to only \$45,700 in the 2011 Budget because revenue from sales tax was projected to improve and decrease the need for this inter-fund transfer.
- The City was awarded a Missouri Foundation of Health donation and budgeted revenue of \$130,248 and expense of \$169,093 in 2011. These budgets were zero in 2010.
- In 2010, the City budgeted \$300,000 for street overlay. This budget was reduced to \$158,000 in 2011 due to budget constraints in the General Fund.
- The City's budget for Federal Forfeiture Funds – Law Enforcement Equipment/Training expense was zero in 2011. The Police Department planned to pay for a new officer's salary and benefits from the remaining balance in this fund at yearend. This budget was \$215,000 in 2010.

CITY OF OZARK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE 12/31/11

For the year ended December 31, 2011, General Fund operating and capital outlay expenditures and transfers out were \$217,146 below final appropriations while General Fund revenues and transfers in were \$108,293 above the final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

On December 31, 2011, the City had \$67,511,444 invested in capital assets, net of accumulated depreciation. (See table below). This represents a net decrease of \$894,284 or 1.3 percent from last year.

**Condensed Capital Asset Summary
(Net of accumulated depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Land	3,757,100	3,757,100	667,000	672,000	4,424,100	4,429,100
Land improvements	8,898,042	8,755,670	0	0	8,898,042	8,755,670
Buildings & improvements	15,029,943	14,586,687	174,522	168,512	15,204,465	14,755,199
Vehicles, machinery & equipment	1,124,108	942,802	0	0	1,124,108	942,802
Water system	0	0	7,617,909	7,945,212	7,617,909	7,945,212
Wastewater treatment system	0	0	31,042,111	30,506,417	31,042,111	30,506,417
Construction in progress	25,070	54,200	69,923	122,844	94,993	177,044
Totals	28,834,263	28,096,459	39,571,465	39,414,985	68,405,728	67,511,444

This year's more significant capital asset additions included:

- Police Records Management Software purchased with Federal Forfeiture Funds - \$81,338.
- Police Records Management Software - \$23,760.
- MoDOT Cost Share Agreement for 3rd Street improvements - \$20,000.
- Salt Barn - \$32,662.
- Case Loader/Backhoe - \$35,420.
- Street overlays - \$141,336
- Park Tractor/Mower - \$17,715.
- Two Public Works Department trucks - \$37,590.
- Lease Purchase 2012 International Pump Truck - \$97,028.
- Storm Drainage Improvements (Sunset, Duck Stadium and Detention Pond Easement) - \$43,200.
- Generators (Bluestem and Hagale Water Towers) - \$113,608.
- Diffused Aeration System at Ozark Wastewater Treatment Facility - \$52,921.

CITY OF OZARK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE 12/31/11

Long-Term Debt

The City has no outstanding general obligation bonds. At year-end, the City had \$23,957,605 in long-term debt arising from cash transactions in business-type activities. The City's long-term debt is comprised of two certificates of participation bonds, four state revolving fund bonds, one water/sewer system refunding revenue bond, one water/sewer system revenue bond, four special assessment bonds, one special obligation revenue bond, and two lease/purchases on equipment. (See table below.)

Primary Government Long-Term Debt

Summary of Long-Term Debt	<u>2010</u>	<u>2011</u>	<u>Maturity</u>
<u>Governmental Activities:</u>			<u>Date</u>
<u>Special Obligation Bonds:</u>			
2011 Special Obligation Revenue Bonds	0	800,000	September 1, 2014
Total	<u>0</u>	<u>800,000</u>	
<u>Special Assessment Debt (CID Bonds):</u>			
2006 Bluff Drive CID Bonds	139,510	133,868	July 17, 2027
Total	<u>139,510</u>	<u>133,868</u>	
<u>Certificates of Participation</u>			
2006 Certificates of Participation	4,750,000	4,650,000	September 1, 2026
2007 Certificates of Participation	<u>14,980,000</u>	<u>14,745,000</u>	September 1, 2026
Total Certificates of Participation	<u>19,730,000</u>	<u>19,395,000</u>	
<u>Lease-Purchase Agreements:</u>			
2009 - 1/3 Canon Graphics Printer	2,112	1,601	July 1, 2014
2011 - 1/3 Plow/Dump Truck	0	29,109	June 15, 2014
Total Lease-Purchase Agreements	<u>2,112</u>	<u>30,710</u>	
Total Governmental Activities	<u>19,871,622</u>	<u>20,359,578</u>	
<u>Business-type Activities:</u>			
<u>Revenue Bonds:</u>			
Series 1997D (SRF)	1,355,000	1,200,000	January 1, 2018
Series 2001A (SRF)	655,000	610,000	January 1, 2022
Series 2005	450,000	420,000	July 1, 2025
Series 2006A (SRF)	6,630,000	6,245,000	July 1, 2026
Series 2007A (SRF)	<u>14,115,000</u>	<u>13,575,000</u>	January 1, 2028
Total Revenue Bonds	<u>23,205,000</u>	<u>22,050,000</u>	
<u>Refunding Revenue Bonds:</u>			
Series 2002	315,000	140,000	March 1, 2012
Total Refunding Revenue Bonds	<u>315,000</u>	<u>140,000</u>	
<u>Special Assessment Bonds (NIDs):</u>			
2006 Series Stonegate NID Bonds	638,000	598,125	June 30, 2026
2006 Series Kirkwood NID Bonds	932,000	873,750	September 1, 2026
2006 Series Laurel Hills NID Bonds	<u>244,320</u>	<u>234,312</u>	March 1, 2027
Total Special Assessment Bonds	<u>1,814,320</u>	<u>1,706,187</u>	
<u>Lease-Purchases:</u>			
2009 - 2/3 Canon Graphics Printer	4,225	3,201	July 1, 2014
2011 - 2/3 Plow/Dump Truck	0	58,217	June 15, 2014
Total Lease-Purchases	<u>4,225</u>	<u>61,418</u>	
Total Business-type Activities	<u>25,338,545</u>	<u>23,957,605</u>	
Total, Government-Wide	<u>45,210,167</u>	<u>44,317,183</u>	

CITY OF OZARK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE 12/31/11

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 85% in the last decade. Although this growth pattern slowed drastically in 2009 and 2010 due to the housing slump, we began to see an upturn in housing starts in 2011. Historically, the City has predicted a growth in its labor force of one percent per year. Although the City's growth in its commercial sector declined during the weakened economic climate, this sector experienced renewed activity in 2011.

NEXT YEAR'S BUDGET AND RATES

For the year ending December 31, 2012, General Fund revenues are projected to be slightly more than 2011.

Revenue from sales tax and residential building permits is projected to remain relatively flat in 2012.

The 2012 Budget for property leases is \$112,000 more than the 2011 actual expenses for property leases. The City has been unable to sell any properties owned by the Land Clearance for Redevelopment Authority in the downtown redevelopment area and is still marketing these properties heavily. The city paid off two properties leased through the Public Funding Corporation in 2011, however, property leases will increase in 2012 on properties leased through the Land Clearance for Redevelopment Authority as all property loans will change from interest only to principal and interest.

Some significant capital asset items budgeted for next year are:

- Street contract resurfacing - \$258,000.
- Property leases - \$425,775.
- Water Tower #4 painting - \$220,000.
- Water/Sewer pump truck - \$316,000.
- Waterline extensions - \$120,000.
- Ozark Wastewater Treatment Facility SCADA - \$60,000.
- Wastewater Treatment Plant rail assembly - \$40,000.
- Community Center signage - \$30,000.
- Storm water drainage projects - \$195,000.

The City anticipates one water rate increase in 2012.

CITY OF OZARK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE 12/31/11

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate 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, P.O. Box 291, Ozark, Missouri 65721 or telephone at 417-581-2407.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF OZARK, MISSOURI
Statement of Net Assets
December 31, 2011

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash on hand and in bank	\$ 2,915,132	\$ 4,919,726	\$ 7,834,858	\$ 71,374
Certificates of deposit	3,703	-	3,703	-
Reserved certificate of deposit	-	124,375	124,375	-
Reserve funds	2,070,336	2,362,666	4,433,002	14,859
Project funds	-	2,751,212	2,751,212	-
Prepaid expenses	15,426	16,011	31,437	-
Internal balances	50,096	(247)	49,849	(49,849)
Accounts receivable	-	257,150	257,150	-
Property taxes receivable	423,481	-	423,481	-
Other receivables	519,610	400,976	920,586	-
Deferred costs	19,000	322,461	341,461	-
Deposits	11,776	-	11,776	-
Capital assets, net of accumulated depreciation (Note 3.B.)	28,096,459	39,414,985	67,511,444	5,027,008
Total assets	34,125,019	50,569,315	84,694,334	5,063,392
Liabilities				
Accounts payable	76,157	195,685	271,842	-
Payroll liabilities	203,380	88,689	292,069	-
Other liabilities	9,777	36,874	46,651	-
Municipal court bonds	10,434	-	10,434	-
Customer deposits	-	369,201	369,201	-
Other	9,818	-	9,818	-
Accrued interest payable	-	511,341	511,341	-
Premium	-	288,872	288,872	-
Long-term liabilities:				
Due within one year	440,806	1,448,397	1,889,203	477,491
Due in more than one year	19,918,772	22,509,208	42,427,980	3,373,208
Total liabilities	20,669,144	25,448,267	46,117,411	3,850,699
Net assets				
Invested in capital assets, net of related debt	7,755,881	15,457,380	23,213,261	1,176,309
Restricted for:				
Police and court	28,441	-	28,441	-
Capital improvements	52,533	-	52,533	-
Stormwater	361,791	-	361,791	-
Domestic violence shelter	2,720	-	2,720	-
Reserve funds	2,073,135	2,362,666	4,435,801	14,859
Project funds	-	2,751,212	2,751,212	-
Deposits and bonds	-	369,201	369,201	-
Unrestricted	3,181,374	4,180,589	7,361,963	21,525
Total net assets	\$ 13,455,875	\$ 25,121,048	\$ 38,576,923	\$ 1,212,693

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

CITY OF OZARK, MISSOURI
Statement of Activities
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Primary government:					
Governmental activities:					
Administrative	\$ 1,401,799	\$ 171,295	\$ 94,697	\$ -	\$ (1,135,807)
Public safety	2,505,658	277,331	258,307	36,571	(1,933,449)
Streets	987,582	-	40,000	25,294	(922,288)
Recreation	2,498,403	1,284,292	16	-	(1,214,095)
Interest on long-term debt	890,339	-	-	-	(890,339)
Total governmental activities	8,283,781	1,732,918	393,020	61,865	(6,095,978)
Business-type activities:					
Water	1,969,881	2,433,042	54,000	553,137	1,070,298
Sewer	3,988,930	2,976,516	-	255,178	(757,236)
Sanitation	639,265	705,560	-	-	66,295
Total business-type activities	6,598,076	6,115,118	54,000	808,315	379,357
Total primary government	\$ 14,881,857	\$ 7,848,036	\$ 447,020	\$ 870,180	\$ (5,716,621)
Component units:					
PFC	841,043	\$ 179,987	\$ -	\$ -	\$ (661,056)
LCRA	103,311	282,629	-	-	179,318
Total component unit	\$ 944,354	\$ 462,616	\$ -	\$ -	\$ (481,738)
Primary Government					
	Governmental Activities	Business-type Activities	Total	Component Units	
Change in net assets:					
Net (expense) revenue	(6,095,978)	379,357	(5,716,621)	(481,738)	
General revenues:					
Taxes:					
Property taxes	559,447	-	559,447	-	
Sales taxes	4,429,514	610,088	5,039,602	-	
Special assessment taxes	26,166	186,486	212,652	-	
Merchants tax	121,893	-	121,893	-	
Franchise taxes	554,189	-	554,189	-	
Financial institution tax	376	-	376	-	
Gasoline & motor vehicle taxes	387,025	-	387,025	-	
Other taxes	6,289	-	6,289	-	
Interest earned	55,343	660,942	716,285	854	
Miscellaneous	28,939	707	29,646	-	
Special item - insurance	11,167	33,753	44,920	-	
Transfers	50,500	(50,500)	-	-	
Total general revenues and transfers	6,230,848	1,441,476	7,672,324	854	
Change in net assets	134,870	1,820,833	1,955,703	(480,884)	
Net assets - beginning	13,321,005	23,300,215	36,621,220	1,693,577	
Net assets - ending	\$ 13,455,875	\$ 25,121,048	\$ 38,576,923	\$ 1,212,693	

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

CITY OF OZARK, MISSOURI

Balance Sheet

Governmental Funds

December 31, 2011

	General Fund	Capital Improvements Fund	Park/ Stormwater Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on hand and in bank	\$ 1,039,970	\$ 97,412	\$ 1,622,688	\$ 155,062	\$ 2,915,132
Certificates of deposit	3,703	-	-	-	3,703
Reserve funds & CDs	35,067	-	2,035,269	-	2,070,336
Prepaid expenses	12,541	-	1,952	933	15,426
Property taxes receivable	342,123	-	-	81,358	423,481
Other receivables	334,938	50,965	101,919	31,788	519,610
Deposits	-	-	11,776	-	11,776
Due from other funds	175	667	-	49,849	50,691
Total assets	<u>\$ 1,768,517</u>	<u>\$ 149,044</u>	<u>\$ 3,773,604</u>	<u>\$ 318,990</u>	<u>\$ 6,010,155</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	55,381	-	13,675	7,101	76,157
Payroll liabilities	178,285	-	12,315	12,780	203,380
Other liabilities	9,777	-	-	-	9,777
Municipal court bonds	10,434	-	-	-	10,434
Other deposits	9,818	-	-	-	9,818
Due to other funds	420	-	-	175	595
Total liabilities	<u>264,115</u>	<u>-</u>	<u>25,990</u>	<u>20,056</u>	<u>310,161</u>
Fund Balances:					
Nonspendable	689,602	50,965	115,647	114,078	970,292
Restricted	59,062	52,533	2,397,061	8,614	2,517,270
Committed	1,350	-	-	-	1,350
Assigned	-	45,546	1,234,906	176,242	1,456,694
Unrestricted	754,388	-	-	-	754,388
Total fund balances	<u>1,504,402</u>	<u>149,044</u>	<u>3,747,614</u>	<u>298,934</u>	<u>5,699,994</u>
Total liabilities and fund balances	<u>\$ 1,768,517</u>	<u>\$ 149,044</u>	<u>\$ 3,773,604</u>	<u>\$ 318,990</u>	

Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities of \$33,836,001 are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$5,739,542. 28,096,459

Long-term obligations and deferred costs not due in the current period and therefore not reported in the funds. (20,340,578)

Net assets \$ 13,455,875

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, 2011

	General Fund	Capital Improvements Fund	Park/ Stormwater Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 3,211,168	\$ 610,100	\$ 1,208,098	\$ 501,344	\$ 5,530,710
Licenses and permits	112,851	-	-	-	112,851
Franchise fees	554,189	-	-	-	554,189
Fines and penalties	560	-	-	6,495	7,055
Municipal court revenues	253,367	-	-	-	253,367
Other fees	57,661	-	-	-	57,661
Donations and grants	402,582	-	40,000	15	442,597
Interest income	47,177	-	8,166	-	55,343
Miscellaneous revenues	45,832	-	446,852	1,041	493,725
Concessions & activities	-	-	544,566	304,920	849,486
Total revenues	4,685,387	610,100	2,247,682	813,815	8,356,984
Expenditures:					
Administrative	1,359,891	-	-	-	1,359,891
Public safety	2,247,062	-	-	7,636	2,254,698
Streets	647,914	-	29,537	-	677,451
Recreation	-	-	1,175,883	676,145	1,852,028
Capital outlay	397,449	42,463	51,048	9,550	500,510
Debt service:					
Principal payments	6,153	-	335,000	-	341,153
Interest payments	6,518	-	882,890	-	889,408
Fee payments	-	-	30,990	-	30,990
Total expenditures	4,664,987	42,463	2,505,348	693,331	7,906,129
Revenues over (under) expenditures	20,400	567,637	(257,666)	120,484	450,855
Other financing sources (uses)					
Transfers in	323,658	-	315,613	8,750	648,021
Transfers (out)	-	(523,158)	(8,750)	(65,613)	(597,521)
Insurance proceeds	11,167	-	-	-	11,167
Lease-purchase/bond proceeds	29,108	-	800,000	-	829,108
Total other financing sources (uses)	363,933	(523,158)	1,106,863	(56,863)	890,775
Net change in fund balance before contributions	384,333	44,479	849,197	63,621	1,341,630
Capital contributions	-	-	-	-	-
Net change in fund balance	384,333	44,479	849,197	63,621	1,341,630
Fund balance - beginning	1,120,069	104,565	2,898,417	235,313	4,358,364
Fund balance - ending	\$ 1,504,402	\$ 149,044	\$ 3,747,614	\$ 298,934	\$ 5,699,994

(continued)

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, 2011

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds \$ 1,341,630

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Capital asset purchases capitalized	326,515
Donated capital assets (infrastructure) capitalized	-
Gain (Loss) on disposal of assets before cash received	(203)
Depreciation expense	(1,064,117)

Governmental funds report the issuance of debt as revenues while the issuance of debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Special obligation bond issued	(800,000)
Lease-purchase of equipment	(29,108)
Repayment of debt principal	341,153

Governmental funds report bond costs of issuance and discounts as an expenditure and as a revenue while governmental activities report these as a liability and an asset and reports the amortization of these as expenses over the life of the bond.

Net deferred cost of issuance and discount on special obligation bond	21,500
Amortization expense of bond cost of issuance	(1,570)
Amortization expense of bond discount	(930)

Change in net assets of governmental activities \$ 134,870

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

CITY OF OZARK, MISSOURI
Statement of Net Assets
Proprietary Funds
December 31, 2011

	Waterworks and Sewerage Fund	Solid Waste Fund	Total Business-type Funds
Assets			
Cash in bank and on hand	\$ 4,860,020	\$ 59,706	\$ 4,919,726
Restricted CDs and reserve funds	2,487,041	-	2,487,041
Project funds	2,751,212	-	2,751,212
Prepaid expenses	16,011	-	16,011
Accounts receivable	149,239	107,911	257,150
Sales taxes receivable	50,964	-	50,964
Other receivables	350,012	-	350,012
Deferred costs	322,461	-	322,461
Due from other funds	441	0	441
Property, plant, and equipment, net of accumulated depreciation	39,414,985	-	39,414,985
Total assets	50,402,386	167,617	50,570,003
Liabilities			
Accounts payable	149,903	45,782	195,685
Payroll liabilities	88,689	-	88,689
Other liabilities	36,874	-	36,874
Accrued interest payable	511,341	-	511,341
Customer deposits	369,201	-	369,201
Due to other funds	667	21	688
Premium	288,872	-	288,872
Long-term liabilities:			
Due within one year	1,448,397	-	1,448,397
Due in more than one year	22,509,208	-	22,509,208
Total liabilities	25,403,152	45,803	25,448,955
Net assets			
Invested in capital assets, net of related debt	15,457,380	-	15,457,380
Reserved for:			
Restricted funds and certificates of deposit	2,362,666	-	2,362,666
Project funds	2,751,212	-	2,751,212
Deposits	369,201	-	369,201
Unreserved	4,058,775	121,814	4,180,589
Total net assets	\$ 24,999,234	\$ 121,814	\$ 25,121,048

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

CITY OF OZARK, MISSOURI
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

	Waterworks and Sewerage Fund		Solid Waste Fund	Totals
	Water Dept.	Sewer Dept.		
Operating revenues:				
Charges for services	\$ 2,300,605	\$ 2,699,191	\$ 659,730	\$ 5,659,526
Miscellaneous revenues	132,944	277,526	45,830	456,300
Sales tax revenues - WWTP	-	610,088	-	610,088
Total operating revenues	2,433,549	3,586,805	705,560	6,725,914
Operating expenses:				
Cart	-	-	4,710	4,710
Contract trash	-	-	603,647	603,647
Depreciation	409,159	884,743	-	1,293,902
Heat, lights and power	275,699	286,920	-	562,619
Insurance	117,931	156,273	-	274,204
Lagers	72,836	98,520	-	171,356
Lease expense	48,583	111,914	-	160,497
Meter reading	37,766	-	-	37,766
Miscellaneous	135,334	196,907	-	332,241
Office supplies	55,423	1,872	-	57,295
Payroll taxes	48,294	60,028	-	108,322
Professional fees	2,590	3,223	-	5,813
Recycling	-	-	23,677	23,677
Repairs and maintenance	98,851	267,496	-	366,347
Salaries	602,399	754,595	-	1,356,994
Telephone	14,143	20,123	-	34,266
Trash bags	-	-	1,761	1,761
Uncollectable accounts	11,340	22,122	5,470	38,932
Total operating expenses	1,930,348	2,864,736	639,265	5,434,349

(Continued)

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

CITY OF OZARK, MISSOURI
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

	<u>Waterworks and Sewerage Fund</u>		<u>Solid Waste Fund</u>	<u>Totals</u>
	<u>Water Dept.</u>	<u>Sewer Dept.</u>		
Net Operating Income (Loss)	503,201	722,069	66,295	1,291,565
Non-Operating Revenues (Expenses)				
Interest earned	9,417	651,525	-	660,942
Special assessment tax revenues	-	186,486	-	186,486
Grant	54,000	-	-	54,000
Insurance proceeds	16,876	16,877	-	33,753
Bond fees	(3,773)	(61,511)	-	(65,284)
Interest expense	(33,372)	(1,062,682)	-	(1,096,054)
Gain (Loss) on disposal of assets	(2,389)	-	-	(2,389)
Transfers In/(Out)	-	-	(50,500)	(50,500)
Net non-operating revenues (expenses)	<u>40,759</u>	<u>(269,305)</u>	<u>(50,500)</u>	<u>(279,046)</u>
Income before contributions	543,960	452,764	15,795	1,012,519
Capital contributions	<u>553,137</u>	<u>255,177</u>	<u>-</u>	<u>808,314</u>
Change in net assets, by department	<u>1,097,097</u>	<u>707,941</u>	<u>15,795</u>	<u>1,820,833</u>
Change in net assets, by fund	1,805,038		15,795	1,820,833
Net assets - beginning	<u>23,194,196</u>		<u>106,019</u>	<u>23,300,215</u>
Net assets - ending	<u><u>\$24,999,234</u></u>		<u><u>\$ 121,814</u></u>	<u><u>\$ 25,121,048</u></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, 2011

	Waterworks and Sewerage Fund	Solid Waste Fund
Cash flows from operating activities:		
Receipts from customers	\$ 5,529,332	\$ 699,476
Payments to suppliers	(366,347)	(586,839)
Payments to employees	(1,349,754)	-
Other payments	(1,820,671)	(7,230)
Net cash provided by operating activities	1,992,560	105,407
Cash flows from noncapital financing activities:		
Transfers to other funds	-	(50,500)
Grant proceeds	54,000	-
Sales and special assessment tax receipts	807,629	-
Net cash provided by (used in) noncapital financing activities	861,629	(50,500)
Cash flows from capital and related financing activities:		
Purchases of capital assets	(331,498)	-
Payments from principal and interest reserves	130,852	-
Insurance proceeds	33,753	-
Proceeds from issuance of long-term debt	58,217	-
Principal paid on capital debt	(1,439,157)	-
Interest and fees paid on capital debt	(1,161,691)	-
Net cash used in capital and related financing activities	(2,709,524)	-
Cash flows from investing activities:		
Interest earned	642,171	-
Net cash provided by investing activities	642,171	-
Net increase in cash and cash equivalents	786,836	54,907
Cash and cash equivalents at beginning of year	4,073,184	4,799
Cash and cash equivalents at end of year	\$ 4,860,020	\$ 59,706
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,225,270	\$ 66,295
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,293,902	-
Sales tax revenues - WWTP	(610,088)	-
Change in assets and liabilities:		
Assets	104,205	(6,084)
Liabilities	(20,729)	45,196
Net cash provided by operating activities	\$ 1,992,560	\$ 105,407

Noncash investing, capital, and financing activities:

The Waterworks and Sewerage Fund accepted capital contributions of infrastructure from the Public Funding Corporation and from developers. The historical and fair value of this property was \$808,314.

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

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

INDEX

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Financial reporting entity
- B. Basis of presentation
- C. Measurement focus and basis of accounting
- D. Assets, liabilities and equity
- E. Revenues, expenditures and expenses
- F. Internal and interfund balances and activities
- G. Use of estimates

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Fund account requirements
- B. Deposits and investment laws and regulations
- C. Revenue restrictions
- D. Debt restrictions and covenants
- E. Net assets/fund equity restrictions
- F. Budgetary requirements

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

- A. Deposits and investments
- B. Capital assets
- C. Long-term debt
- D. Interfund transactions and balances
- E. Operating leases

4. OTHER NOTES

- A. Employee pension plan: LAGERS
- B. Risk management
- C. Component unit: Public Funding Corporation
- D. Component unit: Land Clearance for Redevelopment Authority of the City of Ozark, Missouri (LCRA)
- E. Contingent liabilities
- F. Litigation
- G. GASB statement 54 – fund balance definitions
- H. Subsequent events

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Ozark, Missouri, have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing state and local government accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial 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.

In evaluating the City as a reporting entity, management has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the City exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management or ability to significantly influence operations and accountability for fiscal matters), scope of public service and special financial relationships.

Blended component units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City's Board of Aldermen or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely presented component units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Included in the reporting entity as discretely presented component units:

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Financial reporting entity (continued)

Discretely presented component units (continued)

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 purposes 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. The Public Funding Corporation does not issue separately audited component unit financial statements. See Note 4.C. for further information regarding the Public Funding Corporation.

Land Clearance for Redevelopment authority of the City of Ozark, Missouri (LCRA) – The LCRA was formed under sections 99.300 to 99.660 of 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. It does not issue separately audited component unit financial statements. See Note 4.D. for further information regarding the Land Clearance for Redevelopment Authority of the City of Ozark, Missouri.

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.

B. Basis of presentation

Government-wide financial statements

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

Fund financial statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories:

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of presentation (continued)

Fund financial statements (continued)

governmental, proprietary, and fiduciary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major, or is reported as a major fund, if it is the primary operating fund of the City, is believed by the City's officials to be particularly important to financial statement users, or meets the following criteria:

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

The funds of the financial reporting entity are described below:

Governmental funds

General fund: The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

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 purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds:

Pool fund: Accounts for taxes received that are legally restricted for pool recreational services, grants and revenues received and expenditures paid for recreational services provided 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 services 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.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

B. **Basis of presentation** (continued)

Governmental funds (continued)

Special revenue funds (continued)

Officers implementation fund: Accounts for the revenues legally restricted for police training expenditures.

Capital project funds: Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds or in trust funds. The reporting entity includes the following capital project fund:

Capital improvement fund: Accounts for the ¼-cent capital improvement sales tax legally restricted for various projects. This fund is classified as a major fund.

Debt service fund: The debt service fund accounts for the accumulation of resources for and the payment of principal, interest and fiscal charges on general long-term debt. The City did not have a debt service fund during the current year.

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 operations of the water and sewer system of the City. This fund is classified as a major fund.

Solid waste fund: Accounts for the operations of the sanitation services of the City.

Fiduciary funds: Fiduciary funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the City's own programs. The City presently has no fiduciary funds.

Discretely presented component units: Discretely presented component units are separate legal entities whose governing body is not substantially the same as the City Council. Since these component units are not as closely associated with the City as are blended component units, they are reported in a discretely presented column on the government-wide financial statements labeled "Component Units". The reporting entity includes the following discretely presented component units:

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

B. **Basis of presentation** (continued)

Discretely presented component units

Ozark Public Funding Corporation (PFC): Accounts for the activities involved in providing for the acquisition, construction, improvement, extension, repair, remodeling, renovation, and financing of municipal sites, buildings, facilities, furnishings, and equipment for use of the City.

Land Clearance for Redevelopment Authority of the City of Ozark (LCRA): Accounts for the activities involved in acquiring and preparing land for redevelopment in order to eliminate blight within the City limits.

Major and nonmajor funds

The funds are classified as major or nonmajor as follows:

Major Funds

General Fund
Capital Improvement Fund
Park/Storm Water Sales Tax Fund
Waterworks and Sewerage Fund

Nonmajor Funds

Officers Implementation Fund
Park Fund
Park Impact Fee Fund
Pool Fund
Solid Waste Fund

C. **Measurement focus and basis of accounting**

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

Measurement focus:

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the “economic resources” measurement focus as defined in item 2 below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

C. **Measurement focus and basis of accounting** (continued)

Measurement focus (continued)

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and used of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. Proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
3. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of accounting:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The fund financial statements for governmental funds use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types use the accrual basis of accounting. All government-wide financials are presented on the accrual basis of accounting.

Modified accrual basis:

Revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

Accrual Basis:

Revenues are recognized when earned.

Expenses (including depreciation and amortization) are recorded when the liability was incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchanges and exchange-like transactions would be recognized when the exchange took place.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities and equity

Cash on hand and in bank

For the purpose of financial reporting, “cash on hand and in bank” includes all demand and savings accounts, as well as petty cash.

Certificates of deposit

The City’s funds are carried in checking, savings, escrowed cash accounts or are invested in certificates of deposit with insured banks.

Reserve funds – general fund

The City has reserved funds for the Leonard Trust in the amount of \$7,000.

As a requirement of the Community Improvement District Bonds (CID Bonds), the City has established a reserve account. This account is to be maintained at a level equal to the reserve requirement and to be used solely for the payment of principal and interest on the bonds to the extent of any deficiency in the special assessment tax fund for such purpose. As of December 31, 2011, the balance in the reserve fund was \$10,044.

As required by the Community Improvement District Bonds (CID Bonds), the City has established an account for the special assessment taxes received to be used for the payment of the Community Improvement District Bonds. As of December 31, 2011, the balance in the special assessment tax reserve fund was \$18,004.

Reserve funds – park/stormwater sales tax fund

As a requirement of the 2006 Series Certificates of Participation (Community Center Project) the City has established reserve accounts at the UMB Bank. The City does not have access to these accounts except as noted below. As of December 31, 2011, the balances in the reserve funds were as follows:

Certificate fund: to be used for the sole purpose of paying the principal of and interest on the certificates as they become due or are called. The balance in this fund was \$2,131.

Reserve Fund: to be maintained at a level equal to the reserve requirement and to be used solely for the payment of principal and interest on the certificates to the extent of any deficiency in the certificate fund for such purpose. The balance in this fund was \$500,013.

The City has also established required reserve accounts at the UMB Bank for the 2007 Series Certificates of Participation (Community Center Project). The City does not have access to these accounts except as noted below. As of December 31, 2011, the balances in these reserve funds were as follows:

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities and equity (continued)

Reserve funds – park/stormwater sales tax fund (continued)

Certificate fund: to be used for the sole purpose of paying the principal of and interest on the certificates as they become due or are called. The balance in this fund was \$2,088.

Reserve fund: to be maintained at a level equal to the reserve requirement and to be used solely for the payment of principal and interest on the certificates to the extent of any deficiency in the certificate fund for such purpose. The balance in this fund was \$1,531,038.

Reserve funds – waterworks and sewerage fund

As a requirement of the system revenue bonds (state revolving fund), the City has established reserve accounts at the UMB Bank. The City has no access to the accounts except as noted below. As of December 31, 2011, the balances in the reserve funds were as follows:

Interest reserve: for payment of interest on the outstanding system revenue bonds. The balance in this fund was \$209,362.

Principal reserve: for payment of interest on the outstanding system revenue bonds. The balance in this fund was \$957,500.

As a requirement of the Neighborhood Improvement District Bonds, the City has established reserve accounts which are to be maintained at a level equal to the reserve requirements and to be used solely for the payment of principal and interest on the bonds to the extent of any deficiency in the special assessment tax funds for such purpose. As of December 31, 2011, the balance in the reserve fund was \$203,215.

As required by the Neighborhood Improvement District Bonds, the City has established accounts for the special assessment taxes received to be used for the payment of the Community Improvement District Bonds. As of December 31, 2011, the balance in the special assessment tax reserve funds was \$168,111.

As required by the 2002 and 2005 waterworks and sewerage revenue bonds, the City has reserved funds in the amount of \$824,477.

Accounts receivable and taxes receivable

Accounts receivable and taxes receivable are shown at values expected to be collected within 30 days. The City does not have an allowance for uncollectible accounts or uncollectible taxes.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities and equity (continued)

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 balance sheet.

Capital assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-wide statements

In the government-wide financial statements, capital assets are accounted for as assets in the statement of net assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

City assets, including infrastructure, are stated at historical cost, except for assets acquired prior to 2004. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since January 1, 2004 are recorded at cost. During 2008 the City determined the waterworks and sewerage infrastructure values by reviewing all plans and drawings for the water system in the City and by physically identifying the location of force mains, sewer lines, and other sewer system infrastructure within the City. Estimates were made of the construction dates of these assets. Current prices were secured for these items, which were then deflated back to a base year of 1982 using the estimated consumer price index for that year. After this determination of estimated original cost, depreciation was computed using the straight line method. Assets acquired prior to 1982 would be fully depreciated and would not affect net assets. The estimated historical cost and accumulated depreciation were added to the City's books by means of a prior period adjustment.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	20-50 years
Building improvements	15-20 years
Machinery, furniture and equipment	3-10 years

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

D. **Assets, liabilities and equity** (continued)

Capital assets (continued)

Government-wide statements

The range of estimated useful lives by type of asset (continued)

Water systems	33-40 years
Sewer systems	33-40 years
Infrastructure	10-40 years

Fund financial statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted assets

Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to utility customer deposits, reserve funds, and revenues restricted for streets, police training, capital improvements, and debt service.

Long-term debt

All long-term debt arising from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Compensated absences

Accumulated vacation leave vests and the City is obligated to make payment if the employee terminates. The liability for compensated absences attributable to the City's governmental funds is recorded in the government-wide statements. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the government-wide statements as well as the applicable business-type funds.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

D. **Assets, liabilities and equity** (continued)

Equity classification

Government-wide statements:

Equity is classified as net assets and displayed in three components:

1. **Invested in capital assets, net of related debt**
Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
2. **Restricted net assets**
Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or by law through constitutional provisions or enabling legislation.
3. **Unrestricted net assets**
All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

It is the City’s general policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposed for which both restricted and unrestricted net assets are available. However, this policy can vary depending upon future needs of the City.

Fund financial statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. When committed, assigned and unassigned funds are available for expenditure, committed funds are to be spent first, assigned funds second, and unassigned funds last. However, this policy can vary depending upon future needs of the City. Proprietary fund equity is classified the same as in the government-wide statements.

E. **Revenues, expenditures and expenses**

Sales tax

The City presently levies a one-cent general city sales tax. The City also levies a ¼-cent contingency sales tax for capital improvements, a ¼-cent sales tax for the sewer system, as well as a ½-cent sales tax for park use (85%) and for storm water drainage (15%). These taxes are

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues, expenditures and expenses (continued)

Sales tax (continued)

collected by the Missouri Department of Revenue and remitted to the City in the month following receipt by the Division of Taxation & Collection. Christian County levies a sales tax for road and bridge use. The taxes collected are remitted to the City in the month following receipt by the Christian County Treasurer.

Property tax

Property Taxes are levied in October and are payable in full through December. Property taxes attach as an enforceable lien on property as of January 1st. Taxes are recorded as income in the year received under the modified cash basis of accounting.

Program revenues

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

<u>General government</u> -	Licenses, permits and fees; grants and donations.
<u>Public safety</u> -	Fine revenue and fees; grants.
<u>Streets</u> -	Developer contributed infrastructure
<u>Recreation</u> -	Concession receipts; fees; grants and donations.

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

Operating revenue and expenses

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

Expenditures/expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character – current (further classified by function)

- Debt service
- Capital outlay

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

E. **Revenues, expenditures and expenses** (continued)

Expenditures/expenses (continued)

Proprietary funds – by operating and nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

F. **Internal and interfund balances and activities**

In the process of aggregating the financial information for the government-wide statement of net assets and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund financial statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

- Interfund loans – amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- Interfund services – sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
- Interfund reimbursements – repayments from funds responsible for certain expenditures/expenses to the funds that initially paid from them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
- Interfund transfers – flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-wide financial statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- Internal balances – amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

F. **Internal and interfund balances and activities** (continued)

Government-wide financial statements (continued)

- Internal activities – amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as transfers – internal activities.

The effects of interfund services between funds are not eliminated in the statement of activities.

G. **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

A. **Fund account requirements**

The City complies, in all material respects, with state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund</u>	<u>Required By</u>
General fund	State law
Waterworks and sewerage fund	State law

B. **Deposits and investment laws and regulations**

Deposits

In accordance with state law, all deposits with financial institutions must be collateralized in an amount at least equal to uninsured deposits. Acceptable collateral is prescribed by the state treasurers’ list of acceptable securities that has been approved by the governor and state auditor.

Investments

The City may purchase any investment allowed by the state treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (continued)

B. **Deposits and Investment Laws and Regulations** (continued)

Investments (continued)

and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by United States Treasury obligations or obligations of United States government agencies or instrumentalities of any maturity, as provided by law. For the year ended December 31, 2011, the City’s deposits were fully secured throughout the year.

C. **Revenue restrictions**

For the year ended December 31, 2011, the City complied, in all material respects with the restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Grant revenue	Based upon individual grant agreement.
Motor vehicle and fee increase tax	Street purposes
Gasoline tax	Street purposes
Streets sales tax	Street purposes
¼-cent contingency sales tax	Capital improvements
L.E.T. fees	Law enforcement training
Municipal court fines	Law enforcement purposes
¼-cent wwtp sales tax	Wastewater treatment purposes
Special assessment taxes	NID & CID bond payments
CC road & bridge sales tax	Street purposes
Special road district tax	Street purposes
Park impact fees	Park equipment and facilities
½-cent park/stormwater sales tax	Park purposes (85%) and stormwater drainage (15%)

D. **Debt restrictions and covenants**

General obligation debt

Article VI, Sections 26 (b) and (c), Constitution of Missouri, limits the outstanding amount of authorized general obligation debt of a city to 10 percent of the assessed valuation of taxable tangible property as shown by the last completed assessment for state or county purposes. Authorization is by four-sevenths at the general municipal election day, primary or general elections and two-thirds at all other elections, vote of the qualified electors thereof. The computed legal debt margin of the City at December 31, 2011, was:

Legal debt limit	<u>\$ 22,148,147</u>
------------------	----------------------

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

D. Debt restrictions and covenants (continued)

Other long-term debt

Article VI, Section 26(a), Constitution of Missouri, limits the outstanding indebtedness of a city without popular vote to an amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years. For the year ended December 31, 2011, the City was in compliance with this requirement.

Enterprise fund debt

Ordinance No. 97-2 adopted May 21, 1997, authorized the sale of combined waterworks and sewerage system revenue bonds (state revolving fund program) and established certain deposit requirements. At December 31, 2011, the required deposits had been met.

Ordinance No. 01-021 adopted March 29, 2001, authorized the sale of combined waterworks and sewerage system revenue bonds (state revolving fund program) and established certain deposit requirements. At December 31, 2011, the required deposits had been met.

Ordinance No. 02-066 adopted September 3, 2002, authorized the sale of combined waterworks and sewerage system refunding revenue bonds and established certain deposit requirements. At December 31, 2011, the required deposits had been met. Other information required for this bond issue is as follows:

Number of system users at January 1, 2011	7,816
Number of system users at December 31, 2011	8,057

The City carries a blanket insurance policy that covers the entire City property, including the system. The policy is with Trident Insurance with a yearly term from January 1, 2011 through January 1, 2012.

Ordinance No. 05-089 adopted December 19, 2005, authorized the sale of combined waterworks and sewerage system revenue bonds and established certain deposit requirements. At December 31, 2011, the required deposits had been met.

Ordinance No. 06-021 adopted March 6, 2006, authorized the sale of combined waterworks and sewerage system revenue bonds (state revolving fund program) and established certain deposit requirements. At December 31, 2011, the required deposits had been met.

Ordinance No. 06-049 adopted June 19, 2006, authorized the sale of neighborhood improvement district bonds and established certain deposit requirements. At December 31, 2011, the required deposits had been met.

Ordinance No. 06-066 adopted August 21, 2006, authorized the sale of neighborhood improvement district bonds and established certain deposit requirements. At December 31, 2011, the required deposits had been met.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (continued)

D. **Debt restrictions and covenants** (continued)

Enterprise fund debt (continued)

Ordinance No. 06-086 adopted December 18, 2006, authorized the sale of neighborhood improvement district bonds and established certain deposit requirements. At December 31, 2011, the required deposits had been met.

Ordinance No. 07-023, adopted April 2, 2007, authorized the sale of combined waterworks and sewerage system revenue bonds (state revolving fund program) and established certain deposit requirements. At December 31, 2011, the required deposits had been met.

E. **Net assets/fund equity restrictions**

Missouri Revised Statutes, Section 67.010, requires that the total proposed expenditures of the city may not exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year. For the year ended December 31, 2011, the City complied in all material respects with this requirement.

F. **Budgetary requirements**

Budget law

The City's Board of Aldermen is responsible for the preparation and approval of budgets for the City's funds in accordance with Section 67.010 to 67.080 RSMo 1994. Initial budgets for all funds were adopted for the fiscal year ending December 31, 2011, on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The final budget amendments included adjustments to the accrual basis of accounting. Encumbrance accounting is not utilized by the City of Ozark.

Unused appropriations for the above funds annually budgeted funds lapse at the end of the year.

The budget amounts shown in the financial statements are the initial and final authorized amounts as revised during the year.

Budgetary compliance

For the year ended December 31, 2011, the City had complied, in all material respects, with the applicable budget laws.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Deposits and investments

At December 31, 2011, cash and investments are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash on hand and in bank	\$ 7,834,858
Certificates of deposit	3,703
Reserved certificates of deposit	124,375
Reserve funds	4,433,002
Project funds	<u>2,751,212</u>
Total cash and investments	<u>\$ 15,147,150</u>

Cash and investments as of December 31, 2011 consist of the following:

Deposits with financial institutions	\$ 9,149,507
Certificates of deposit	135,097
Petty cash	2,830
Escrowed cash (held at UMB Bank)	862,604
Money market treasury funds (held at UMB Bank)	4,933,409
Fixed income securities (held at UMB Bank)	<u>63,703</u>
Total cash and investments	<u>\$ 15,147,150</u>

Deposits

At December 31, 2011, the bank balance of the City's deposits was \$9,611,846, which was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Investments

Investment policy

The Board of Aldermen has not adopted formal investment policies for City monies. However, the City has determined through experience that checking accounts, funds management accounts and certificates of deposit are appropriate for its needs.

State statutes authorize the City to invest in the following types of investments:

- United States Treasury Securities, which are obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- United States Agency Securities, which are obligations issued or guaranteed by any agency of the United States Government.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A. Deposits and investments (continued)

Investments (continued)

Investment policy (continued)

- Repurchase Agreements, which are contractual agreements between the City and commercial banks or primary government securities dealers. The purchaser in a repurchase agreement (repo) enters into a contractual agreement to purchase U.S. Treasury and government agency securities which simultaneously agreeing to resell the securities at predetermined dates and prices.
- Collateralized Public Deposits (Certificates of Deposit), which are instruments, issued by financial institutions which state that specified sums have been deposited for specified periods of time and at specified rates of interest. The certificates of deposit are required to be backed by acceptable collateral securities as dictated by State statute.
- Bankers' Acceptances, which are time drafts drawn on and accepted by a commercial bank. The City may invest in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation.
- Commercial Paper, issued by domestic corporations which has received the highest rating issued by Moody's Investor Services, Inc., or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that have total commercial paper program size in excess of \$500,000,000.

Interest rate risk

Interest rate risk is the risk that changes in interest rates demanded by the market will adversely affect the fair value of an investment. The City does not have a formal interest rate risk policy. However, the City requires that depositories the City uses pay interest rates equal to or in excess of the money rates that are quoted in the Wall Street Journal for the particular day of investment.

As of December 31, 2011, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Investment maturities (in years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Certificates of deposit	\$ 135,097	\$ 135,097	\$ -	\$ -	\$ -
Fixed income securities held by UMB Bank	<u>63,703</u>	<u>63,703</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 198,800</u>	<u>\$ 198,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. **DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS** (continued)

A. **Deposits and investments** (continued)

Investments (continued)

Credit risk & concentration of credit risk

Credit risk is the risk that the issuer will not fulfill its obligation to the holder of the investment. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The City does not have formal policies for credit risk or concentration of credit risk. However, the City requires the depositories it uses to maintain at all times security for the City's funds in an amount equal to at least 100% of the amount on deposit with the depository, less the amount, if any, which is an insured deposit pursuant to the Federal Deposit Insurance Act.

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Liberty Bank	Certificates of deposit	\$ 7,019
Guaranty Bank	Certificates of deposit	\$ 128,077
MBIA I/A P & I Float	Fixed income securities	\$ 4,588
CDC Funding Corp.	Fixed income securities	\$ 49,550
FSA Capital Management	Fixed income securities	\$ 9,566

Custodial credit risk

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

B. **Capital assets**

As described in Note 1.D., the City has retroactively added the waterworks and sewerage infrastructure purchased and donated prior to 2004 to its financial statements as of December 31, 2008. As part of this process a master list of assets was compiled for the waterworks system and the sewerage system, requiring a reorganization of asset classifications.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

B. Capital assets (continued)

Capital asset activity for the fiscal year ended December 31, 2011 was as follows:

	Balance <u>Jan. 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2011</u>
<i><u>Governmental activities</u></i>				
Land	\$ 3,757,100	\$ -	\$ -	\$ 3,757,100
Construction in progress	25,070	29,130	-	54,200
Land improvements	10,785,294	172,774	-	10,958,068
Buildings	15,947,091	40,687	-	15,987,778
Vehicles & equipment	<u>3,019,333</u>	<u>83,924</u>	<u>24,402</u>	<u>3,078,855</u>
Totals at historical cost	<u>33,533,888</u>	<u>326,515</u>	<u>24,402</u>	<u>33,836,001</u>
<u>Less accumulated depreciation:</u>				
Land improvements	1,887,252	315,147	-	2,202,399
Buildings	917,148	483,942	-	1,401,090
Vehicles & equipment	<u>1,895,225</u>	<u>265,029</u>	<u>24,201</u>	<u>2,136,053</u>
Total accum. depreciation	<u>4,699,625</u>	<u>1,064,118</u>	<u>24,201</u>	<u>5,739,542</u>
Governmental activities, capital assets, net	<u>\$ 28,834,263</u>	<u>\$ (737,603)</u>	<u>\$ 201</u>	<u>\$ 28,096,459</u>
<i><u>Business-type activities</u></i>				
Land	\$ 667,000	\$ 5,000	\$ -	\$ 672,000
Buildings	198,337	-	-	198,337
Water system	12,754,083	736,954	6,826	13,484,211
Wastewater treatment system	41,350,944	344,937	9,363	41,686,518
Construction in progress	<u>69,923</u>	<u>52,921</u>	<u>-</u>	<u>122,844</u>
Totals at historical cost	<u>55,040,287</u>	<u>1,139,812</u>	<u>16,189</u>	<u>56,163,910</u>
<u>Less accumulated depreciation:</u>				
Buildings	23,815	6,010	-	29,825
Water system	5,136,174	407,260	4,436	5,538,998
Wastewater treatment system	<u>10,308,833</u>	<u>880,632</u>	<u>9,363</u>	<u>11,180,102</u>
Total accum. depreciation	<u>15,468,822</u>	<u>1,293,902</u>	<u>13,799</u>	<u>16,748,925</u>
Business-type activities, capital assets, net	<u>\$ 39,571,465</u>	<u>\$ (154,090)</u>	<u>\$ 2,390</u>	<u>\$ 39,414,985</u>

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

B. Capital assets (continued)

Depreciation expense was charged to functions as follows in the statement of activities:

<u>Governmental activities:</u>	
Administrative	\$ 31,301
Public safety	111,367
Streets	324,017
Park	584,830
Pool	<u>12,603</u>
Total depreciation expense for governmental activities	<u>\$ 1,064,118</u>
 <u>Business-type activities:</u>	
Water	\$ 409,159
Sewer	<u>884,743</u>
Total depreciation expense for business-type activities	<u>\$ 1,293,902</u>

C. Long-term debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

Certificates of Participation

2006 Series Certifications of Participation (Community Center Project)

During the fiscal year ended December 31, 2006, the City entered into a cancelable lease agreement with UMB Bank, N.A. to pay the costs of designing a community center and park facilities to be located on the project site. The interest rate is 4.500% to 5.000% and is payable semiannually on March 1 and September 1 of each year. The principal balance at December 31, 2011 was \$4,650,000. Following is a summary of the future minimum lease payments required and the present value of the net minimum lease payments at December 31, 2011:

<u>Year Ending</u> <u>December 31,</u>	<u>Payment</u>
2012	\$ 342,397
2013	361,998
2014	380,472
2015	397,823
2016	419,048

(continued)

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Long-term debt (continued)

GOVERNMENTAL ACTIVITIES (continued)

Certificates of Participation (continued)

2006 Series Certifications of Participation (Community Center Project) (continued)

Future minimum lease payments required and the present value of the net minimum lease payments at December 31, 2011, continued:

Year Ending <u>December 31,</u>	<u>Payment</u>
2017 – 2021	\$ 2,282,895
2022 – 2026	<u>2,674,350</u>
Total minimum lease payments	6,858,983
Less: amounts representing interest	<u>2,208,983</u>
Present value of minimum lease payments	<u>\$ 4,650,000</u>

2007 Series Certifications of Participation (Community Center Project)

During the fiscal year ended December 31, 2007, the City entered into a cancelable lease agreement with UMB Bank, N.A. to pay the costs of constructing and equipping a community center and park facilities. The interest rate is 4.000% to 5.000% and is payable semiannually on March 1 and September 1 of each year. The principal balance at December 31, 2011 was \$14,745,000. Following is a summary of the future minimum lease payments required and the present value of the net minimum lease payments at December 31, 2011:

Year Ending <u>December 31,</u>	<u>Payment</u>
2012	\$ 951,593
2013	994,392
2014	1,038,193
2015	1,089,292
2016	1,134,692
2017 - 2021	6,598,119
2022 - 2026	<u>9,828,658</u>
Total minimum lease payments	21,634,939
Less: amount representing interest	<u>6,889,939</u>
Present value of minimum lease payments	<u>\$ 14,745,000</u>

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Long-term debt (continued)

GOVERNMENTAL ACTIVITIES (continued)

Lease-Purchase Obligations

The following lease-purchase obligations are subject to annual appropriation and constitute a current expense of the City and are not general obligations of the City nor has the City pledged the general tax revenues, funds or moneys of the City. All lease-purchase obligations are planned to be renewed each year until maturity of each is reached and the City has exercised its option to purchase.

2009 Lease-Purchase – Canon Graphics Printer (1/3)

During the year ended December 31, 2010, the City entered into a lease-purchase agreement for a Canon printer to be shared equally between the street, water and sewer departments. The full loan amount was \$8,305. Principal and interest of 12.7% are payable in monthly installments beginning July 2009. The principal balance at December 31, 2011 was \$4,802. The balance in the general fund was \$1,601 and the balance in the waterworks and sewerage fund was \$3,201. Following is a summary of the future minimum lease payments required and the present value of the net minimum lease payments at December 31, 2011 for the general fund portion:

<u>Year Ending</u> <u>December 31,</u>	<u>Payment</u>
2012	\$ 751
2013	751
2014	<u>375</u>
Total minimum lease payments	1,877
Less: amount representing interest	<u>276</u>
Present value of minimum lease payments	<u>\$ 1,601</u>

2011 Lease-Purchase – plow/dump truck (1/3)

During the year ended December 31, 2011, the City entered into a lease-purchase agreement for a 2012 International plow/dump truck to be shared equally between the street, water and sewer departments. The full loan amount was \$87,325. Principal and interest of 3.761% are payable in annual installments beginning June 2012. The principal balance at December 31, 2011 was \$87,326. The balance in the general fund was \$29,109 and the balance in the waterworks and sewerage fund was \$58,217. Following is a summary of the future minimum lease payments required and the present value of the net minimum lease payments at December 31, 2011 for the general fund portion:

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Long-term debt (continued)

GOVERNMENTAL ACTIVITIES (continued)

Lease-Purchase Obligations (continued)

2011 Lease-Purchase – plow/dump truck (1/3) (continued)

<u>Year Ending</u> <u>December 31,</u>	<u>Payment</u>
2012	\$ 10,442
2013	10,442
2014	<u>10,442</u>
Total minimum lease payments	31,326
Less: amount representing interest	<u>2,217</u>
Present value of minimum lease payments	<u>\$ 29,109</u>

Special Assessment Debt (Community Improvement District Bonds)

Bluff Drive Community Improvement District Bonds Series 2007

During the fiscal year ended December 31, 2007, the City issued \$155,000 of Community Improvement District Bonds for the purpose of constructing certain improvements (the signalization project), paying the cost of issuing the bonds and funding a debt service reserve fund for the bonds. These bonds are special obligations of the City, payable solely from a pledge of the revenues derived from special assessments which are levied by the City. Interest on the bonds is payable annually at 4.500% on July 17 of each year beginning July 17, 2008. The bonds outstanding at December 31, 2011 equal \$133,868.

A summary of the remaining debt follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 5,879	\$ 6,041
2013	6,160	5,759
2014	6,438	5,482
2015	6,727	5,193
2016	7,016	4,903
2017 - 2021	40,174	19,424
2022 - 2026	50,068	9,529
2027 - 2031	<u>11,406</u>	<u>513</u>
Totals	<u>\$ 133,868</u>	<u>\$ 56,844</u>

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Long-term debt (continued)

GOVERNMENTAL ACTIVITIES (continued)

Special Obligation Refunding Bonds

Special Obligation Refunding Bonds Series 2011

During the fiscal year ended December 31, 2011, the City issued \$800,000 of Special Obligation Refunding Bonds for the purpose of refunding the September 1, 2011 payments related to the Series 2006 and 2077 Certificates of Participation. These bonds are special obligations of the City, payable solely from annual appropriations of funds by the City for such purpose to be deposited in the Debt Service Fund. Interest on the bonds is payable semiannually at 4.000% on March 1 and September 1 of each year beginning March 17, 2012 until the principal amount has been paid. The bonds outstanding at December 31, 2011 equal \$800,000.

A summary of the remaining debt follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ -	\$ 32,533
2013	-	32,000
2014	<u>800,000</u>	<u>32,000</u>
Totals	<u>\$ 800,000</u>	<u>\$ 96,533</u>

BUSINESS-TYPE ACTIVITIES

Lease-Purchase Obligations

The following lease-purchase obligations are subject to annual appropriations and constitute a current expense of the City and are not a general obligation of the City nor has the City pledged the general tax revenues, funds or moneys of the City. All lease-purchase obligations are planned to be renewed each year until maturity of each is reached and the City has exercised its option to purchase.

2009 Lease-Purchase – Canon Graphics Printer (2/3)

During the year ended December 31, 2010, the City entered into a lease-purchase agreement for a Canon printer to be shared equally between the street, water and sewer departments. The full loan amount was \$8,305. Principal and interest of 12.7% are payable in monthly installments beginning July 2009. The principal balance at December 31, 2011 was \$4,802. The balance in the general fund was \$1,601 and the balance in the waterworks and sewerage fund was \$3,201. Following is a summary of the future minimum lease payments required and the present value of the net minimum lease payments at December 31, 2011 for the waterworks and sewerage fund portion:

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Long-term debt (continued)

BUSINESS-TYPE ACTIVITIES (continued)

Lease-Purchase Obligations (continued)

2009 Lease-Purchase – Canon Graphics Printer (2/3) (continued)

<u>Year Ending</u> <u>December 31,</u>	<u>Payment</u>
2012	\$ 1,501
2013	1,502
2014	<u>750</u>
Total minimum lease payments	3,753
Less: amount representing interest	<u>552</u>
Present value of minimum lease payments	<u>\$ 3,201</u>

2011 Lease-Purchase – plow/dump truck (2/3)

During the year ended December 31, 2011, the City entered into a lease-purchase agreement for a 2012 International plow/dump truck to be shared equally between the street, water and sewer departments. The full loan amount was \$87,325. Principal and interest of 3.761% are payable in annual installments beginning June 2012. The principal balance at December 31, 2011 was \$87,326. The balance in the general fund was \$29,109 and the balance in the waterworks and sewerage fund was \$58,217. Following is a summary of the future minimum lease payments required and the present value of the net minimum lease payments at December 31, 2011 for the waterworks and sewerage fund portion:

<u>Year Ending</u> <u>December 31,</u>	<u>Payment</u>
2012	\$ 20,884
2013	20,883
2014	<u>20,883</u>
Total minimum lease payments	62,650
Less: amount representing interest	<u>4,433</u>
Present value of minimum lease payments	<u>\$ 58,217</u>

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Long-term debt (continued)

BUSINESS-TYPE ACTIVITIES (continued)

Revenue Bonds

Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) Series 1997D

During the fiscal year ended December 31, 1997, the City issued \$3,000,000 of combined waterworks and sewer system revenue bonds, Series 1997D, from the State Revolving Fund Program, for the purpose of extending and improving the City's combined waterworks and sewerage system. The bonds are special, limited obligations of the City payable solely from, and secured by a pledge of, the net revenues of the system. The City is to make monthly payments toward the semi-annual debt service payment, including interest of 5.250 – 6.000%, which is due January 1 and July 1 of each year. The bonds outstanding at December 31, 2011, equal \$1,200,000. A summary of the remaining debt follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 160,000	\$ 60,262
2013	165,000	51,325
2014	170,000	42,113
2015	170,000	32,762
2016	175,000	23,494
2017 – 2021	<u>360,000</u>	<u>18,900</u>
Totals	<u>\$1,200,000</u>	<u>\$ 228,856</u>

Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) Series 2001A

During the fiscal year ended December 31, 2001, the City issued \$975,000 of combined waterworks and sewer system revenue bonds, Series 2001A, from the State Revolving Fund Program, for the purpose of extending and improving the City's combined waterworks and sewerage system. The bonds are special, limited obligations of the City payable solely from, and secured by a pledge of, the net revenues of the system. The City is to make monthly payments toward the semi-annual debt service payment, including interest of 4.000 – 5.000%, which is due January 1 and July 1 of each year. The bonds outstanding at December 31, 2011, equal \$610,000. A summary of the remaining debt follows:

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Long-term debt (continued)

BUSINESS-TYPE ACTIVITIES (continued)

Revenue Bonds (continued)

Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) Series 2001A (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	45,000	28,210
2013	50,000	26,117
2014	50,000	23,867
2015	50,000	21,568
2016	55,000	19,086
2017 - 2021	295,000	54,183
2022 - 2026	<u>65,000</u>	<u>1,625</u>
Totals	<u>\$ 610,000</u>	<u>\$ 174,656</u>

Combined Waterworks and Sewerage System Revenue Bonds Series 2005

During the year ended December 31, 2005, the City issued \$600,000 of combined waterworks and sewerage system revenue bonds, Series 2005 for the purpose of providing funds, together with other funds of the City which are or will become available for paying a portion of the costs of constructing, extending, equipping, and improving the collection, distribution, storage and treatment facilities of the combined waterworks and sewerage system of the City, including acquiring rights-of-way of the system and to pay certain costs of issuing the bonds. The bonds are special obligations of the City payable solely from, and secured as to the payment of principal and interest by a pledge of the revenues derived by the City from the operation of the system, and neither said bonds nor the interest thereon shall be payable in whole or in part out of funds raised by taxation and the taxing power of the City is not pledged to the payment of the bonds either as to principal or interest. Such bonds shall not be or constitute a general obligation of the City. Interest on the bonds is payable annually at 5.57% on December 30 of each year. The bonds outstanding at December 31, 2011 equal \$420,000. A summary of the remaining debt follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 30,000	\$ 23,784
2013	30,000	22,025
2014	30,000	20,331
2015	30,000	18,636
2016	30,000	16,988

(continued)

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Long-term debt (continued)

BUSINESS-TYPE ACTIVITIES (continued)

Revenue Bonds (continued)

Combined Waterworks and Sewerage System Revenue Bonds Series 2005 (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017 - 2021	150,000	59,325
2022 - 2026	<u>120,000</u>	<u>16,951</u>
Totals	<u>\$ 420,000</u>	<u>\$ 178,040</u>

Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) Series 2006A

During the fiscal year ended December 31, 2006, the City issued \$7,980,000 of combined waterworks and sewer system revenue bonds, Series 2006A, from the State Revolving Fund Program, for the purpose of extending and improving the City's combined waterworks and sewerage system. The bonds are special, limited obligations of the City payable solely from, and secured by a pledge of, the net revenues of the system. The City is to make monthly payments toward the semi-annual debt service payment, including interest of 4.000 – 5.200%, which is due January 1 and July 1 of each year. The bonds outstanding at December 31, 2011, equal \$6,245,000.

A summary of the remaining debt follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	385,000	290,738
2013	365,000	273,413
2014	370,000	258,813
2015	375,000	244,012
2016	385,000	225,262
2017 - 2021	2,065,000	834,362
2022 - 2026	<u>2,300,000</u>	<u>326,500</u>
Totals	<u>\$ 6,245,000</u>	<u>\$ 2,453,100</u>

Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) Series 2007A

During the fiscal year ended December 31, 2007, the City issued \$15,125,000 of combined waterworks and sewer system revenue bonds, Series 2007A, from the State Revolving Fund Program, for the purpose of extending and improving the City's combined waterworks and

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Long-term debt (continued)

BUSINESS-TYPE ACTIVITIES (continued)

Revenue Bonds (continued)

Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) Series 2007A (continued)

sewerage system. The bonds are special, limited obligations of the City payable solely from, and secured by a pledge of, the net revenues of the system. The City is to make monthly payments toward the semi-annual debt service payment, including interest of 4.000 – 4.750%, which is due January 1 and July 1 of each year. The bonds outstanding at December 31, 2011, equal \$13,575,000. A summary of the remaining debt follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 560,000	\$ 575,125
2013	585,000	552,225
2014	605,000	528,425
2015	630,000	503,725
2016	660,000	477,925
2017 - 2021	3,720,000	1,960,159
2022 - 2026	4,640,000	1,035,406
2027 - 2031	<u>2,175,000</u>	<u>96,141</u>
Totals	<u>\$ 13,575,000</u>	<u>\$ 5,729,131</u>

Refunding Revenue Bonds

Combined Waterworks and Sewerage System Refunding Revenue Bonds Series 2002

During the fiscal year ended December 31, 2002, the City issued \$1,480,000 of combined waterworks and sewerage system revenue refunding bonds for the purpose of refunding outstanding Series 1994 Bonds. These bonds are special obligations of the City, payable solely from the revenues derived by the City from the operation of the system. Interest on the bonds is payable semi-annually at 2.350% - 4.100% on September 1st and March 1st of each year. The bonds outstanding at December 31, 2011 equal \$140,000.

A summary of the remaining debt follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	<u>\$ 140,000</u>	<u>\$ 2,870</u>

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Long-term debt (continued)

BUSINESS-TYPE ACTIVITIES (continued)

Special Assessment Debt (Neighborhood Improvement District Bonds)

Stonegate Neighborhood Improvement District Bonds Series 2006

During the fiscal year ended December 31, 2006, the City issued \$797,500 of Neighborhood Improvement District Bonds for the purpose of repaying the temporary notes used to construct certain sewer improvements in the district, paying the cost of issuing the bonds and funding a debt service reserve fund for the bonds. These bonds are special obligations of the City, payable solely from a pledge of the revenues derived from special assessments which are levied by the City. Interest on the bonds is payable semiannually at 4.455% on December 31 and June 30 of each year beginning June 30, 2007. The bonds outstanding at December 31, 2011 equal \$598,125. A summary of the remaining debt follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 39,875	\$ 25,758
2013	39,875	23,982
2014	39,875	22,205
2015	39,875	20,429
2016	39,875	18,653
2017 - 2021	199,375	66,616
2022 - 2026	<u>199,375</u>	<u>22,205</u>
Totals	<u>\$ 598,125</u>	<u>\$ 199,848</u>

Kirkwood Neighborhood Improvement District Bonds Series 2006

During the fiscal year ended December 31, 2006, the City issued \$1,165,000 of Neighborhood Improvement District Bonds for the purpose of repaying the temporary notes used to construct certain sewer improvements in the district, paying the cost of issuing the bonds and funding a debt service reserve fund for the bonds. These bonds are special obligations of the City, payable solely from a pledge of the revenues derived from special assessments which are levied by the City. Interest on the bonds is payable annually at 4.95% on September 1 of each year beginning September 1, 2007. The bonds outstanding at December 31, 2011 equal \$873,750.

A summary of the remaining debt follows:

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Long-term debt (continued)

BUSINESS-TYPE ACTIVITIES (continued)

Special Assessment Debt (Neighborhood Improvement District Bonds) (continued)

Kirkwood Neighborhood Improvement District Bonds Series 2006 (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 58,250	\$ 43,369
2013	58,250	40,367
2014	58,250	37,484
2015	58,250	34,601
2016	58,250	31,804
2017 - 2021	291,250	115,390
2022 - 2026	<u>291,250</u>	<u>43,274</u>
Totals	<u>\$ 873,750</u>	<u>\$ 346,289</u>

Laurel Hills Neighborhood Improvement District Bonds Series 2006

During the fiscal year ended December 31, 2006, the City issued \$270,000 of Neighborhood Improvement District Bonds for the purpose of repaying the temporary notes used to construct certain sewer improvements in the district, paying the cost of issuing the bonds and funding a debt service reserve fund for the bonds. These bonds are special obligations of the City, payable solely from a pledge of the revenues derived from special assessments which are levied by the City. Interest on the bonds is payable annually at 4.35% on March 1 of each year beginning March 1, 2008. The bonds outstanding at December 31, 2011 equal \$234,312.

A summary of the remaining debt follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 10,416	\$ 10,221
2013	10,897	9,740
2014	11,371	9,265
2015	11,866	8,771
2016	12,360	8,277
2017 - 2021	70,451	32,732
2022 - 2026	87,174	16,009
2027 - 2031	<u>19,777</u>	<u>860</u>
Totals	<u>\$ 234,312</u>	<u>\$ 95,875</u>

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Long-term debt (continued)

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2011:

<u>Type of Debt</u>	<u>Balance Jan. 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2011</u>
<i>Governmental Activities</i>				
<u>Special assessment debt (CID bonds):</u>				
2007 – Bluff Drive	\$ 139,510	\$ -	\$ 5,642	\$ 133,868
<u>Special obligation bonds:</u>				
Series 2011	-	800,000	-	800,000
<u>Certificates of participation:</u>				
2006 – COP	4,750,000	-	100,000	4,650,000
2007 – COP	14,980,000	-	235,000	14,745,000
<u>Lease-purchases:</u>				
2009 – (1/3) Canon graphics printer	2,112	-	511	1,601
2011 – (1/3) plow / dump truck	-	29,109	-	29,109
Total govt. activities	<u>\$ 19,871,622</u>	<u>\$ 829,109</u>	<u>\$ 341,153</u>	<u>\$ 20,359,578</u>
<i>Business-Type Activities:</i>				
<u>Revenue bonds:</u>				
Series 1997D (SRF)	\$ 1,355,000	\$ -	\$ 155,000	\$ 1,200,000
Series 2001A (SRF)	655,000	-	45,000	610,000
Series 2005	450,000	-	30,000	420,000
Series 2006A (SRF)	6,630,000	-	385,000	6,245,000
Series 2007A (SRF)	14,115,000	-	540,000	13,575,000
<u>Refunding revenue bonds:</u>				
Series 2002	315,000	-	175,000	140,000
<u>Special assessment debt (NID bonds):</u>				
2006 – Stonegate	638,000	-	39,875	598,125
2006 – Kirkwood	932,000	-	58,250	873,750
2006 – Laurel Hills	244,320	-	10,008	234,312
<u>Lease-purchases:</u>				
2009 – (2/3) canon graphics printer	4,225	-	1,024	3,201
2011 – (2/3) plow / dump truck	-	58,217	-	58,217
Total business-type activities	<u>\$ 25,338,545</u>	<u>\$ 58,217</u>	<u>\$1,439,157</u>	<u>\$ 23,957,605</u>

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

D. Interfund transactions and balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

At December 31, 2011 the Interfund balances were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 175	\$ 420
Capital Improvement Fund	667	-
Park Fund	49,849	-
Pool Fund	-	175
Waterworks and Sewerage Fund	441	667
Solid Waste Fund	-	21
<u>Component Units:</u>		
PFC	726,835	-
LCRA	-	776,684
Totals	<u>\$ 777,967</u>	<u>\$ 777,967</u>

Transfers between funds of the primary government during the year ended December 31, 2011 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund:</u>		
Capital Improvement Fund	\$ 273,158	\$ -
Solid Waste Fund	50,500	-
Total General Fund	<u>323,658</u>	<u>-</u>
<u>Capital Improvement Fund:</u>		
General Fund	-	273,158
Park/Stormwater S/T Fund	-	250,000
Total Capital Improvement Fund	<u>-</u>	<u>523,158</u>
<u>Park Fund:</u>		
Park/Stormwater S/T Fund	-	57,244
Total Park Fund	<u>-</u>	<u>57,244</u>

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

D. Interfund transactions and balances (continued)

Transfers between funds of the primary government continued:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Park/Stormwater S/T Fund:</u>		
Capital Improvement Fund	250,000	-
Park Fund	57,244	-
Pool Fund	8,369	8,750
Total Park/Stormwater S/T Fund	315,613	8,750
 <u>Pool Fund:</u>		
Park/Stormwater S/T Fund	8,750	8,369
 <u>Solid Waste Fund:</u>		
General Fund	-	50,500
Grand Totals	\$ 648,021	\$ 648,021

E. Operating leases

The City is lessee to equipment and facilities under noncancellable operating leases. Lease expense to the City for such leases was \$48,154 for the year ended December 31, 2011. The future minimum lease payments to be paid under these leases are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 48,154
2013	23,552
	\$ 71,706

4. OTHER NOTES

A. Employee pension plan: LAGERS

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.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

4. **OTHER NOTES** (continued)

A. **Employee pension plan: LAGERS** (continued)

Funding Status (continued)

LAGERS was created and governed by statute section RSMo. 70.600 - 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 401(a) and it 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, P.O. 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 13.3% (General) and 12.7% (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	\$ 502,001
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>502,001</u>
Actual contributions	<u>502,001</u>
Increase (decrease) in NPO	-
NPO beginning of year	-
NPO end of year	<u><u>\$ -</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2009 and February 28, 2010 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011 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 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

4. OTHER NOTES (continued)

A. Employee pension plan: LAGERS (continued)

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 as of February 28, 2009 was 19 years for the General division and 21 years for the Police division. The amortization period as of February 28, 2010 was 16 years for the General division and 16 years for the Police division.

Three-Year Trend Information

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2009	\$ 414,922	100.0%	\$ -
2010	469,998	100.0	-
2011	502,001	100.0	-

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

	(a)	(b)	(b-a)		(c)	[(b-a)/c]
Actuarial Valuation <u>Date</u>	Actuarial Value <u>of Assets</u>	Entry Age Actuarial Accrued <u>Liability</u>	Unfunded Accrued Liability <u>(UAL)</u>	(a/b) Funded Ratio	Annual Covered <u>Payroll</u>	UAL as a Percentage of Covered <u>Payroll</u>
2/29/09	\$ 3,132,608	\$ 4,817,284	\$ 1,684,676	65%	\$ 3,416,206	49%
2/28/10	3,659,929	5,438,920	1,778,991	67	3,919,687	45
2/28/11	4,349,359	5,969,418	1,620,059	73	3,719,662	44

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 valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

B. 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. During the year ended December 31, 2011, the City contracted for general liability insurance, commercial property coverage; auto liability, inland marine coverage, and public officials' liability. The City has also contracted with insurance agencies for workers' compensation insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

4. **OTHER NOTES** (continued)

C. **Component unit: Public Funding Corporation**

The Ozark Public Funding Corporation (PFC) is a not-for-profit corporation founded for the purpose of purchasing and/or constructing properties and projects for the use of the City of Ozark, Missouri. These projects are constructed and then leased to the City under the following terms: The City and the Public Funding Corporation acknowledge and agree that the lease payments called for in these leases shall constitute currently budgeted expenditures of the City. The City's obligation under these leases shall be from year to year only, and shall not constitute an indebtedness, liability or a mandatory payment obligation of the City in any ensuing year. Since the City has no obligation to make any payment under these leases, beyond those appropriated for the City's then current fiscal year, the election requirements and other limitations of law concerning the creation of indebtedness of the City are inapplicable to these leases. No provision of these leases shall be construed or interpreted as creating a general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation. These leases shall not directly or indirectly obligate the City to make any payments beyond those currently appropriated by the resolution for the City's then current fiscal year. The City shall be under no obligation whatsoever to exercise its option to purchase the projects. No provision of these leases shall be construed to pledge or to create a lien on any class or source of City moneys, nor will any provision of the leases restrict the future issuance of any bonds by the City or any other obligations payable from any class or source of City moneys or revenues. There shall be credited against the amount of lease payments otherwise payable by the City hereunder amounts equal to earnings derived from investment of any funds on deposit hereunder.

Notwithstanding any provision or covenant contained in the leases, the deeds of trusts or the notes, the City is not obligated to renew the lease beyond any current lease term, nor is the City obligated to budget for appropriate moneys or to make rental payments beyond the end of the lease term in effect at a given date and the City shall be under no obligation to levy taxes in order to raise revenues to make rental payments.

As of December 31, 2011, these projects and the related indebtedness were as follows:

- Finley Valley Water System - This was the purchase of the water system and all related assets. The purchase was originally financed with a note to the individual who previously owned the water system. This note was paid off with a new note in 2003. The balance of this note at December 31, 2011 was paid in full.
- Quail Run Water System – This is the purchase of the water system. The note calls for quarterly payments of \$6,601.22 through June 2022. The balance of this note at December 31, 2011 was \$217,462.70.
- Campbell City/Homestead Projects – This is to pay a portion of the costs of providing sewer and water sewers. The note calls for monthly payments of \$6,159.75 through July 2011. The balance of this note at December 31, 2011 was paid in full.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

4. OTHER NOTES (continued)

C. Component unit: Public Funding Corporation (continued)

- Equalization Basin & 3rd Street Lift Station – This is to pay a portion of the cost of the 3rd Street lift station and equalization basin project. The note calls for 32 payments of \$23,018.68 through August 26, 2012. The balance of this note at December 31, 2011 was \$35,524.44.
- Police Station Project – This was for the purpose of providing funds for the costs of acquiring, constructing, improving and equipping the police station project. The loan calls for quarterly payments of \$7,872.46 through September 2025. The balance of this agreement at December 31, 2011 was \$313,679.82.
- 2009 Land Acquisition Project – This was for the purpose of providing funds to pay a portion of the costs of acquiring real estate for public purposes. The agreement calls for quarterly payments of \$17,301.65 through November 2013 with a final payment of \$797,704.36 in February 2014. The balance of this note at December 31, 2011 was \$886,400.00.

The revenue to pay each of the above notes is generated by corresponding leases with the City of Ozark, Missouri. See above for details and limitations of these leases.

D. Component unit: Land Clearance for Redevelopment Authority of the City of Ozark, Missouri (LCRA)

The Land Clearance for Redevelopment Authority (LCRA) was formed under sections 99.300 to 99.660 of 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. It does not issue separately audited component unit financial statements. Land and land improvements acquired by the LCRA may be leased to the City under the following terms: The City and the LCRA acknowledge and agree that the lease payments called for in these leases shall constitute currently budgeted expenditures of the City. The City's obligation under these leases shall be from year to year only, and shall not constitute an indebtedness, liability or a mandatory payment obligation of the City in any ensuing year. Since the City has no obligation to make any payment under these leases, beyond those appropriated for the City's then current fiscal year, the election requirements and other limitations of law concerning the creation of indebtedness of the City are inapplicable to these leases. No provision of these leases shall be construed or interpreted as creating a general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation. These leases shall not directly or indirectly obligate the City to make any payments beyond those currently appropriated by the resolution for the City's then current fiscal year. The City shall be under no obligation whatsoever to exercise its option to purchase the land and/or land improvements. No provision of these leases shall be construed to pledge or to create a lien on any class or source of City moneys, nor will any provision of the leases restrict the future issuance of any bonds by the City or any other obligations payable from any class or source of City moneys or revenues. There shall be credited against the amount of lease payments otherwise payable by the City hereunder amounts equal to earnings derived from investment of any funds on deposit hereunder.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

4. OTHER NOTES (continued)

D. Component unit: Land Clearance for Redevelopment Authority of the City of Ozark, Missouri (LCRA) (continued)

Notwithstanding any provision or covenant contained in the leases, the deeds of trusts or the notes, the City is not obligated to renew the lease beyond any current lease term, nor is the City obligated to budget for appropriate moneys or to make rental payments beyond the end of the lease term in effect at a given date and the City shall be under no obligation to levy taxes in order to raise revenues to make rental payments.

As of December 31, 2011, these projects and their related indebtedness were as follows:

- Land – The Wilkerson Property was purchased for development and subsequently refinanced. The new agreement calls for monthly interest payments through March 2012 and a final payment of \$136,661.56 in March 2012. The balance of this agreement at December 31, 2011 was \$136,174.36.
- Land – 307 W. Brick Property was purchased for development and subsequently refinanced. The new agreement calls for quarterly payments of \$2,763.90 through December 2016. The balance of this agreement at December 31, 2011 was \$49,353.35.
- Land – 301 N. 3rd Street was purchased for development and refinanced. The new agreement calls for quarterly payments of \$6,213.95 through February 2018. The balance of this agreement at December 31, 2011 was \$136,055.09.
- Land – 303 W. Brick was purchased for development and subsequently refinanced. The new agreement calls for quarterly payments of interest only through April 2010, then quarterly payments of \$2,432.76 through January 2017. The balance of this agreement at December 31, 2011 was \$45,446.76.
- Land – The O'Reilly, Nalley and Branstetter properties were purchased for development and subsequently refinanced. The new agreement calls for quarterly payments of interest only through July 2010, followed by quarterly payments of \$18,927.07 through April 2018. The balance of this agreement at December 31, 2011 was \$425,759.38.
- Land – The Church and 3rd Street properties were purchased for development and subsequently refinanced. The new agreement calls for quarterly payments of interest only through June 2010, then quarterly payments of \$15,366.54 through June 2018. The balance of this agreement at December 31, 2011 was \$343,274.24.
- Land – The Wiley and Rainey properties were purchased for development and subsequently refinanced. The new agreement calls for quarterly payments of of interest only through July 2010, then quarterly payments of \$24,785.92 through October 2018. The balance of this agreement at December 31, 2011 was \$595,668.75.
- Note Payable-PFC – The Public Funding Corporation has loaned the LCRA various amounts related to the land acquisition projects to be repaid on demand. The balance of this agreement at December 31, 2011 was \$726,834.49.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

4. OTHER NOTES (continued)

D. Component unit: Land Clearance for Redevelopment Authority of the City of Ozark, Missouri (LCRA) (continued)

- Land – The 2009 Land Acquisition Project was for the purpose of providing funds to pay a portion of the costs of acquiring real estate for public purposes. The loan calls for quarterly payments of interest only through February 2012, then quarterly payments of \$12,994.85 through November 2013 and a final payment of \$598,998.22 in February 2014. The balance of this agreement at December 31, 2011 was \$665,600.00.

E. Contingent liabilities

Intergovernmental awards received by the City are subject to audit and adjustment by the grantor agencies. If grant revenues are received for expenditures that 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.

F. Litigation

In the normal course of the City's activities, various claims and suits arise. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the City.

G. GASB statement 54 – fund balance definitions

The GASB (Governmental Accounting Standards Board) issued statement number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to address issues related to how fund balance was being reported. The resulting standards are intended to promote consistent reporting and make financial statements easier for users to understand. GASB Statement 54, implemented by the City for the year ended December 31, 2011, defines the different types of fund balance that a governmental entity must use for financial reporting purposes as follows:

1. Nonspendable, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. This would include the portion of the debt service fund balance consisting of taxes levied specifically to retire debt.
3. Committed includes amounts that can be used only for the specific purposes determined by a formal action of the board of aldermen.

CITY OF OZARK, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

4. **OTHER NOTES** (continued)

G. **GASB statement 54 – fund balance definitions** (continued)

4. Assigned is intended to be used by the government for specific purposes but do not meet criteria to be classified as restricted or committed. The authority to assign amounts for specific purposes may be delegated to an appropriate governmental official.
5. Unassigned is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

H. **Subsequent Events**

Date of Management Evaluation

Management has evaluated subsequent events through October 1, 2012.

Series 2012 Combined Waterworks and Sewerage System Refunding Revenue Bonds

In April 2012 the City issued \$435,000 of Combined Waterworks and Sewerage System Refunding Bonds for the purpose of refunding the City's series 2005 combined waterworks and sewerage system revenue bonds.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule –General Fund
- Budgetary Comparison Schedule –Capital Improvement Fund
- Budgetary Comparison Schedule –Park/Stormwater Sales Tax Fund
- Notes to Required Supplementary Information – Budgetary Comparison Schedules

CITY OF OZARK, MISSOURI
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2011

	General Fund			Variance with Final Budget Favorable/ (Unfavorable)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Beginning budgetary fund balance	\$ 1,120,069	\$ 1,120,069	1,120,069	\$ -
Revenues:				
Taxes	2,989,427	3,099,293	3,211,168	111,875
Licenses and permits	107,000	100,000	112,851	12,851
Franchise fees	519,400	564,900	554,189	(10,711)
Fines and penalties	700	500	560	60
Municipal court revenues	276,250	257,950	253,367	(4,583)
Other fees	58,200	57,650	57,661	11
Donations and grants	266,662	396,829	402,582	5,753
Interest income	33,011	46,541	47,177	636
Miscellaneous revenues	79,400	43,400	45,832	2,432
	<u>4,330,050</u>	<u>4,567,063</u>	<u>4,685,387</u>	<u>118,324</u>
Expenditures:				
Administrative	1,407,218	1,423,766	1,359,891	63,875
Public safety	2,321,846	2,305,989	2,247,062	58,927
Streets	863,333	683,193	647,914	35,279
Capital outlay	318,200	455,700	397,449	58,251
Debt service:				
Principal payments	5,642	34,750	6,153	28,597
Interest payments	6,278	6,278	6,518	(240)
	<u>4,922,517</u>	<u>4,909,676</u>	<u>4,664,987</u>	<u>244,689</u>
Other financing sources (uses)				
Net transfers in (out)	379,675	333,690	323,658	(10,032)
Insurance proceeds	-	11,166	11,167	1
Lease-purchase proceeds	-	56,651	29,108	(27,543)
	<u>379,675</u>	<u>401,507</u>	<u>363,933</u>	<u>(37,574)</u>
Ending budgetary fund balance	<u>\$ 907,277</u>	<u>\$ 1,178,963</u>	<u>\$ 1,504,402</u>	<u>\$ 325,439</u>

UNAUDITED

CITY OF OZARK, MISSOURI
Budgetary Comparison Schedule
Capital Improvement Fund
For the Year Ended December 31, 2011

	Capital Improvement Fund			Variance with Final Budget Favorable/ (Unfavorable)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Beginning budgetary fund balance	\$ 104,565	\$ 104,565	\$ 104,565	\$ -
Revenues:				
Taxes	591,000	591,000	610,100	19,100
Miscellaneous revenues	-	-	-	-
	591,000	591,000	610,100	19,100
Expenditures:				
Administrative	-	-	-	-
Capital outlay	84,300	50,000	42,463	7,537
	84,300	50,000	42,463	7,537
Other financing sources (uses)				
Net transfers in (out)	(415,190)	(533,190)	(523,158)	10,032
	(415,190)	(533,190)	(523,158)	10,032
Ending budgetary fund balance	\$ 196,075	\$ 112,375	\$ 149,044	\$ 36,669

UNAUDITED

CITY OF OZARK, MISSOURI
Budgetary Comparison Schedule
Park/Stormwater Sales Tax Fund
For the Year Ended December 31, 2011

	Park/Stormwater Sales Tax Fund			Variance with Final Budget Favorable/ (Unfavorable)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Beginning budgetary fund balance	<u>\$2,898,417</u>	<u>\$2,898,417</u>	<u>\$2,898,417</u>	<u>\$ -</u>
Revenues:				
Taxes	1,143,300	1,182,000	1,208,098	26,098
Donations and grants	40,000	40,000	40,000	-
Concessions & activities	538,250	513,049	544,566	31,517
Interest income	2,000	3,500	8,166	4,666
Miscellaneous revenues	703,000	419,200	446,852	27,652
	<u>2,426,550</u>	<u>2,157,749</u>	<u>2,247,682</u>	<u>89,933</u>
Expenditures:				
Park	1,141,405	1,197,185	1,175,883	21,302
Streets	62,500	62,500	29,537	32,963
Capital outlay	262,700	161,700	51,048	110,652
Debt service:				
Principal payments	335,000	335,000	335,000	-
Interest payments	881,000	881,900	882,890	(990)
Fee payments	5,225	31,025	30,990	35
	<u>2,687,830</u>	<u>2,669,310</u>	<u>2,505,348</u>	<u>163,962</u>
Other financing sources (uses)				
Transfers In	166,000	315,613	315,613	-
Transfers (Out)	(8,750)	(8,750)	(8,750)	-
Bond proceeds	-	800,000	800,000	-
	<u>157,250</u>	<u>1,106,863</u>	<u>1,106,863</u>	<u>-</u>
Ending budgetary fund balance	<u>\$2,794,387</u>	<u>\$3,493,719</u>	<u>\$3,747,614</u>	<u>\$ 253,895</u>

UNAUDITED

CITY OF OZARK, MISSOURI
Notes to Required Supplementary Information
Budgetary Comparison Schedules
December 31, 2011

Budgetary Accounting

The City prepares its initial budgets for the General, Capital Improvement and Park/Stormwater Sales Tax Funds on the cash basis of accounting. The final budget amendments include changes needed to adjust the budget to be in compliance with generally accepted accounting procedures and is consistent with the basis of accounting used in the presentation of the General, Capital Improvements, and Park/Stormwater Sales Tax Funds in the basic financial statements. All unexpended appropriations lapse at year-end.

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

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Balance Sheet – Nonmajor Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
- Budgetary Comparison Schedule – Nonmajor Special Revenue Funds
- Budgetary Comparison Schedule – Waterworks and Sewerage Fund
- Budgetary Comparison Schedule – Solid Waste Fund
- Statement of Net Assets – Component Units
- Statement of Revenues, Expenses and Changes in Fund Net Assets – Component Units
- Tax Assessment Information

CITY OF OZARK, MISSOURI
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2011

	Park Fund	Park Impact Fee Fund	Pool Fund	Officers Implementation Fund	Total Nonmajor Governmental Funds
Assets					
Cash on hand and in bank	\$ 79,419	\$ 550	\$ 66,480	\$ 8,614	\$ 155,063
Prepaid expenses	641	-	292	-	933
Property taxes receivable	81,358	-	-	-	81,358
Other receivables	19,556	-	12,231	-	31,787
Due from other funds	49,849	-	-	-	49,849
	<u>\$ 230,823</u>	<u>\$ 550</u>	<u>\$ 79,003</u>	<u>\$ 8,614</u>	<u>\$ 318,990</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	5,176	-	1,925	-	\$ 7,101
Payroll liabilities	10,748	-	2,032	-	12,780
Due to other funds	-	-	175	-	175
	<u>15,924</u>	<u>-</u>	<u>4,132</u>	<u>-</u>	<u>20,056</u>
Fund Balances:					
Reserved for:					
Police training	-	-	-	8,614	8,614
Unreserved	214,899	550	74,871	-	290,320
	<u>214,899</u>	<u>550</u>	<u>74,871</u>	<u>8,614</u>	<u>298,934</u>
	<u>\$ 230,823</u>	<u>\$ 550</u>	<u>\$ 79,003</u>	<u>\$ 8,614</u>	<u>\$ 318,990</u>

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

CITY OF OZARK, MISSOURI
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	Park Fund	Park Impact Fee Fund	Pool Fund	Officers Implementation Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 354,918	\$ -	\$ 146,426	\$ -	\$ 501,344
Fines and penalties	-	-	-	6,495	6,495
Fees	-	-	-	-	-
Donations and grants	15	-	-	-	15
Miscellaneous revenues	26	-	1,015	-	1,041
Concessions and activities revenues	251,175	-	53,745	-	304,920
	<u>606,134</u>	<u>-</u>	<u>201,186</u>	<u>6,495</u>	<u>813,815</u>
Expenditures:					
Public safety	-	-	-	7,636	7,636
Recreation	536,602	-	139,543	-	676,145
Capital outlay	2,356	-	7,194	-	9,550
	<u>538,958</u>	<u>-</u>	<u>146,737</u>	<u>7,636</u>	<u>693,331</u>
Revenues Over (Under) Expenditures	<u>67,176</u>	<u>-</u>	<u>54,449</u>	<u>(1,141)</u>	<u>120,484</u>
Other Financing Sources (Uses)					
Transfers In	-	-	8,750	-	8,750
Transfers (Out)	(57,244)	-	(8,369)	-	(65,613)
	<u>(57,244)</u>	<u>-</u>	<u>381</u>	<u>-</u>	<u>(56,863)</u>
Net change in fund balances	9,932	-	54,830	(1,141)	63,621
Fund balances - beginning	204,967	550	20,041	9,755	235,313
Fund balances - ending	<u>\$ 214,899</u>	<u>\$ 550</u>	<u>\$ 74,871</u>	<u>\$ 8,614</u>	<u>\$ 298,934</u>

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

CITY OF OZARK, MISSOURI
Budgetary Comparison Schedule
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2011

	Park Impact Fee Fund				Pool Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final			Original	Final		
Beginning budgetary fund balance	\$ 550	\$ 550	\$ 550	\$ -	\$ 20,041	\$ 20,041	\$ 20,041	\$ -
Revenues:								
Taxes	-	-	-	-	137,196	141,840	146,426	4,586
Impact fees	18,000	-	-	-	-	-	-	-
Donations and grants	-	-	-	-	-	-	-	-
Miscellaneous revenues	-	-	-	-	500	1,015	1,015	-
Concessions & activities revenues	-	-	-	-	45,500	53,744	53,745	1
	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,196</u>	<u>196,599</u>	<u>201,186</u>	<u>4,587</u>
Expenditures:								
Recreation	-	-	-	-	183,123	149,980	139,543	10,437
Capital outlay	-	-	-	-	7,000	7,200	7,194	6
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,123</u>	<u>157,180</u>	<u>146,737</u>	<u>10,443</u>
Other financing sources (uses)								
Transfers In	-	-	-	-	8,750	8,750	8,750	-
Transfers (Out)	(18,000)	-	-	-	-	(8,369)	(8,369)	-
	<u>(18,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,750</u>	<u>381</u>	<u>381</u>	<u>-</u>
Ending budgetary fund balance	<u>550</u>	<u>550</u>	<u>550</u>	<u>-</u>	<u>21,864</u>	<u>59,841</u>	<u>74,871</u>	<u>15,030</u>

(Continued)

UNAUDITED

CITY OF OZARK, MISSOURI
Budgetary Comparison Schedule
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2011

	Officers Implementation Fund				Park Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final			Original	Final		
Beginning budgetary fund balance	\$ 9,755	\$ 9,755	\$ 9,755	\$ -	\$ 204,967	\$ 204,967	\$ 204,967	\$ -
Revenues:								
Taxes	-	-	-	-	334,494	344,740	354,918	10,178
Fines and penalties	5,000	6,200	6,495	295	-	-	-	-
Donations and grants	-	-	-	-	4,000	16	15	(1)
Miscellaneous revenues	-	-	-	-	100	50	26	(24)
Concessions and activities revenues	-	-	-	-	260,000	251,048	251,175	127
	<u>5,000</u>	<u>6,200</u>	<u>6,495</u>	<u>295</u>	<u>598,594</u>	<u>595,854</u>	<u>606,134</u>	<u>10,280</u>
Expenditures:								
Public safety	5,000	8,000	7,636	364	-	-	-	-
Recreation	-	-	-	-	522,970	548,865	536,602	12,263
Capital outlay	-	-	-	-	22,000	5,000	2,356	2,644
	<u>5,000</u>	<u>8,000</u>	<u>7,636</u>	<u>364</u>	<u>544,970</u>	<u>553,865</u>	<u>538,958</u>	<u>14,907</u>
Other financing sources (uses)								
Transfers In	-	-	-	-	9,000	-	-	-
Transfers (Out)	-	-	-	-	(57,000)	(57,244)	(57,244)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,000)</u>	<u>(57,244)</u>	<u>(57,244)</u>	<u>-</u>
Ending budgetary fund balance	<u>\$ 9,755</u>	<u>\$ 7,955</u>	<u>\$ 8,614</u>	<u>\$ (69)</u>	<u>\$ 210,591</u>	<u>\$ 189,712</u>	<u>\$ 214,899</u>	<u>\$ 25,187</u>

UNAUDITED

CITY OF OZARK, MISSOURI
Budgetary Comparison Schedule
Waterworks and Sewerage Fund
For the Year Ended December 31, 2011

	Water Department				Sewer Department			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final			Original	Final		
Operating revenues:								
Charges for services	\$ 2,243,000	\$ 2,343,000	\$ 2,300,605	\$ (42,395)	\$ 2,675,000	\$ 2,700,000	\$ 2,699,191	\$ (809)
Miscellaneous revenues	130,221	130,871	132,944	2,073	220,040	246,910	277,526	30,616
Sales tax revenues - WWTP	-	-	-	-	571,650	591,000	610,088	19,088
	<u>2,373,221</u>	<u>2,473,871</u>	<u>2,433,549</u>	<u>(40,322)</u>	<u>3,466,690</u>	<u>3,537,910</u>	<u>3,586,805</u>	<u>48,895</u>
Operating expenses:								
Depreciation	-	430,000	409,159	20,841	-	925,000	884,743	40,257
Heat, lights and power	250,500	279,000	275,699	3,301	321,000	316,500	286,920	29,580
Insurance	127,650	118,050	117,931	119	212,450	168,300	156,273	12,027
Lagers	80,000	76,000	72,836	3,164	102,000	102,000	98,520	3,480
Lease expense	56,320	56,320	48,583	7,737	139,650	139,650	111,914	27,736
Meter reading	45,000	37,000	37,766	(766)	-	-	-	-
Miscellaneous	1,236,975	864,825	135,334	729,491	1,899,878	545,311	196,907	348,404
Office supplies	72,400	70,400	55,423	14,977	10,100	10,100	1,872	8,228
Payroll taxes	50,283	50,983	48,294	2,689	63,558	65,258	60,028	5,230
Professional fees	2,600	2,600	2,590	10	2,600	3,600	3,223	377
Repairs and maintenance	380,000	149,500	98,851	50,649	290,400	322,052	267,496	54,556
Salaries	605,000	605,000	602,399	2,601	772,000	772,000	754,595	17,405
Telephone	10,000	22,000	14,143	7,857	17,000	37,000	20,123	16,877
Uncollectable accounts	13,750	11,500	11,340	160	26,160	22,500	22,122	378
	<u>2,930,478</u>	<u>2,773,178</u>	<u>1,930,348</u>	<u>842,830</u>	<u>3,856,796</u>	<u>3,429,271</u>	<u>2,864,736</u>	<u>564,535</u>
Other financing sources (Uses):								
Interest earned	10,125	8,650	9,417	767	639,219	640,619	651,525	10,906
Special assessment tax revenues	-	-	-	-	251,106	191,060	186,486	(4,574)
Grant	60,000	60,000	54,000	(6,000)	-	-	-	-
Insurance proceeds	-	16,876	16,876	-	-	16,877	16,877	-
Debt service expenses	(38,798)	(38,798)	(37,145)	1,653	(1,173,717)	(1,183,317)	(1,124,193)	59,124
(Loss) on disposal of assets	-	-	(2,389)	(2,389)	-	-	-	-
	<u>31,327</u>	<u>46,728</u>	<u>40,759</u>	<u>(5,969)</u>	<u>(283,392)</u>	<u>(334,761)</u>	<u>(269,305)</u>	<u>65,456</u>
Income before contributions	(525,930)	(252,579)	543,960	796,539	(673,498)	(226,122)	452,764	678,886
Capital contributions	534,500	534,500	553,137	18,637	259,500	262,867	255,177	(7,690)
Change in net assets, by department	8,570	281,921	1,097,097	815,176	(413,998)	36,745	707,941	671,196
Change in net assets, total waterworks and sewerage fund					(405,428)	318,666	1,805,038	1,486,372
Net assets, total waterworks and sewerage fund - beginning					23,194,196	23,194,196	23,194,196	-
Net assets, total waterworks and sewerage fund - ending					<u>\$ 22,788,768</u>	<u>\$ 23,512,862</u>	<u>\$ 24,999,234</u>	<u>\$ 1,486,372</u>

UNAUDITED

CITY OF OZARK, MISSOURI
Budgetary Comparison Schedule
Solid Waste Fund
For the Year Ended December 31, 2011

	Solid Waste Fund			Variance with Final Budget Favorable/ (Unfavorable)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
BEGINNING BUDGETARY FUND BALANCE, AS ADJUSTED	\$ 106,019	\$ 106,019	\$ 106,019	\$ -
REVENUES:				
Charges for services	701,118	680,800	659,730	(21,070)
Miscellaneous revenues	-	-	45,830	45,830
Total Revenues Collected	701,118	680,800	705,560	24,760
EXPENDITURES:				
Cart	4,800	4,900	4,710	190
Contract trash	611,310	632,350	603,647	28,703
Recycling	25,128	28,000	23,677	4,323
Trash bags	1,045	2,525	1,761	764
Uncollectable accounts	5,950	5,550	5,470	80
Total Expenditures Paid	648,233	673,325	639,265	34,060
Other Financing Sources (Uses)				
Transfers In/(Out)	(64,485)	(50,500)	(50,500)	-
Total Other Financing Sources (Uses)	(64,485)	(50,500)	(50,500)	-
ENDING BUDGETARY FUND BALANCE	\$ 94,419	\$ 62,994	\$ 121,814	\$ 58,820

UNAUDITED

CITY OF OZARK, MISSOURI
Statement of Net Assets
Component Units
December 31, 2011

	Public Funding Corporation	Land Clearance Redevelopment Authority	Total Component Units
ASSETS			
Cash in bank	\$ 69,973	\$ 1,401	\$ 71,374
Reserve funds	7,378	7,481	14,859
Due from other funds	726,835	-	726,835
Land and buildings	519,700	3,521,793	4,041,493
Water systems	335,000	-	335,000
Sewer systems	616,765	-	616,765
Equipment	33,750	-	33,750
TOTAL ASSETS	2,309,401	3,530,675	5,840,076
LIABILITIES			
Due to other funds	-	776,684	776,684
Long-term liabilities:			
Notes payable - due within one year	98,883	378,608	477,491
Notes payable - due in more than one year	1,354,484	2,018,724	3,373,208
TOTAL LIABILITIES	1,453,367	3,174,016	4,627,383
NET ASSETS			
Invested in capital assets, net of related debt	51,848	1,124,461	1,176,309
Reserved for interest	7,378	7,481	14,859
Unrestricted	796,808	(775,283)	21,525
TOTAL NET ASSETS	\$ 856,034	\$ 356,659	\$ 1,212,693

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

CITY OF OZARK, MISSOURI
Statement of Revenues, Expenses and Changes in Fund Net Assets
Component Units
For the Year Ended December 31, 2011

	Public Funding Corporation	Land Clearance Redevelopment Authority	Total Component Units
Revenues:			
Lease income	\$ 179,987	\$ 282,029	\$ 462,016
Interest	755	99	854
Miscellaneous	-	600	600
Total revenues	<u>180,742</u>	<u>282,728</u>	<u>463,470</u>
Expenditures:			
Donation to city	781,656	-	781,656
Interest expense	58,600	100,561	159,161
Miscellaneous expense	787	2,750	3,537
Total expenditures	<u>841,043</u>	<u>103,311</u>	<u>944,354</u>
Net increase (decrease) in retained earnings	(660,301)	179,417	(480,884)
Retained earnings - beginning balance	<u>1,516,335</u>	<u>177,242</u>	<u>1,693,577</u>
Retained earnings - ending balance	<u>\$ 856,034</u>	<u>\$ 356,659</u>	<u>\$ 1,212,693</u>

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

CITY OF OZARK, MISSOURI
Other Supplementary Information
Tax Assessment Information
December 31, 2011

<u>Assessed Valuation</u>	<u>2011</u>	<u>2010</u>
Real estate	\$ 191,790,565	\$ 189,621,163
Personal property	<u>29,690,907</u>	<u>32,188,300</u>
Total	<u>\$ 221,481,472</u>	<u>\$ 221,809,463</u>

<u>Levy</u>	<u>2011</u> <u>Amount</u>	<u>2010</u> <u>Amount</u>
General fund	\$ 0.2344	\$ 0.2335
Parks & recreation	<u>0.0586</u>	<u>0.0584</u>
Total	<u>\$ 0.2930</u>	<u>\$ 0.2919</u>

UNAUDITED

FEDERAL COMPLIANCE



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **City of Ozark, Missouri**, as of and for the year ended December 31, 2011, which collectively comprise the **City of Ozark, Missouri's** basic financial statements and have issued our report thereon dated October 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of **City of Ozark, Missouri**, in a separate letter dated October 1, 2012.

This report is intended solely for the information and use of management, the audit committee, the board of aldermen, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "THE WHITLOCK CO., LLP". The signature is written in a cursive, slightly slanted style.

Springfield, Missouri
October 1, 2012

CITY OF OZARK, MISSOURI
Schedule of Findings and Responses
For the Year Ended December 31, 2011

None.