

City of Ozark, Alabama

FINANCIAL STATEMENTS

September 30, 2019



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City of Ozark, Alabama
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the City Council
City of Ozark, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ozark, Alabama (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Ozark City Board of Education, which is 100 percent of the assets and revenues of the discretely presented component unit.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ozark City Board of Education, which is 100 percent of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ozark City Board of Education, is based solely on the report of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Special Ad Valorem Fund I, and Special Ad Valorem Fund II, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-15), schedule of changes in total OPEB liability (page 65), schedule of changes in net pension liability (page 66), and schedule of employer contributions (page 67) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules of bond amortization requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules of bond amortization requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements and schedules of bond amortization requirements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2020, on our consideration of the City'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 effectiveness of City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
March 24, 2020

Management's Discussion and Analysis

The City of Ozark, Alabama's (the "City") Management's Discussion and Analysis ("MD&A") is a narrative overview of the financial activities of the City for the fiscal year beginning October 1, 2018, and ending September 30, 2019. We encourage readers to consider information presented here along with the City's financial statements, which follow this section. The intent of the MD&A is to provide a brief, objective, and easily readable analysis of the City's financial performance for the year and its financial position at fiscal year-end September 30, 2019.

Financial Highlights

From the Government-Wide Financial Statements

- The City's combined governmental activities and business-type activities net position at September 30, 2019 was \$21,040,880. This represents an increase of \$455,313 from the net position of September 30, 2018. The combined unrestricted deficit decreased \$505,026, the governmental activities deficit decreased \$273,568, and the business-type deficit decreased \$231,458.
- The revenues at September 30, 2019 from governmental activities were \$17,948,721 and revenues from business-type activities were \$1,576,527, for a combined total of \$19,525,248. This is an overall decrease in revenues from prior year of \$1,614,742. The governmental activities capital grants and contributions decreased \$587,074, the net decrease resulted from a reduction in funding as a result of the completion of the 10 unit T-hangar at Ozark Airport – Blackwell Field and the municipal swimming pool. There were increases in funding related to the sidewalk project. The governmental activities other revenues decreased \$2,054,949; the majority of the decrease was due to the land and building donation by W. L. Petrey Wholesale Co. and eleven parcels of land donated by Anna Laura Parker in December 2017 of the prior year. The governmental activities charges for services revenue increased \$127,504; the majority of the increase was related garbage collection fees in the current fiscal year.

From the Fund Financial Statements

- The governmental funds reported revenues of \$17,801,440 for fiscal year 2019, an increase of \$458,563 over \$17,342,877 reported last year. The majority of the increases were in charges for services and the net increase in taxes.
- The General Fund reported a total fund balance of \$2,349,935 at September 30, 2019. The spendable, unassigned portion of total fund balance was \$1,569,408, the nonspendable portion was \$617,327, and the restricted portion was \$163,200. The net result of operations is an increase of \$332,809. As a measure of the General Fund's liquidity, it may be useful to compare both the spendable, unassigned fund balance and total fund balance to operating expenditures. Spendable, unassigned fund balance represents 11 percent of the total general fund operating expenditures of \$13,811,438 (total expenditures less capital outlay). The GFOA's best practice target for the spendable, unassigned fund balance is 2 months operating expenditures, which calculates to approximately \$2,301,906. Total fund balance as a percentage of the general operating expenditures is 17 percent.

Management's Discussion and Analysis

Overview of the Financial Statements

The basic financial statements consist of three components:

- Government-wide financial statements.
- Fund financial statements.
- Notes to financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and resulting net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes, earned but unused vacation and sick leave, and other post-employment benefits).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include such functions as general government, education, police, fire, sanitation, street, and leisure services. The business-type activities of the City include the Ozark Square Shopping Center and the Emergency Medical Services ("EMS") program. All of these activities are collectively referred to in the financial statements as those of the primary government.

The government-wide financial statements begin on page 16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are classified as either governmental funds or proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-

Management's Discussion and Analysis

term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Special Ad Valorem Fund I, and Special Ad Valorem Fund II that are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the other information section of this report.

The City adopts an annual appropriated budget for all its governmental funds. A budgetary comparison schedule has been provided for each major governmental fund to demonstrate compliance with this budget.

The basic governmental fund financial statements and the budgetary comparison statements can be found beginning on page 20 of this report.

Proprietary Funds. The City maintains two proprietary funds, one for the Ozark Square Shopping Center and one for the Fire Department's EMS Division. Both are enterprise funds. An enterprise fund is used to determine operating income, changes in net position, financial position, and cash flows. These funds are presented as part of the primary government in the government-wide financial statements in columns labeled "business-type activities". The City received the Ozark Square Shopping Center in a donation in December 2008, and there are currently three business tenants who rent retail space in the shopping center. The City developed the trailer park property acquired in this fund in January 2010 as an extension of the Flowers Performing Arts Center and into a multi-use recreational, fitness and aquatic center during 2019.

In May 2010, the City approved the Fire Department implementing the EMS Division to provide ambulance services to the City's residents and to replace the current ambulance service provider. Statistics related to EMS, in its ninth year of operations, are as follows:

Management's Discussion and Analysis

<i>Years ended September 30,</i>	2019	2018	Increase (Decrease)	% Increase (Decrease)
Number of patients transported	4,512	4,343	169	3.9%

Nine year average:

Gross charge per trip	\$ 682
Net charge per trip	\$ 416
Cash collection per trip	\$ 314
Cash collection per trip as a percent of net charge per trip	75.5%

Average cost per transport:

FY2018-19	\$ 247
FY2017-18	\$ 259
FY2016-17	\$ 270
FY2015-16	\$ 276
FY2014-15	\$ 295
FY2013-14	\$ 343
FY2012-13	\$ 375
FY2011-12	\$ 542
FY2010-11	\$ 440

Number of patients transported by payer type:

	FY2018-19	% of total	FY2017-18	% of total
Medicare	2,376	52.7%	2,506	57.7%
Medicaid	647	14.3%	490	11.3%
Other Insurance	1,033	22.9%	879	20.2%
Patient (no insurance)	456	10.1%	468	10.8%

The EMS program increased the net position by \$234,233 in fiscal year 2019; this increase was \$60,518 less than the prior year's increase in net position of \$294,741. The advance EMS owes to the General Fund at September 30, 2019 is \$242,162 and is \$111,120 higher than at September 30, 2018.

The basic proprietary fund financial statements can be found beginning on page 27 of this report.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found beginning on page 31 of this report.

Management's Discussion and Analysis

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, governmental activities assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$19,025,379 for fiscal year 2019, as compared to \$18,840,269 for fiscal year 2018.

<i>September 30,</i>	Governmental Activities		Business-type Activities		Primary Government Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 6,523,456	\$ 6,088,375	\$ 530,478	\$ 296,056	\$ 7,053,934	\$ 6,384,431
Capital assets	36,442,776	37,374,719	2,755,052	2,763,334	39,197,828	40,138,053
Total assets	42,966,232	43,463,094	3,285,530	3,059,390	46,251,762	46,522,484
Deferred outflows of resources						
	1,534,876	1,498,056	139,134	135,712	1,674,010	1,633,768
Liabilities						
Current liabilities	1,658,320	1,828,427	54,325	97,002	1,712,645	1,925,429
Long-term liabilities	19,976,770	21,225,600	1,168,353	1,238,720	21,145,123	22,464,320
Total liabilities	21,635,090	23,054,027	1,222,678	1,335,722	22,857,768	24,389,749
Deferred inflows of resources						
	3,840,639	3,066,854	186,485	114,082	4,027,124	3,180,936
Net Position (Deficit)						
Net investment in capital assets	26,799,849	26,866,863	2,743,177	2,704,432	29,543,026	29,571,295
Restricted	546,420	567,864	-	-	546,420	567,864
Unrestricted (deficit)	(8,320,890)	(8,594,458)	(727,676)	(959,134)	(9,048,566)	(9,553,592)
Total net position	\$ 19,025,379	\$ 18,840,269	\$ 2,015,501	\$ 1,745,298	\$ 21,040,880	\$ 20,585,567

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations. The City, at September 30, 2019 and 2018, reported unrestricted deficits in governmental and business-type activities. The unrestricted deficit in governmental activities was the result of the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 68 three years ago and GASB Statement No. 75 in the prior year. The governmental activities unrestricted deficit decreased by \$273,568, net investment

Management's Discussion and Analysis

in capital assets decreased by \$67,014, and restricted net position decreased by \$21,444 over prior year. As noted previously, the City's governmental activities net position increased \$185,110 and the business-type activities increased \$270,203, for a net increase in total net position during fiscal year 2019 of \$455,313.

Operating Results for the Year

<i>Years ended September 30,</i>	Governmental Activities		Business-type Activities		Primary Government Total	
	2019	2018	2019	2018	2019	2018
Program Revenues:						
Charges for services	\$ 5,703,371	\$ 5,575,867	\$ 1,576,178	\$ 1,522,827	\$ 7,279,549	\$ 7,098,694
Operating grants and contributions	425,650	358,775	-	-	425,650	358,775
Capital grants and contributions	510,251	1,097,325	-	-	510,251	1,097,325
General Revenues:						
Property taxes	732,190	740,558	-	-	732,190	740,558
Sales tax	7,618,687	7,037,908	-	-	7,618,687	7,037,908
Motor fuel tax	1,311,145	1,269,212	-	-	1,311,145	1,269,212
Other taxes	1,177,863	1,012,986	-	-	1,177,863	1,012,986
Other	469,564	2,524,513	349	19	469,913	2,524,532
Total revenues	17,948,721	19,617,144	1,576,527	1,522,846	19,525,248	21,139,990
Functions/Program Expenses:						
General government	2,266,332	2,282,310	-	-	2,266,332	2,282,310
Police department	3,043,808	3,055,744	-	-	3,043,808	3,055,744
Fire department	2,726,497	2,855,749	1,219,375	1,126,309	3,945,872	3,982,058
Street	1,054,946	982,261	-	-	1,054,946	982,261
Sanitation	1,402,102	1,323,178	-	-	1,402,102	1,323,178
Leisure services	1,877,189	1,749,721	-	-	1,877,189	1,749,721
Engineering/inspections	160,538	173,348	-	-	160,538	173,348
Vehicle maintenace	214,020	203,635	-	-	214,020	203,635
Airport	288,147	386,564	-	-	288,147	386,564
Judicial	196,599	200,632	-	-	196,599	200,632
Appropriations	139,253	139,253	-	-	139,253	139,253
Education	2,399,482	2,357,093	-	-	2,399,482	2,357,093
Non-departmental	351,544	332,433	-	-	351,544	332,433
Economic development	1,028,152	990,469	86,949	122,232	1,115,101	1,112,701
Ozark technology center	152,885	140,478	-	-	152,885	140,478
Information technology	180,740	191,415	-	-	180,740	191,415
Interest and fees on long term debt	271,646	278,233	-	-	271,646	278,233
Amortization	9,731	9,731	-	-	9,731	9,731
Total functions/program expenses	17,763,611	17,652,247	1,306,324	1,248,541	19,069,935	18,900,788
Increase (Decrease) in Net Position	\$ 185,110	\$ 1,964,897	\$ 270,203	\$ 274,305	\$ 455,313	\$ 2,239,202

Management's Discussion and Analysis

Financial Analysis of the City's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds report combined ending fund balances of \$3,450,056, an increase of \$346,643 in comparison with the prior year. Spendable, unassigned fund balances of \$1,569,408 represents 45.5 percent of the ending total fund balances and are available to meet the City's short-term spending needs. The remainder of fund balance that is nonspendable is \$617,327, and the restricted amount is \$1,263,321 to indicate that it was not available for new spending because it has already been committed to grants accounted for in the general and special revenue funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, spendable, unassigned fund balance of the General Fund was \$1,569,408 while the total fund balance was \$2,349,935. The net result of General Fund operations is an increase in the General Fund's fund balance of \$332,809. As a measure of the General Fund's liquidity, it may be useful to compare both spendable, unassigned fund balance and total fund balance to total operating expenditures. Spendable, unassigned fund balance represents 11.4 percent of total General Fund operating expenditures of \$13,811,438, while total fund balance represents 17 percent of that same amount. The recommended best practice target for the spendable unassigned fund balance should be no less than two months operating expenditures. Two months operating expenditures (expenditures less capital outlay of \$13,811,438) would be approximately \$2,301,906; the City was at \$1,569,408.

<i>September 30,</i>	Total Governmental Funds		Change
	2019	2018	
Assets			
Cash and cash equivalents	\$ 2,203,626	\$ 1,678,919	\$ 524,707
Receivables, net	3,543,688	3,573,942	(30,254)
Due from other funds	315,166	240,573	74,593
Other assets	14,594	18,979	(4,385)
Restricted cash and cash equivalents	519,386	645,493	(126,107)
Total assets	\$ 6,596,460	\$ 6,157,906	\$ 438,554

Management's Discussion and Analysis

<i>September 30,</i>	2019	2018	Change
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 483,947	\$ 556,136	\$ (72,189)
Due to other funds	73,004	69,531	3,473
Accrued payroll	305,360	272,827	32,533
Other accrued expenses	144,135	137,869	6,266
Total liabilities	1,006,446	1,036,363	(29,917)
Deferred inflows of resources	2,139,958	2,018,130	121,828
Fund balances			
Nonspendable	617,327	557,257	60,070
Restricted	1,263,321	1,298,887	(35,566)
Unassigned	1,569,408	1,247,269	322,139
Total fund balances	3,450,056	3,103,413	346,643
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,596,460	\$ 6,157,906	\$ 438,554

Revenues for fiscal year 2019 from governmental funds were more than fiscal year 2018 revenues by \$458,563. The majority of the increases were attributable to charges for services and a net increase in taxes.

Expenditures for fiscal year 2019 from governmental funds were less than fiscal year 2018 by \$1,208,300. The majority of the decreases were related to airport (aviation fuel) and fewer repairs.

<i>Years ended September 30,</i>	Total Governmental Funds		Changes
	2019	2018	
Revenues			
Taxes	\$ 12,130,973	\$ 11,375,395	\$ 755,578
Licenses and permits	1,646,669	1,587,795	58,874
Intergovernmental	954,739	1,299,804	(345,065)
Charges for services	1,994,190	1,787,994	206,196
Fines and forfeitures	547,447	535,548	11,899
Investment earnings	25,670	24,998	672
Miscellaneous	501,752	731,343	(229,591)
Total revenues	17,801,440	17,342,877	458,563

Management's Discussion and Analysis

<i>Years ended September 30,</i>	Total Governmental Funds		Changes
	2019	2018	
Expenditures			
General government	\$ 1,095,685	\$ 1,079,758	\$ 15,927
Education	2,399,482	2,357,093	42,389
Vehicle maintenance	218,579	206,146	12,433
Police department	2,833,676	2,816,621	17,055
Information technology	146,610	155,387	(8,777)
Fire department	2,542,795	2,630,551	(87,756)
Airport	260,245	353,746	(93,501)
Sanitation	1,280,003	1,192,565	87,438
Street	983,203	928,249	54,954
Leisure services	1,681,239	1,545,498	135,741
Appropriations	139,253	139,253	-
Judicial	191,013	193,192	(2,179)
Economic development	895,808	862,556	33,252
Engineering/inspections	152,633	163,890	(11,257)
Ozark technology center	124,507	111,002	13,505
Non-departmental	351,550	332,423	19,127
Debt service			
Principal	865,090	882,494	(17,404)
Interest, fees and issuance costs	271,748	278,335	(6,587)
Capital outlay	1,166,913	2,579,573	(1,412,660)
Total expenditures	17,600,032	18,808,332	(1,208,300)
Excess (deficiency) of revenues over expenditures	201,408	(1,465,455)	1,666,863
Other Financing Sources (Uses)			
Transfers in (out), net	50,000	90,000	(40,000)
Net proceeds from long term debt	-	573,544	(573,544)
Proceeds from sale of capital assets and loss recoveries	95,235	182,811	(87,576)
Total other financing sources	145,235	846,355	(701,120)
Excess (deficiency) of revenues and other sources over expenditures	346,643	(619,100)	965,743
Fund Balances - beginning	3,103,413	3,722,513	(619,100)
Fund Balances - ending	\$ 3,450,056	\$ 3,103,413	\$ 346,643

Management's Discussion and Analysis

General Fund Budgetary Highlights

Budget to actual statements and schedules are provided in the financial statements for all major funds. Budget columns are provided for both the original budget adopted as well as the final budget. A column for actual expenditures and a column for differences between final budget and actual expenditures follow these columns.

General Fund revenues came in below budgeted amounts by \$342,664. Tax revenues were higher by \$353,439, charges for services revenues were lower by \$443,020, intergovernmental revenues were lower by \$73,936, and miscellaneous revenues were lower by \$155,543.

General Fund operating expenditures were under the final amended budget by \$1,105,245. This reflects operating estimated expenditures coming in under budget due to continued efforts by departments to keep positions vacated for several months before filling and lower capitalized capital outlay expenditures due to capital grant projects that span more than one fiscal year (Faust and Peacock sidewalk connector project).

Capital Assets

The City's investment in capital assets for governmental activities as of September 30, 2019 amounts to \$36,442,776 (net of accumulated depreciation). The City's investment in capital assets for business-type activities as of September 30, 2019 amounts to \$2,755,052 (net of accumulated depreciation). This investment in capital assets includes land; improvements and infrastructure; buildings; equipment; and construction in progress. Additional information on the City's capital assets can be found in Note 7 of this report.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Primary Government Total	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Land	\$ 5,534,223	\$5,534,223	\$ 573,045	\$573,045	\$ 6,107,268	\$6,107,268
Construction in progress	42,019	95,656	-	-	42,019	95,656
Improvements/infrastructure	19,242,732	19,292,814	-	-	19,242,732	19,292,814
Buildings	8,749,781	9,096,898	1,752,135	1,804,465	10,501,916	10,901,363
Equipment	2,145,807	2,137,004	333,901	266,820	2,479,708	2,403,824
Property under capital lease	728,214	1,218,124	95,971	119,004	824,185	1,337,128
Total	\$36,442,776	\$37,374,719	\$2,755,052	\$2,763,334	\$ 39,197,828	\$40,138,053

Management's Discussion and Analysis

Long-Term Debt

The City issued no new debt in the current year. The Net Pension Liability reflects compliance with GASB Statement Nos. 68 and 71, which were implemented in prior years. The Total OPEB Liability reflects compliance with GASB Statement No. 75, which was implemented in the prior year. Additional information on the City's long-term debt can be found in Note 9 of this report.

Long-term Debt

	Governmental Activities		Business-type Activities		Primary Government Total	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Capital leases	\$ 592,258	\$ 892,461	\$ 11,876	\$ 58,903	\$ 604,134	\$ 951,364
Bonds payable, net	9,050,669	9,615,292	-	-	9,050,669	9,615,292
Compensated absences	288,181	282,289	22,094	22,094	310,275	304,383
Net pension liability	4,689,848	5,012,337	294,923	330,755	4,984,771	5,343,092
Total OPEB liability	6,080,692	6,284,815	851,336	873,996	6,932,028	7,158,811
Total	\$ 20,701,648	\$ 22,087,194	\$ 1,180,229	\$ 1,285,748	\$ 21,881,877	\$ 23,372,942

Significant Economic Factors

The Mayor and City Council considered many factors when developing the fiscal year 2019-20 budget. A budget of \$17.1 million was adopted for the General Fund, \$5.6 million in Special Revenue Funds, and \$1.9 million in Enterprise Funds on August 8, 2019.

- The local government health insurance carrier (Blue Cross/Blue Shield of Alabama) continues to offer an annual health screening to all employees and again if the City has 80 percent of its enrolled employees participate the City will receive a wellness discount of \$10 per employee per month. The City reached the required employee participation in 2019 and expects to meet that level of participation for 2020. The estimated savings in health insurance premiums is approximately \$19,500. The City did receive a health rate increase of 5.0 percent for calendar year 2020.
- The 2019-20 budget does include a step increase adjustment of approximately 2.5% for all qualifying employees.
- The City projected slight increases in revenues in sales and use tax. The City did an ordinance to increase the lodging tax by 1%, which passed. The City saw this initiative as an important economic opportunity. The increase put the City more in-line with nearby market areas' lodging tax rates.
- The City opened a competition municipal swimming pool on August 31, 2018, and the Leisure Services department has continued to develop aquatic programs to include swimming lessons, swimming competitions, swimming programs and times for seniors and youngsters.
- Dale County unemployment rate for September 2019 was 2.6 percent, and the rate for September 2018 was 4.1 percent.

Management's Discussion and Analysis

These factors were considered in preparing the City's budget for fiscal year 2019-20.

Requests For Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Officer, City of Ozark, Office of the City Clerk, P.O. Box 1987, Ozark, Alabama 36361.

Under the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Ozark City Board of Education (the "BOE") is reported as a discretely presented component unit of the City's financial statements in a separate column in the government-wide statements to emphasize that it is legally separate from the City. Complete financial statements for the BOE may be obtained from the entity's administrative office, Chief School Financial Officer, 1044 Andrews Avenue, Ozark, AL 36360.

City of Ozark, Alabama
Statement of Net Position

<i>September 30, 2019</i>	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Ozark City Board of Education
Assets				
Current assets				
Cash and cash equivalents	\$ 2,203,626	\$ 527,723	\$ 2,731,349	\$ 16,588,005
Investments	-	-	-	47,948
Receivables, net	3,543,688	244,917	3,788,605	2,337,130
Other assets	14,594	-	14,594	38,465
Internal balances	242,162	(242,162)	-	-
Total current assets	6,004,070	530,478	6,534,548	19,011,548
Restricted cash and cash equivalents	519,386	-	519,386	-
Capital assets				
Capital assets, net of depreciation	30,866,534	2,182,007	33,048,541	22,982,225
Land and other nondepreciable capital assets	5,576,242	573,045	6,149,287	6,562,818
Total capital assets	36,442,776	2,755,052	39,197,828	29,545,043
Total assets	42,966,232	3,285,530	46,251,762	48,556,591
Deferred Outflows of Resources				
Deferred outflows related to pension	1,183,647	139,134	1,322,781	2,690,152
Deferred outflows related to OPEB	285,443	-	285,443	1,176,020
Deferred charge on debt refunding	65,786	-	65,786	-
Total deferred outflows of resources	1,534,876	139,134	1,674,010	3,866,172
Liabilities				
Current liabilities				
Accounts payable	483,947	10,485	494,432	111
Accrued payroll and other accrued expenses	449,495	31,964	481,459	1,485,024
Unearned revenue	-	-	-	295,030
Notes payable	-	-	-	229,847
Amounts due under capital leases	149,878	11,876	161,754	-
Bonds payable	575,000	-	575,000	172,430
Total current liabilities	1,658,320	54,325	1,712,645	2,182,442

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

City of Ozark, Alabama
Statement of Net Position (Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Ozark City Board of Education
Noncurrent liabilities				
Notes payable	-	-	-	1,545,199
Amounts due under capital leases	442,380	-	442,380	-
Bonds payable, net	8,475,669	-	8,475,669	26,672,892
Compensated absences	288,181	22,094	310,275	-
Net pension liability	4,689,848	294,923	4,984,771	16,357,000
Total OPEB liability	6,080,692	851,336	6,932,028	16,494,244
Total noncurrent liabilities	19,976,770	1,168,353	21,145,123	61,069,335
Total liabilities	21,635,090	1,222,678	22,857,768	63,251,777
Deferred Inflows of Resources				
Deferred inflows related to pension	793,318	89,016	882,334	2,713,000
Deferred inflows related to OPEB	907,363	97,469	1,004,832	2,108,979
Unearned property taxes	2,139,958	-	2,139,958	1,832,979
Total deferred inflows of resources	3,840,639	186,485	4,027,124	6,654,958
Net Position (Deficit)				
Net investment in capital assets	26,799,849	2,743,177	29,543,026	924,675
Restricted for:				
Capital outlay	163,200	-	163,200	-
Debt service	383,151	-	383,151	-
Education	69	-	69	-
Unrestricted (deficit)	(8,320,890)	(727,676)	(9,048,566)	(18,408,647)
Total net position (deficit)	\$ 19,025,379	\$ 2,015,501	\$ 21,040,880	\$ (17,483,972)

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

City of Ozark, Alabama
Statement of Activities

For the year ended September 30, 2019

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General government	\$ 2,266,332	\$ 1,828,645	\$ 80,787
Police department	3,043,808	212,921	15,761
Fire department	2,726,497	177,518	-
Street	1,054,946	-	-
Sanitation	1,402,102	1,493,245	-
Leisure services	1,877,189	273,006	70,406
Engineering/inspections	160,538	-	-
Vehicle maintenance	214,020	-	-
Airport	288,147	243,396	-
Judicial	196,599	-	-
Appropriations	139,253	-	-
Non-departmental	351,544	-	-
Economic development	1,028,152	-	258,696
Ozark technology center	152,885	-	-
Information technology	180,740	-	-
Education	2,399,482	1,474,640	-
Interest	264,590	-	-
Fees on long term debt	7,056	-	-
Amortization	9,731	-	-
Total governmental activities	17,763,611	5,703,371	425,650
Business-type Activities:			
Emergency medical services	1,219,375	1,403,249	-
Ozark square shopping center	86,949	172,929	-
Total business-type activities	1,306,324	1,576,178	-
Total primary government	\$ 19,069,935	\$ 7,279,549	\$ 425,650
Component Unit			
Ozark City Board of Education	\$ 22,968,991	\$ 1,932,712	\$ 15,685,627

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

**Net (Expense) Revenue
and Changes in Net Position**

Revenues	Primary Government			Component Unit
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Ozark City Board of Education
\$ 184,944	\$ (171,956)	\$ -	\$ (171,956)	\$ -
27,662	(2,787,464)	-	(2,787,464)	-
-	(2,548,979)	-	(2,548,979)	-
189,041	(865,905)	-	(865,905)	-
-	91,143	-	91,143	-
500	(1,533,277)	-	(1,533,277)	-
-	(160,538)	-	(160,538)	-
-	(214,020)	-	(214,020)	-
108,104	63,353	-	63,353	-
-	(196,599)	-	(196,599)	-
-	(139,253)	-	(139,253)	-
-	(351,544)	-	(351,544)	-
-	(769,456)	-	(769,456)	-
-	(152,885)	-	(152,885)	-
-	(180,740)	-	(180,740)	-
-	(924,842)	-	(924,842)	-
-	(264,590)	-	(264,590)	-
-	(7,056)	-	(7,056)	-
-	(9,731)	-	(9,731)	-
510,251	(11,124,339)	-	(11,124,339)	-
-	-	183,874	183,874	-
-	-	85,980	85,980	-
-	-	269,854	269,854	-
\$ 510,251	\$ (11,124,339)	\$ 269,854	\$ (10,854,485)	\$ -
\$ 822,300	\$ -	\$ -	\$ -	\$ (4,528,352)

-Continued-

City of Ozark, Alabama
Statement of Activities (Continued)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Ozark City Board of Education
General Revenues				
Sales taxes	\$ 7,618,687	\$ -	\$ 7,618,687	\$ 2,017,542
Motor fuel taxes	1,311,145	-	1,311,145	-
Property taxes	732,190	-	732,190	2,518,489
Alcoholic beverage taxes	160,104	-	160,104	-
Lodging taxes	178,010	-	178,010	-
Tobacco taxes	261,553	-	261,553	-
Other taxes	578,196	-	578,196	8,956
Miscellaneous	145,984	50,326	196,310	735,821
Donations of capital assets	2,050	-	2,050	-
Rental income	70,325	-	70,325	-
Franchise fees	175,536	-	175,536	-
Investment earnings	25,669	23	25,692	315,164
Transfers	50,000	(50,000)	-	-
Total general revenues and transfers	11,309,449	349	11,309,798	5,595,972
Change in net position	185,110	270,203	455,313	1,067,620
Net Position - beginning	18,840,269	1,745,298	20,585,567	(18,551,592)
Net Position - ending	\$ 19,025,379	\$ 2,015,501	\$ 21,040,880	\$ (17,483,972)

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

City of Ozark, Alabama
Balance Sheet-Governmental Funds

<i>September 30, 2019</i>	General Fund	Special Ad Valorem Fund I	Special Ad Valorem Fund II
Assets			
Cash and cash equivalents	\$ 1,501,884	\$ 24	\$ 45
Receivables	2,083,914	729,887	729,887
Due from other funds	257,459	-	-
Prepays	13,378	-	-
Inventory	1,216	-	-
Restricted cash and cash equivalents	163,416	-	-
Total assets	\$ 4,021,267	\$ 729,911	\$ 729,932
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 452,671	\$ 15,638	\$ 15,638
Due to other funds	57,706	-	-
Accrued payroll	305,360	-	-
Other accrued expenses	144,135	-	-
Total liabilities	959,872	15,638	15,638
Deferred inflows of resources			
Unearned property taxes	711,460	714,249	714,249
Fund balances			
Nonspendable	617,327	-	-
Restricted	163,200	24	45
Unassigned	1,569,408	-	-
Total fund balances	2,349,935	24	45
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,021,267	\$ 729,911	\$ 729,932

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

Other Governmental Funds	Total Governmental Funds
\$ 701,673	\$ 2,203,626
-	3,543,688
57,707	315,166
-	13,378
-	1,216
355,970	519,386
<hr/>	
\$ 1,115,350	\$ 6,596,460
<hr/>	

\$ -	\$ 483,947
15,298	73,004
-	305,360
-	144,135
<hr/>	
15,298	1,006,446
<hr/>	

-	2,139,958
<hr/>	

-	617,327
1,100,052	1,263,321
-	1,569,408
<hr/>	
1,100,052	3,450,056
<hr/>	

\$ 1,115,350	\$ 6,596,460
<hr/>	

City of Ozark, Alabama
Reconciliation of the Balance Sheet-Governmental Funds
to the Statement of Net Position

Differences in amounts reported for governmental activities in the Statement of Net Position:

Total fund balance - governmental funds	\$ 3,450,056
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	36,442,776
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Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position:

Capital leases payable	(592,258)
Bonds payable, net	(9,050,669)
Net pension liability	(4,689,848)
Accrued compensated absences	(288,181)
Total OPEB liability	(6,080,692)

Deferred charges on refunding are reported as deferred outflows of resources and are not available to pay for current period expenditures and therefore, are not reported as assets in the governmental funds.	65,786
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Deferred inflows and outflows related to pensions and OPEB represent an acquisition or consumption of net position, respectively, that applies to a future period, and therefore, are not reported as liabilities or assets in the governmental funds:

Deferred outflows related to pension	1,183,647
Deferred inflows related to pension	(793,318)
Deferred outflows related to OPEB	285,443
Deferred inflows related to OPEB	(907,363)

Net position of governmental activities in the statement of net position	\$ 19,025,379
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The accompanying notes are an integral part of these financial statements.

City of Ozark, Alabama
Statement of Revenues, Expenditures and Changes in Fund Balances-
Governmental Funds

For the year ended September 30, 2019

General Fund

Revenues	
Taxes	\$ 10,473,089
Licenses and permits	1,646,669
Intergovernmental	818,495
Charges for services	1,994,190
Fines and forfeitures	547,447
Investment earnings	18,794
Miscellaneous	500,377
Total revenues	15,999,061
Expenditures	
General government	1,095,685
Education	924,842
Vehicle maintenance	218,579
Police department	2,833,676
Information technology	146,610
Fire department	2,542,795
Airport	260,245
Sanitation	1,280,003
Street	983,203
Leisure services	1,681,239
Appropriations	139,253
Judicial	180,810
Economic development	895,808
Engineering/inspections	152,633
Ozark technology center	124,507
Non-departmental	351,550
Debt service	
Principal	-
Interest	-
Dues, fees and issuance costs	-
Capital outlay	506,739
Total expenditures	14,318,177
Excess (deficiency) of revenues over expenditures	1,680,884
Other Financing Sources (Uses)	
Proceeds from sale of capital assets	40,844
Loss recoveries	54,391
Transfers in (out), net	(1,443,310)
Total other financing sources (uses)	(1,348,075)
Excess revenues and other financing sources over (under) expenditures and other (uses)	332,809
Fund Balances - beginning	2,017,126
Fund Balances - ending	\$ 2,349,935

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

Special Ad Valorem Fund I	Special Ad Valorem Fund II	Other Governmental Funds	Total Governmental Funds
\$ 737,320	\$ 737,320	\$ 183,244	\$ 12,130,973
-	-	-	1,646,669
-	-	136,244	954,739
-	-	-	1,994,190
-	-	-	547,447
-	-	6,876	25,670
-	-	1,375	501,752
737,320	737,320	327,739	17,801,440
-	-	-	1,095,685
737,320	737,320	-	2,399,482
-	-	-	218,579
-	-	-	2,833,676
-	-	-	146,610
-	-	-	2,542,795
-	-	-	260,245
-	-	-	1,280,003
-	-	-	983,203
-	-	-	1,681,239
-	-	-	139,253
-	-	10,203	191,013
-	-	-	895,808
-	-	-	152,633
-	-	-	124,507
-	-	-	351,550
-	-	865,090	865,090
-	-	264,590	264,590
-	-	7,158	7,158
-	-	660,174	1,166,913
737,320	737,320	1,807,215	17,600,032
-	-	(1,479,476)	201,408
-	-	-	40,844
-	-	-	54,391
-	-	1,493,310	50,000
-	-	1,493,310	145,235
-	-	13,834	346,643
24	45	1,086,218	3,103,413
\$ 24	\$ 45	\$ 1,100,052	\$ 3,450,056

City of Ozark, Alabama

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances-Governmental Funds to the Statement of Activities**

Differences in amounts reported for governmental activities in the Statement of Activities:

Net change in fund balances - total governmental funds: \$ 346,643

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. 1,166,913

Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities. (2,100,907)

Repayment of debt is reported as an expenditure in governmental funds, but as a reduction in long-term liabilities in the Statement of Net Position. 865,090

Additional interest expense due to deferred charges on refunding and issuance discounts. (9,731)

In the statement of activities, the gain or loss on the disposal of capital assets is reports, whereas in the governmental funds, disposals are not reported. Thus a change in net position differs from the change in fund balance by the net book value of the disposed capital assets. 95,924

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Net pension liability and related accounts (46,880)

Total OPEB liability and related accounts (126,050)

Compensated absences (5,892)

Change in net position of governmental activities \$ 185,110

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

City of Ozark, Alabama
Budgetary Comparison Schedule – General Fund

<i>For the year ended September 30, 2019</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 10,011,609	\$ 10,119,650	\$ 10,473,089	\$ 353,439
Licenses and permits	1,674,571	1,674,571	1,646,669	(27,902)
Intergovernmental	507,315	892,431	818,495	(73,936)
Charges for services	2,437,210	2,437,210	1,994,190	(443,020)
Fines and forfeitures	538,831	538,831	547,447	8,616
Investment earnings	23,112	23,112	18,794	(4,318)
Miscellaneous	645,920	655,920	500,377	(155,543)
Total revenues	15,838,568	16,341,725	15,999,061	(342,664)
Expenditures				
General government	1,106,949	1,111,044	1,095,685	15,359
Education	858,314	924,842	924,842	-
Vehicle maintenance	222,608	224,770	218,579	6,191
Police department	3,033,982	3,034,523	2,833,676	200,847
Information technology	183,579	195,456	146,610	48,846
Fire department	2,816,632	2,776,987	2,542,795	234,192
Airport	442,368	299,042	260,245	38,797
Sanitation	1,248,388	1,290,084	1,280,003	10,081
Street	927,113	988,955	983,203	5,752
Leisure services	1,644,791	1,706,254	1,681,239	25,015
Appropriations	134,253	139,253	139,253	-
Judicial	181,885	182,717	180,810	1,907
Economic development	887,464	904,416	895,808	8,608
Engineering/inspections	153,984	155,414	152,633	2,781
Ozark Technology Center	123,041	123,931	124,507	(576)
Non-departmental	338,817	357,741	351,550	6,191
Capital outlay	521,312	1,007,993	506,739	501,254
Total expenditures	14,825,480	15,423,422	14,318,177	1,105,245
Excess of revenues over expenditures	1,013,088	918,303	1,680,884	762,581
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	5,000	5,000	40,844	35,844
Loss recoveries	1,000	1,000	54,391	53,391
Transfers in (out), net	(1,322,936)	(1,366,423)	(1,443,310)	(76,887)
Total other financing sources (uses)	(1,316,936)	(1,360,423)	(1,348,075)	12,348
Excess (deficiency) of revenues and other sources (uses) over expenditures	(303,848)	(442,120)	332,809	774,929
Fund Balance - beginning	2,166,889	2,155,514	2,017,126	(138,388)
Fund Balance - ending	\$ 1,863,041	\$ 1,713,394	\$ 2,349,935	\$ 636,541

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

City of Ozark, Alabama
Budgetary Comparison Schedule – Special Ad Valorem Fund I

<i>For the year ended September 30, 2019</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 755,431	\$ 755,431	\$ 737,320	\$ (18,111)
Expenditures				
Education	755,431	755,431	737,320	18,111
Excess revenues over expenditures	-	-	-	-
Fund Balance - beginning	24	24	24	-
Fund Balance - ending	\$ 24	\$ 24	\$ 24	\$ -

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

City of Ozark, Alabama
Budgetary Comparison Schedule - Special Ad Valorem Fund II

<i>For the year ended September 30, 2019</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 755,431	\$ 755,431	\$ 737,320	\$ (18,111)
Expenditures				
Education	755,431	755,431	737,320	18,111
Excess revenues over expenditures	-	-	-	-
Fund Balance - beginning	45	45	45	-
Fund Balance - ending	\$ 45	\$ 45	\$ 45	\$ -

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

City of Ozark, Alabama
Statement of Net Position - Proprietary Funds

<i>September 30, 2019</i>	Emergency Medical Services	Ozark Square Shopping Center	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 336,618	\$ 191,105	\$ 527,723
Receivables, net	244,917	-	244,917
Total current assets	581,535	191,105	772,640
Noncurrent assets			
Land	-	573,045	573,045
Capital assets, net of depreciation	429,872	1,752,135	2,182,007
Total noncurrent assets	429,872	2,325,180	2,755,052
Total assets	1,011,407	2,516,285	3,527,692
Deferred Outflows of Resources			
Deferred outflows related to pension	139,134	-	139,134
Liabilities			
Current liabilities			
Accounts and other payables	10,485	-	10,485
Due to other funds	242,162	-	242,162
Accrued payroll	31,964	-	31,964
Amount due under capital lease	11,876	-	11,876
Total current liabilities	296,487	-	296,487
Noncurrent liabilities			
Compensated absences	22,094	-	22,094
Net pension liability	294,923	-	294,923
Total OPEB liability	851,336	-	851,336
Total noncurrent liabilities	1,168,353	-	1,168,353
Total liabilities	1,464,840	-	1,464,840
Deferred Inflows of Resources			
Deferred inflows related to pension	89,016	-	89,016
Deferred inflows related to OPEB	97,469	-	97,469
Total deferred inflows of resources	186,485	-	186,485
Net Position (Deficit)			
Net investment in capital assets	417,996	2,325,181	2,743,177
Unrestricted (deficit)	(918,780)	191,104	(727,676)
Total net position (deficit)	\$ (500,784)	\$ 2,516,285	\$ 2,015,501

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

City of Ozark, Alabama
Statement of Revenues, Expenses and Changes in Net Position-
Proprietary Funds

<i>For the year ended September 30, 2019</i>	Emergency Medical Services	Ozark Square Shopping Center	Total
Operating Revenues			
Charges for services (net of provision for bad debts of \$459,685)	\$ 1,403,249	\$ -	\$ 1,403,249
Rental income	-	172,929	172,929
Total operating revenues	1,403,249	172,929	1,576,178
Operating Expenses			
Salaries and benefits	900,891	-	900,891
Repairs and maintenance	61,338	21,498	82,836
Utilities	4,549	6,549	11,098
Insurance	4,799	6,443	11,242
Legal	578	-	578
Depreciation	88,301	52,331	140,632
Other operating expenses	158,317	128	158,445
Total operating expenses	1,218,773	86,949	1,305,722
Operating income	184,476	85,980	270,456
Non-Operating Revenues (Expenses)			
Miscellaneous revenues	50,326	-	50,326
Interest income (expense)	(579)	-	(579)
Total non-operating revenues	49,747	-	49,747
Income before transfers	234,223	85,980	320,203
Transfers In (Out), net	-	(50,000)	(50,000)
Change in net position	234,223	35,980	270,203
Total Net Position (Deficit) - beginning	(735,007)	2,480,305	1,745,298
Total Net Position (Deficit) - ending	\$ (500,784)	\$ 2,516,285	\$ 2,015,501

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

City of Ozark, Alabama
Statement of Cash Flows-Proprietary Funds

<i>For the year ended September 30, 2019</i>	Emergency Medical Services	Ozark Square Shopping Center	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 1,447,317	\$ 172,929	\$ 1,620,246
Payments to suppliers	(233,655)	(77,116)	(310,771)
Payments to or on behalf of employees	(891,353)	-	(891,353)
Net cash provided by operating activities	322,309	95,813	418,122
Cash Flows From Noncapital and Related Financing Activities			
Advances to other funds	-	(50,000)	(50,000)
Receipts from local grants	50,326	-	-
Net repayments of loans to other funds	111,120	-	111,120
Net cash provided by (used in) noncapital and related financing activities	161,446	(50,000)	61,120
Cash Flows From Capital and Related Financing Activities			
Interest payments on long-term debt	(602)	-	(602)
Principal payments on long-term debt	(47,027)	-	(47,027)
Purchases of capital assets	(132,350)	-	(132,350)
Net cash used in capital and related financing activities	(179,979)	-	(179,979)
Cash Flows From Investing Activities			
Interest received	23	-	23
Net increase in cash and cash equivalents	303,799	45,813	349,612
Cash and Cash Equivalents - beginning	32,819	145,292	178,111
Cash and Cash Equivalents - ending	\$ 336,618	\$ 191,105	\$ 527,723

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

City of Ozark, Alabama
Statement of Cash Flows-Proprietary Funds (Continued)

	Emergency Medical Services	Ozark Square Shopping Center	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 184,476	\$ 85,980	\$ 270,456
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	88,301	52,331	140,632
Provision for bad debts	459,685	-	459,685
Changes in operating assets and liabilities:			
Increase in receivables	(415,617)	-	(415,617)
Decrease in due to other fund	-	(40,000)	(40,000)
Decrease in accounts payable	(4,074)	(2,498)	(6,572)
Increase in deferred inflows related to pension	31,567	-	31,567
Increase in deferred outflows related to pension	(3,422)	-	(3,422)
Increase in deferred inflows related to OPEB	40,836	-	40,836
Decrease in net pension liability	(35,832)	-	(35,832)
Decrease in total OPEB liability	(22,660)	-	(22,660)
Decrease in salaries and benefits payable	(951)	-	(951)
Net cash provided by operating activities	\$ 322,309	\$ 95,813	\$ 418,122

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

City of Ozark, Alabama Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Ozark, Alabama (the "City") have been prepared in conformity 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 governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City's basic financial statements.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and City Council. The definition of the reporting entity, pursuant to Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600, is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so financial information from these units are combined with financial information of the primary government. Under the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Ozark City Board of Education (the "BOE") is reported as a discretely presented component unit of the City's financial statements in a separate column in the government-wide statements to emphasize that it is legally separate from the City. Each blended and discretely presented component unit has a September 30 year end.

Discretely Presented Component Unit

The BOE consists of five board members and is the governing body of the Ozark City School System. The City appoints the board members. The Dale County Revenue Commissioner remits to the City 14 mils of property taxes and the City distributes the millage to the BOE. The City also remits ½ cent of its 4 cent sales tax levied to the BOE. A resolution adopted by the City Council pledges to and commits itself to the BOE, the State of Alabama Department of Education and holders of the Qualified School Construction Bonds ("QSCB") allocated to the BOE that it will take no action to rescind, change or otherwise alter the distribution of taxes levied under Article X, Sec 11-191, Code of Ordinances of the City to the BOE. The pledge is in full force and effect for such period of time as the BOE is obligated for repayment of its allocation of the QSCB. The BOE is reported as a governmental activity. Complete financial statements for the BOE may be obtained from the entity's administrative office, Chief School Financial Officer, 1044 Andrews Avenue, Ozark, AL 36360.

City of Ozark, Alabama Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Units

The following organizations, though legally independent of the City, are deemed to be an extension of the City and are reported within the City's general fund.

Public Building Authority of the City of Ozark – The Public Building Authority of the City of Ozark (the "PBA") is a non-profit organization. The City appoints the PBA's governing body and the PBA provides services entirely to the City.

City of Ozark Volunteer Fire Department – The City of Ozark Volunteer Fire Department (the "VFD") does not have separate governing powers than that of the City. The City receives a portion of tobacco tax revenues due to the VFD staffing.

Industrial Development Board – the Industrial Development Board (the "IDB") is a non-profit organization. The City appoints the IDB's governing body and the IDB provides services entirely to the City.

Government-wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Government-wide financial statements are comprised of the statement of net position and the statement of activities and report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent upon fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable (the BOE).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that helps support all functions of government and contribute to the change in the net assets for the fiscal year. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary funds' financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, considered to be thirty days for property taxes, sales taxes, and interest. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These recourses are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Ozark Square Shopping Center are charges to tenants for rent. The principal operating revenues of Emergency Medical Services ("EMS") are charges to patients for emergency transports. Operating expenses for the proprietary funds include the cost of maintaining and operating buildings, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following are reported as major governmental funds:

General Fund – This is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Ad Valorem I – This fund accounts for the Special City School Ad Valorem Tax of 7.0 mills which is levied and collected by the City and remitted to the BOE. The referendum passed on August 5, 1986.

Special Ad Valorem II – This fund accounts for the Special City School Ad Valorem Tax of 7.0 mills which is levied and collected by the City and remitted to the BOE. The referendum passed on September 8, 1987.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Accounts Receivable

The City considered all governmental fund receivables at year end to be collectible and as such, no allowance for uncollectibles is reported. Proprietary fund receivables are due primarily from ambulance service third-party payers or transports. A contractual and uncollectible allowance has been recorded based on contractual and historical experience.

Interfund Loans and Transfers

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Restricted Assets

The assets restricted by bond agreement as shown in the statement of net position are to be used strictly to retire the long-term debt. The assets were accumulated according to the bond indenture of the various issues.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$2,500 with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The City did not report infrastructure acquired prior to October 1, 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	20 – 50 years
Improvements and infrastructure	7 – 40 years
Obligations under capital lease	8 – 10 years
Equipment	5 – 20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category and are reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow related to pension results from pension contributions related to normal and accrued employer liability (net of any refunds or error service payments) made subsequent to the measurement date. A deferred outflow related to OPEB results from claims payments made related to the total OPEB liability subsequent to the measurement date.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The unearned revenues from ad valorem property taxes and grants qualify for reporting in this category. The net difference between projected and actual earnings on plan investments, is reported as a deferred inflow related to pension. Also, the net difference between expected and actual experience and effects of changes in assumptions or other inputs, is reported as a deferred inflow related to OPEB.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated vacation hours up to certain limits at current wage rates. All leave is accrued when incurred in the government-wide financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balance

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

Restricted – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the City Council.

Fund balance is reported in the fund financial statement in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has prepaid expenditures, gas and diesel inventory, and long term receivables from the Utilities Board of the City of Ozark, Alabama (the “Utilities Board”) and the EMS Fund that are considered nonspendable.

In addition to the nonspendable fund balance, spendable fund balances are reported based on a hierarchy of spending constraints:

Restricted – Fund balances that are constrained by external parties, constitutional provisions or enabling legislation. The City’s restricted fund balance primarily includes federal, state, and local grant funds that are for a stated purpose per the grant agreements.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The City has no fund balances classified as committed.

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The City has no fund balances classified as assigned.

Unassigned – Fund balances that are not constrained for any particular purpose.

The City’s reported governmental fund balance at September 30, 2019 is comprised of the following:

	Nonspendable	Restricted	Unassigned
General Fund	\$ 617,327	\$ 163,200	\$ 1,569,408
Special Ad Valorem I	-	24	-
Special Ad Valorem II	-	45	-
Nonmajor governmental funds	-	1,100,052	-
	\$ 617,327	\$ 1,263,321	\$ 1,569,408

Nonspendable fund balances include gas and diesel inventory of \$1,216, prepaid expenditures of \$13,378, long-term note receivable due from the Utilities Board of \$360,571, and amounts due from the EMS fund of \$242,162.

Restricted fund balances include ad valorem taxes due to the BOE; funds available for street paving and resurfacing; grant funds available for the purchase of equipment and supplies for the 33rd Judicial Circuit Drug Task Force; costs and charges fixed by law for municipal court violation; grant funds available for capital improvements; bond proceeds for capital improvements; and debt service principal and interest payments.

City of Ozark, Alabama **Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposed which amounts in any of those unrestricted fund balance classifications can be used.

Property Tax Calendar

Property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31st. The enforceable claim exists as of October 1 preceding the February meeting of the County Commission. In accordance with the non-exchange transactions provision of GASB Statement No. 33 and deferred inflows of resources guidance from GASB Statement No. 65, taxes levied in fiscal year 2018 for the 2019 budget year have been recorded as receivables and deferred inflows of resources.

Pensions

The Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Other Post-Employment Benefits ("OPEB")

For purposes of measuring total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the economic resources measurement focus and full accrual basis of accounting are utilized. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Management Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of Recently Issued Accounting Pronouncements

In fiscal year 2019, the City adopted two new statements of financial accounting standards issued by the GASB:

- GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83)
- GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB 88)

GASB 83 establishes standards of accounting and financial reporting requirements for legally enforceable liabilities associated with the retirement of certain tangible capital assets. State and local governments that have legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the regulation of GASB 83. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. GASB 83 had no impact on the Board’s financial statements.

GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. GASB 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant subjective acceleration clauses. GASB 88 also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of GASB 88 are effective for reporting periods beginning after June 15, 2018. Details of the Board’s implementation with respect to GASB 88 is included in the long-term debt note (see Note 9).

Pronouncements Issued But Not Yet Effective

The GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the City upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
84	<i>Fiduciary Activities</i>	2020
87	<i>Leases</i>	2021
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2021
90	<i>Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61</i>	2020
91	<i>Conduit Debt Obligations</i>	2022

City of Ozark, Alabama
Notes to Financial Statements

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level. Each year formal budgets are legally adopted and amended for the General Fund and Special Revenue Funds. Management can approve transfers within government function categories only. Transfers of appropriations or revisions between government function categories require the approval of the City Council. Budgets for the governmental funds are adopted on a basis consistent with GAAP.

Net Deficit

As of September 30, 2019, the EMS Proprietary Fund reported unrestricted deficit of \$918,780 and total net deficit of \$500,784, which is expected to be funded by future revenues.

NOTE 3: CASH AND CASH EQUIVALENTS

The City has elected to place its cash and cash equivalents in demand deposits, savings, and money market accounts. Demand and time deposits are fully insured and collateralized by the Federal Deposit Insurance Corporation (“FDIC”) and the Security for Alabama Funds Enhancement (“SAFE”) Program operated by the office of the Treasurer of the State of Alabama as authorized by *Section 41-14A of the Code of Alabama 1975, as amended*.

The City maintains deposits only with “Qualified Public Depositories” as defined by *Section 41-14A-2 Code of Alabama 1975*. In the event of default by a “Qualified Public Depository”, public deposits in excess of FDIC insurance limits will be repaid by liquidating collateral pledged to the SAFE Program by the bank in default. The liability for any remaining public deposits will be shared by all other “Qualified Public Depositories” participating in the SAFE Program.

NOTE 4: RECEIVABLES

Governmental Funds

Receivables at September 30, 2019 consist of the following:

	Accounts Receivable	Property Taxes Receivable	Note Receivable - Utilities Board	Total
General Fund	\$ 1,014,597	\$ 708,746	\$ 360,571	\$ 2,083,914
Special Ad Valorem I	15,638	714,249	-	729,887
Special Ad Valorem II	15,638	714,249	-	729,887
	<u>\$ 1,045,873</u>	<u>\$ 2,137,244</u>	<u>\$ 360,571</u>	<u>\$ 3,543,688</u>

City of Ozark, Alabama
Notes to Financial Statements

NOTE 4: RECEIVABLES (Continued)

Proprietary Funds

EMS Fund patient transport accounts receivable, net at September 30, 2019 consists of:

Medicare	\$	64,020
Medicaid		35,572
Insurance providers		135,979
Patients		183,591
Other		2,856,693
		3,275,855
Less: allowance for doubtful accounts		(3,030,938)
Patient transport accounts receivable, net	\$	244,917

NOTE 5: INTERFUND BALANCES AND TRANSFERS

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. Interfund balances at September 30, 2019 consist of the following:

	Due From	Due To
General fund	\$ 257,459	\$ 57,706
Nonmajor governmental funds	57,707	15,298
Enterprise funds	-	242,162
	\$ 315,166	\$ 315,166

Transfers to/from other funds for the year ended September 30, 2019 consist of the following:

	Transfers In	Transfers Out	Net
General fund	\$ 61,149	\$ (1,504,459)	\$ (1,443,310)
Nonmajor governmental funds	1,866,483	(373,173)	1,493,310
Enterprise funds	-	(50,000)	(50,000)
	\$ 1,927,632	\$ (1,927,632)	\$ -

NOTE 6: RESTRICTED ASSETS

Restricted cash in the governmental funds is comprised of \$355,970 from the debt service fund restricted for debt service and \$163,416 from the general fund for capital projects.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance 10/1/2018	Increases	Decreases	Ending Balance 9/30/2019
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 5,534,223	\$ 7,290	\$ 7,290	\$ 5,534,223
Construction in progress	95,656	42,020	95,657	42,019
Total capital assets not being depreciated	\$ 5,629,879	\$ 49,310	\$ 102,947	\$ 5,576,242
Capital assets being depreciated:				
Buildings	\$ 15,880,378	\$ -	\$ -	\$ 15,880,378
Improvements and infrastructure	45,309,474	1,117,109	-	46,426,583
Equipment	7,222,372	770,992	81,161	7,912,203
Property under capital leases	1,530,313	-	665,502	864,811
Total capital assets being depreciated	69,942,537	1,888,101	746,663	71,083,975
Less accumulated depreciation for:				
Buildings	6,783,480	347,117	-	7,130,597
Improvements and infrastructure	26,016,660	1,167,191	-	27,183,851
Equipment	5,085,368	762,189	81,161	5,766,396
Property under capital leases	312,189	72,424	248,016	136,597
Total accumulated depreciation	38,197,697	2,348,921	329,177	40,217,441
Total capital assets being depreciated, net	\$ 31,744,840	\$ (460,820)	\$ 417,486	\$ 30,866,534
Governmental activities capital assets, net	\$ 37,374,719	\$ (411,510)	\$ 520,433	\$ 36,442,776
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 573,045	\$ -	\$ -	\$ 573,045
Capital assets being depreciated:				
Buildings	\$ 2,313,898	\$ -	\$ -	\$ 2,313,898
Equipment	635,067	155,802	218,306	572,563
Property under capital lease	184,266	-	-	184,266
Total capital assets being depreciated	3,133,231	155,802	218,306	3,070,727
Less accumulated depreciation for:				
Buildings	509,433	52,330	-	561,763
Equipment	368,247	88,721	218,306	238,662
Property under capital lease	65,262	23,033	-	88,295
Total accumulated depreciation	942,942	164,084	218,306	888,720
Total capital assets being depreciated, net	\$ 2,190,289	\$ (8,282)	\$ -	\$ 2,182,007
Business-type activities capital assets, net	\$ 2,763,334	\$ (8,282)	\$ -	\$ 2,755,052

City of Ozark, Alabama
Notes to Financial Statements

NOTE 7: CAPITAL ASSETS (Continued)

Construction in progress for governmental activities at September 30, 2019 is comprised of the amounts relating to airport improvement projects, particularly the aviation fuel farm. These projects are expected to be completed and reclassified during the next fiscal year. The estimated costs to complete the projects are insignificant.

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 1,158,203
Vehicle maintenance	1,236
Police department	175,560
Information technology	31,802
Fire department	182,636
Airport	27,235
Sanitation department	120,326
Street department	64,132
Leisure services	190,093
Judicial	2,906
Economic development	121,083
Engineering/inspections	1,848
Ozark Technology Center	23,847
<hr/>	
Total depreciation expense – Governmental Activities	\$ 2,100,907
<hr/>	
Business-type Activities	
Emergency Medical Services	\$ 88,301
Ozark Square Shopping Center	52,331
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Total depreciation expense – Business-type Activities	\$ 140,632
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City of Ozark, Alabama
Notes to Financial Statements

NOTE 8: DEFERRED INFLOWS OF RESOURCES

Governmental Activities:	General Fund	Special Ad Valorem Fund I	Special Ad Valorem Fund II	Total Governmental Activities
Property Taxes – Property taxes are levied by the County Commission in February of each year based on property on record as of the preceding October 1. The enforceable legal claim exists as of October 1 preceding the February meeting of the County Commission. The actual billing and collection of these taxes will occur subsequent to year-end.	\$ 711,460	\$ 714,249	\$ 714,249	\$ 2,139,958
Pensions – Net difference between projected and actual earnings on pension plan investments.	-	-	-	793,318
OPEB – Net difference between projected and actual earnings on benefit plan investments.	-	-	-	907,363
	<u>\$ 711,460</u>	<u>\$ 714,249</u>	<u>\$ 714,249</u>	<u>\$ 3,840,639</u>
Business-type Activities:				EMS
Pensions – Net difference between projected and actual earnings on pension plan investments				\$ 89,016
OPEB – Net difference between projected and actual earnings on pension plan investments				97,469
				<u>\$ 186,485</u>

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9: LONG-TERM DEBT

Changes in long-term debt for the year ended September 30, 2019 were as follows:

	Beginning Balance 10/1/2018	Additions	Reductions	Ending Balance 9/30/2019	Due Within One Year
Governmental Activities					
Capital leases - direct borrowings	\$ 892,461	\$ -	\$ 300,203	\$ 592,258	\$ 149,878
Bonds payable	9,625,000	-	565,000	9,060,000	575,000
Unamortized discount	(9,708)	-	(377)	(9,331)	-
Compensated absences	282,289	5,892	-	288,181	-
Net pension liability	5,012,337	-	322,489	4,689,848	-
Net OPEB liability	6,284,815	-	204,123	6,080,692	-
Governmental activities long-term liabilities	\$ 22,087,194	\$ 5,892	\$ 1,391,438	\$ 20,701,648	\$ 724,878
Business-type Activities					
Capital lease - direct borrowing	\$ 58,903	\$ -	\$ 47,027	\$ 11,876	\$ -
Compensated absences	22,094	-	-	22,094	-
Net pension liability	330,755	-	35,832	294,923	-
Net OPEB liability	873,996	-	22,660	851,336	-
Business-type activities long-term liabilities	\$ 1,285,748	\$ -	\$ 105,519	\$ 1,180,229	\$ -
Component Unit					
Bonds payable	\$ 26,631,578	\$ -	\$ 143,947	\$ 26,487,631	\$ 150,969
Bond premium	379,152	-	21,461	357,691	21,461
Notes payable - direct borrowings	1,130,736	799,116	154,806	1,775,046	229,847
Net pension liability	16,120,000	237,000	-	16,357,000	-
Net OPEB liability	14,615,100	1,879,144	-	16,494,244	-
Component unit long- term liabilities	\$ 58,876,566	\$ 2,915,260	\$ 320,214	\$ 61,471,612	\$ 402,277

Governmental activities, claims, obligations, and compensated absences are generally liquidated by the general fund.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9: LONG-TERM DEBT (Continued)

Bonds payable

A description and terms of the City's bonds payable at September 30, 2019 are as follows:

	9/30/2019 Principal Balance
\$4,180,000 General Obligation Warrants, Series 2014 , dated May 15, 2014, payable in annual installments from 2015 through 2034, interest rates range from 2 to 3.6 percent.	\$ 3,785,000
\$2,695,000 General Obligation Warrants, Series 2016 , dated May 1, 2016, payable in annual installments from 2016 through 2031, interest rates range from 1 to 4.0 percent.	2,225,000
\$3,140,000 General Obligation Warrants, Series 2017 , dated June 1, 2017, payable in annual installments from 2018 through 2026, interest rates range from 2 to 2.1 percent.	3,050,000
	\$ 9,060,000

On July 1, 2011, the City issued its Series 2011 General Obligation Refunding Warrants in the amount of \$4,425,000. Proceeds of the bond were used to redeem \$3,905,000 of outstanding Series 2002 bonds and to provide \$323,757 in funds for the construction of capital improvements. The net proceeds of \$3,930,287 plus an additional \$96,579 from the 2002 Series sinking fund were used to repay the bond holders on August 8, 2011. As a result, the 2002 Series bonds are considered to be defeased and the liability for those bonds has been removed from the City's outstanding general obligation warrants.

The City's refunding of the 2002 Series bonds was to obtain additional proceeds that could be used for construction of capital improvements for street resurfacings, improvements to the Flowers Performing Arts Center, tennis court resurfacings, and provide the local match for reroofing of the Ozark-Dale County Public Library. The net present value of the cash flow savings resulted in an economic gain of \$314,325 and represents the difference between the net present value of the net cash flows of the old and new debt and the additional bond proceeds for construction of capital improvements.

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred refunding costs and amortized over the life of the old debt on the straight line basis. The amount of deferred refunding costs on the 2002 bond refunding was \$149,050. The total amount amortized for the year ended September 30, 2019 was \$9,316. The balance on the deferred refunding cost at September 30, 2019 is \$65,206 and is reported as a deferred outflow of resources in the statement of net position.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9: LONG-TERM DEBT (Continued)

The Series 2011 bonds are reported net of original issue discount. Original issue discount in the amount of \$53,135 is also being amortized over the life of the bonds and is reported as part of the interest expense. The total amount expensed related to the Series 2011 bonds for the year ended September 30, 2019 is \$3,321. Remaining original issue discount to be deferred to future periods is \$23,246.

On May 15, 2014, the City issued its Series 2014 General Obligation Warrants in the amount of \$4,180,000. Proceeds of the bond were used to redeem \$880,000 of outstanding Series 2004, redeem a Note Payable with Community Bank and Trust Bank ("CB&T") in the amount of \$1,102,500, and to provide \$2,012,132 in funds for the construction of capital improvements. The net proceeds of \$841,502 plus an additional \$48,085 from the 2004 Series sinking fund were used to repay the bondholders on June 14, 2014. As a result, the 2004 Series bonds are considered to be defeased and the liability for those bonds has been removed from the City's outstanding general obligation warrants.

The City's current refunding of the 2004 Series bonds was to obtain additional proceeds that could be used for the redemption of the Note Payable with CB&T, for construction of capital improvements which includes street resurfacing, purchase of police cars and in-car video systems, local match for the construction of airport terminal, providing the local match on several federal capital grants, the replacement of restrooms, playground equipment and construction of a splash pad at Steagall Park, and the replacement of other equipment. The net present value of the cash flows savings totaled \$89,065 and represents the difference between the net cash flows of the old and new debt. The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred refunding costs and amortized over the life of the old debt on the straight line basis. The amount of deferred refunding costs on the 2004 bond refunding was \$814. The total amount amortized for the year ended September 30, 2019 was \$39. The balance on the deferred refunding cost at September 30, 2019 is \$580 and is reported as a deferred outflow of resources in the statement of net position.

The Series 2014 bonds are reported net of original issue discount. Original issue discount in the amount of \$40,733 is also being amortized over the life of the bonds and is reported as a component of interest expense. The total amount expensed related to the Series 2014 bonds for the year ended September 30, 2019 is \$1,940. Remaining original issue discount to be deferred to future periods is \$29,093.

On May 10, 2016, the City issued its Series 2016 General Obligation Warrants in the amount of \$2,695,000. Proceeds of the bond were used to resurface streets in the City. The Series 2016 bonds are reported net of original issue premium. Original issue premium in the amount of \$41,111 is being amortized over the life of the bonds and is reported as a component of interest expense. The total amount of revenue recognized related to the Series 2016 bonds for the year ended September 30, 2019 is \$2,741. Remaining original issue premium to be recognized in future periods is \$30,147.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9: LONG-TERM DEBT (Continued)

On June 6, 2017, the City issued its Series 2017 General Obligation Warrants in the amount of \$3,140,000. Proceeds of this bond issue were used to partially redeem \$2,880,000 of outstanding Series 2011 bonds and provide the match on an ALDOT Transportation Alternative Project for sidewalks, the match on a 2018 Airport entitlement grant, and to fund capital equipment purchases for the Fire and Street departments. As a result, a portion of the 2011 Series bonds are considered to be defeased and the liability for those bonds has been removed from the City's outstanding general obligation warrants. The net present value of the cash flow savings resulted in an economic gain of \$142,836 and represents the difference between the net present value of the net cash flows of the old and new debt and the additional bond proceeds for construction of capital improvements. The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt was included as a component of interest expense.

The Series 2017 bonds are reported net of original issue premium. Original issue premium in the amount of \$19,292 is also being amortized over the life of the bonds and reported as a component of interest expense. The total amount of revenue recognized related to the Series 2017 bonds for the year ended September 30, 2019 is \$2,144. Remaining original issue premium to be recognized in future periods is \$12,861.

Principal maturities of the governmental activities' bonds payable and related interest payments are as follows:

Year Ending September 30,	Principal	Interest	Total
2020	\$ 575,000	\$ 234,131	\$ 809,131
2021	585,000	225,441	810,441
2022	595,000	214,630	809,630
2023	600,000	199,431	799,431
2024	620,000	183,931	803,931
2025-2029	3,190,000	692,183	3,882,183
2030-2034	2,895,000	236,915	3,131,915
	<u>\$ 9,060,000</u>	<u>\$ 1,986,662</u>	<u>\$ 11,046,662</u>

Obligations Under Capital Lease

In prior fiscal years, the City entered into separate lease agreements as lessee for financing the acquisition of an automated garbage truck, two ambulances, a dump truck, an emergency generator, six work vehicles, an animal control vehicle, a rear load garbage truck, construction of a ten unit T Hangar, and a freightliner with knuckle boom loader.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9: LONG-TERM DEBT (Continued)

These lease agreements qualify as capital leases for accounting purposes (title transfer at the end of lease term) and therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. The equipment has been recorded in capital assets as follows:

Asset	Governmental Activities	Business-type Activities
Dump truck and emergency generator - 2016	\$ 108,430	\$ -
Two ambulances - 2016	-	184,266
Six work vehicles - 2017	146,237	-
Animal control vehicle - 2017	36,600	-
Rear load garbage truck - 2018	173,773	-
10 unit T-Hangar - 2018	250,000	-
Knuckle boom loaders - 2018	149,771	-
Total equipment under capital lease	864,811	184,266
Accumulated depreciation	(136,597)	(88,295)
Total equipment under capital lease, net	\$ 728,214	\$ 95,971

The following is a schedule of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at September 30, 2019:

September 30,	Governmental Activities	Business-type Activities
2020	\$ 165,636	\$ 11,906
2021	184,141	-
2022	54,087	-
2023	54,087	-
2024	21,600	-
2025-2033	179,781	-
Total minimum lease payments	659,331	11,906
Less: amount representing interest	(67,073)	(30)
Present value of future minimum lease payments	\$ 592,258	\$ 11,876

The interest rates range from 1.59 to 3.15 percent.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9: LONG-TERM DEBT (Continued)

Component Unit

General Obligation Warrant

The BOE issued General Obligation School Warrants, Series 2005 in the principal amount of \$2,230,000 dated January 20, 2005. The warrants mature on February 15 annually in amounts as specified in the following table and bear interest ranging from 2.10% to 3.75%. The purpose of the warrants was to retire the Capital Outlay School Warrants, Series 1995 on their ten year call date, which occurred during the year ended September 30, 2005. These warrants are secured by the proceeds of the Special City School Ad Valorem Tax, which is levied and collected by the City. The BOE incurred a deferred loss on the early retirement of the Series 1995 warrants of \$41,600, which was expensed in prior years. These warrants were paid off during a prior fiscal year.

Capital Outlay Pool Warrants

The BOE issued Capital Outlay Pool Warrant, Series 2010 in the principal amount of \$22,074,000 dated August 9, 2011. The warrant matures on September 1, 2027 and bears interest at 5.15%. This warrant is not a general obligation of the BOE. This warrant is a limited obligation of the BOE paid solely from and secured by the annual revenues of PSF Capital Purchase Funds allocated and distributed by the BOE pursuant to Section 16-13-234 and proceeds pledged and allocable to the BOE of the sales and use taxes levied by the City pursuant to Ordinance No. 2007-8 and Ordinance No. 2010-AA. Semi-annual interest payments are due March 1 and September 1. Annual principal payments are made to a sinking fund and are due September 1.

The schedule of the annual principal payments made to the sinking fund of the Capital Outlay Pool Warrant, Series 2010 is as follows:

Year	Interest Rate	Principal	Interest, Net of Subsidy	Total
2020	5.15%	\$ 983,715	\$ 94,918	\$ 1,078,633
2021	5.15%	983,715	94,918	1,078,633
2022	5.15%	983,715	94,918	1,078,633
2023	5.15%	983,715	94,918	1,078,633
2024	5.15%	983,715	94,918	1,078,633
2025-2027	5.15%	2,951,145	284,754	3,235,899
		\$ 7,869,720	\$ 759,344	\$ 8,629,064

The BOE issued a second Capital Outlay Pool Warrant, Series 2011-QZAB in the principal amount of \$730,000 dated June 2, 2011. The warrant matures on May 1, 2026 and bears interest at 4.60%. This warrant is not a general obligation of the BOE. This warrant is a limited obligation of the BOE.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9: LONG-TERM DEBT (Continued)

This warrant will be payable solely from and secured by the annual revenues of PSF Capital Purchase Funds allocated and distributed by the BOE pursuant to Section 16-13-234 and proceeds pledged and allocable to the BOE of the sales and use taxes levied by the City pursuant to Ordinance No. 2007-8 and Ordinance No. 2010-AA.

For the current year, revenue from the pledged sources from the City was \$747,000. Payment of principal and sinking fund deposits and interest on this warrant shall be transferred from the pledged revenues to the Debt Service Fund for the 2011 Pool Bonds. Semi-annual interest payments are due November 1 and May 1. Annual principal payments are made to a sinking fund and are due May 1.

The schedule of the annual principal payments made to the sinking fund of the Capital Outlay Pool Warrant, Series 2011-QZAB is as follows:

Year	Interest Rate	Principal	Interest, Net of Subsidy	Total
2020	4.60%	\$ 36,750	\$ 16,790	\$ 53,540
2021	4.60%	36,750	16,790	53,540
2022	4.60%	36,750	16,790	53,540
2023	4.60%	36,750	16,790	53,540
2024	4.60%	36,750	16,790	53,540
2025-2026	4.60%	73,500	33,580	107,080
		\$ 257,250	\$ 117,530	\$ 374,780

NOTE 10: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan is administered by Nationwide through the U.S. Conference of Mayors. The deferred compensation plan, available to all City employees participating in the Retirement Systems of Alabama (the "RSA"), permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. GASB Statement No. 32 was issued in response to a change in federal law that removes the assets in deferred compensation plans from the general creditors in the event of a government bankruptcy. The City's deferred compensation plan meets the requirements of this law therefore no financial statement presentation is required.

NOTE 11: RETIREMENT PLAN

General Information about the Pension Plan

Plan description. The Employees' Retirement System of Alabama ("ERS"), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by RSA. The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 11: RETIREMENT PLAN (Continued)

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active members	56,760
Post-DROP participants who are still in active service	141
<u>Total</u>	<u>90,999</u>

As of September 30, 2018, the City's membership consisted of:

Retirees and beneficiaries currently receiving benefits	75
Terminated employees entitled to but not yet receiving benefits	2
Terminated employees not entitled to a benefit	11
Active members	185
<u>Total</u>	<u>273</u>

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by a statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement,

NOTE 11: RETIREMENT PLAN (Continued)

correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2019, the City's active employee contribution rate was 5% of covered employee payroll for normal Tier 1 employees and 6% of covered employee payroll for normal Tier 2 employees, and the City's average contribution rate to fund the normal and accrued liability costs was 10.36% of pensionable payroll for Tier 1 employees and 6.54% for Tier 2 employees.

The City's contractually required contribution rate for the year ended September 30, 2019 was 11.51% of pensionable pay for Tier 1 employees, and 7.69% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the Plan from the City were \$529,376 for the year ended September 30, 2019.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2018, and the total pension liability ("TPL") used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017, rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

City of Ozark, Alabama
Notes to Financial Statements

NOTE 11: RETIREMENT PLAN (Continued)

	Expected	Actual at 7.75%	Actual at 7.70%
(a) Total pension liability as of September 30, 2017	\$ 20,902,236	\$ 20,608,125	\$ 20,718,275
(b) Discount rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2017 - September 30, 2018	484,217	484,217	488,572
(d) Transfers Among Employers	-	25,742	25,742
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 - September 30, 2018	(1,497,733)	(1,497,733)	(1,497,733)
(f) TPL as of September 30, 2018 = [(a) x (1+(b))] + (c) + (d) + [(e) * (1 + 0.5*(b))]	\$ 21,450,606	\$ 21,159,443	\$ 21,272,501
(g) Difference between Expected and Actual:		\$ (291,163)	
(h) Less Liability Transferred for Immediate recognition:		\$ 25,742	
(i) Experience (Gain)/Loss = (g) - (h) actual		\$ (316,905)	
(e) Difference between actual at 7.70% and at 7.75% [assumption change (gain)/loss] =			\$ 113,058

Actuarial assumptions. The total pension liability as of September 30, 2018 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.70%

* Net of pension plan investment expense

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2017 were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 11: RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	17.00%	4.40%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
Int'l Developed Mkt Stocks	12.00%	9.50%
Int'l Emerging Mkt Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real estate	10.00%	7.50%
Cash equivalents	3.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.5%

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 11: RETIREMENT PLAN (Continued)

Schedule of Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2017	\$ 20,902,236	\$ 15,559,144	\$ 5,343,092
Changes for the year:			
Service cost	484,217	-	484,217
Interest	1,561,886	-	1,561,886
Changes of assumptions	113,058	-	113,058
Differences between expected and actual experience	(316,905)	-	(316,905)
Contributions - employer	-	446,010	(446,010)
Contributions - employee	-	346,073	(346,073)
Net investment income	-	1,408,494	(1,408,494)
Benefit payments, including refunds of employee contributions	(1,497,733)	(1,497,733)	-
Administrative expenses	-	-	-
Transfers among employers	25,742	25,742	-
Net changes	370,265	728,586	(358,321)
Balances at September 30, 2018	\$ 21,272,501	\$ 16,287,730	\$ 4,984,771

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.70%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
City's net pension liability	\$ 7,489,935	\$ 4,984,771	\$ 2,872,581

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated August 17, 2019 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 11: RETIREMENT PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of \$474,809. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 193,432	\$ 344,050
Changes of assumptions	599,973	-
Net difference between projected and actual earnings on pension plan investments	-	538,284
Employer contributions subsequent to the measurement date	529,376	-
Total	\$ 1,322,781	\$ 882,334

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ending September 30:		
2020	\$	582,459
2021		(129,971)
2022		(67,751)
2023		94,071
2024		(6,780)
Thereafter		(31,581)

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan description. The City provides postretirement health care benefits (the “OPEB Plan”) to all eligible employees, in accordance with Resolution 2006-T passed by the City council in August 2006. Presently retired employees and future retirees that were employed prior to May 16, 2006, that worked for the City for a minimum of fifteen (15) continuous years and have a combination of age at time of retirement plus years of continuous service which equals seventy-five (75) or more, shall be provided health insurance coverage and at the same rate of premium as regular employees to age sixty-five, at which time Medicare Supplemental coverage will be provided at an amount not to exceed the City’s then current insurance carrier’s premium for Medicare Supplemental coverage.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (Continued)

All employees employed or returning to work after a break in service on or after May 16, 2006, that will work for the City for twenty-five (25) or more continuous years and being a minimum of fifty-five years of age shall be provided the same health insurance coverage as regular employees based on a minimum contribution by the City of fifty percent (50%) for retirement at age fifty-five (55) and ten percent (10%) for each additional year of age upon retirement for a maximum of 100 percent at age sixty (60) through age sixty-four (64) until age sixty-five (65) at which time Medicare Supplemental coverage will be provided at an amount not to exceed the City's then current insurance carrier's premium for Medicare Supplemental coverage. The responsibility for the general administration and operation of the OPEB Plan is vested in the City. The OPEB plan does not issue stand-alone financial statements. The OPEB Plan is a single-employer defined benefit plan, with no associated trust.

As of September 30, 2017, the valuation date, membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	42
Inactive members entitled to but not yet receiving benefits	-
<u>Active employees</u>	<u>176</u>
 <u>Total</u>	 <u>218</u>

Benefits provided. The OPEB plan includes health, prescription drug, and dental benefits through the payment of a percentage of premiums based on level of service.

Contributions. The City is not required by law or contractual agreements to provide funding to the OPEB Plan, other than pay-as-you go amounts necessary to provide current benefits to retirees.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of September 30, 2017, using the following key actuarial assumptions and other inputs:

Inflation	2.75%
Real wage growth	0.25%
Salary increases, including wage inflation	3.25% - 5.00%
Municipal Bond Index Rate	
Prior Measurement Date	3.57%
Measurement Date	4.18%
Health Care Cost Trends	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

The discount rate used to measure the total OPEB liability was based on the September average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Mortality rates for active employees were based on the sex distinct RP-2000 Employee Mortality Table projected with Scale BB to 2020 with an adjustment of 70% at all ages for males and 50% at all ages for females. Post-retirement mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table projected with Scale BB to 2020. An adjustment of 125% at all ages for males and 120% for females beginning at age 78 was made for service retirements and beneficiaries. An adjustment of 130% for females at all ages was made for disability retirements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2017 valuation were based on a review of recent plan experience done concurrently with the September 30, 2017 valuation.

Sensitivity of the total OPEB liability to changes in the health care cost trend rates. The following table presents the City's total OPEB liability calculated using the health care cost trend rates noted above, as well as what the City's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Rate	1% Increase
City's total OPEB liability	\$ 5,941,743	\$ 6,932,028	\$ 8,188,887

Sensitivity of the total OPEB liability to changes in the discount rate. The following table presents the City's total OPEB liability calculated using the discount rate of 4.18%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.18%) or 1-percentage point higher (5.18%) than the current rate:

	1% Decrease (3.18%)	Current Rate (4.18%)	1% Increase (5.18%)
City's total OPEB liability	\$ 7,926,033	\$ 6,932,028	\$ 6,113,511

City of Ozark, Alabama
Notes to Financial Statements

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

<u>Total OPEB Liability as of September 30, 2017</u>	<u>\$ 7,158,811</u>
Changes for the year:	
Service cost at the end of the year*	323,144
Interest on total OPEB liability and cash flows	250,841
Changes of benefit terms	-
Differences between expected and actual experience	20,604
Changes of assumptions or other inputs	(554,098)
Benefit payments	(267,274)
Other	-
Net changes	(226,783)
<u>Total OPEB Liability as of September 30, 2018</u>	<u>\$ 6,932,028</u>

*The service cost includes interest for the year.

The total OPEB liability is based upon an actuarial valuation performed as of the valuation date, September 30, 2017. An expected total OPEB liability is determined as of September 30, 2017, the prior measurement date, using standard roll back techniques. The roll back calculation begins with the total OPEB liability, as of the measurement date, adds the expected benefit payments for the year, deducts the interest at the discount rate for the year, and then subtracts the annual normal cost (also called the service cost). There are no changes in benefit terms since the prior measurement date.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$431,013. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,169	\$ 16,940
Changes of assumptions or other inputs	-	987,892
Benefit payments subsequent to the measurement date	267,274	-
Total	\$ 285,443	\$ 1,004,832

City of Ozark, Alabama
Notes to Financial Statements

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources to related to OPEB will be recognized in OPEB expense as follows:

Measurement period ended
September 30:

2019	\$	124,302
2020		(142,972)
2021		(142,972)
2022		(142,972)
2023		(142,972)
Thereafter		(271,803)

NOTE 13: COMMITMENTS AND CONTINGENT LIABILITIES

Grants

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

Litigation

The City is a defendant in several pending lawsuits. It is the opinion of management that the City is adequately insured against loss in each of these cases and any potential losses would not be significant. As such, no liability has been reported for any pending litigation.

Tax Abatements

On November 19, 2013, the City Council adopted a resolution to enter into an agreement to rebate no more than \$2,200,000 of City diesel and gasoline tax to a commercial business to promote economic development. The agreement expires the sooner of 15 years from the date of opening or when rebates to the commercial business total \$2,200,000. During the year ended September 30, 2019, rebates totaled \$320,599 and remaining available rebates under the agreement were approximately \$883,608 at September 30, 2019.

On June 3, 2014, the City Council adopted a resolution to enter into an agreement with a commercial business to grant 50% of the collected local motor vehicle sales tax (up to \$250,000) back to the commercial business. The agreement expires the sooner of December 2021 or when the motor vehicle sales tax grants remitted to the retail business total \$250,000. During the year ended September 30, 2019, rebates totaled \$39,645 and remaining available rebates under the agreement were approximately \$154,000 at September 30, 2019.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 13: COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

On September 22, 2014, the City Council adopted a resolution to enter into an agreement with a retail business to grant 50% of the collected local sales tax (up to \$1,000,000) back to the retail business. The agreement expires the sooner of September 22, 2024 or when the sales tax grants remitted to the retail business total \$1,000,000. During the year ended September 30, 2019, rebates totaled \$44,640 and remaining available rebates under the agreement were approximately \$798,119 at September 30, 2019.

On August 1, 2017, the City Council adopted a resolution to enter into an agreement with a restaurant to grant 50% of the collected local sales tax (up to \$7,500) back to the restaurant. The agreement expires the sooner of October 30, 2020 or when the sales tax grants remitted to the retail business total \$7,500. No taxes were rebated under the agreement during the year ended September 30, 2019. The remaining rebate at September 30, 2019 is \$7,500.

On October 17, 2017, the City Council adopted a resolution to enter into an agreement with a retail business to grant 50% of the collected local sales tax (up to \$82,800) back to the retail business. The agreement expires the sooner of June 30, 2023 or when the sales tax grants remitted to the retail business total \$82,800. During the year ended September 30, 2019, rebates totaled \$14,366 and remaining available rebates under the agreement were approximately \$67,861 at September 30, 2019.

On March 19, 2019, the City Council adopted resolutions to enter into agreements with two manufacturing companies to grant each 100% of all state and local noneducational property taxes and 100% of all construction related transaction taxes. The agreements shall extend for a period of ten years or through the date the project is placed in service. No taxes were rebated under these agreements during the year ended September 30, 2019.

NOTE 14: RISK MANAGEMENT AND LITIGATION

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from commercial insurance companies, effectively transferring any risk of loss.

NOTE 15: RELATED PARTY TRANSACTIONS

The Utilities Board is a related organization to the City because the Utilities Board is an organization, for which a primary government is accountable because that government appoints a voting majority of the board, but is not financially accountable. Transactions that should be disclosed are listed below.

On November 22, 2005, the City and the Utilities Board entered into a formal agreement in which the Utilities Board reimburses the City for use of a portion of the Municipal Complex to be applied to the 2002 Bond Issue. The Utilities Board agreed to be responsible for 18% of the bonded

NOTE 15: RELATED PARTY TRANSACTIONS (Continued)

indebtedness created by the City to finance the construction of the Municipal Complex. Each party is designated certain areas of exclusive use, as well as areas of common use. Each party is responsible for the repair and maintenance of those certain areas assigned for exclusive use to each party. Repair and maintenance for the roof or exterior walls is to be divided 82% to the City and 18% to the Utilities, the same as the Bond Issue. Included in receivables described in Note 4 is a note receivable due from the Utilities Board with a principal balance of \$360,571 as of September 30, 2019. The note is due in monthly installments through February 2026 with interest ranging from 3.35% to 5%. During 2019, the City recorded total payments from the Utilities Board of \$65,430, which includes \$46,665 principal and \$18,765 interest. The Utilities Board also remits several payments to the City each month. A portion of garbage collections fees, as well as 3% of gross receipts are remitted to the City.

NOTE 16: SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 24, 2020, the date of these financial statements.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operations of the City. The occurrence and extent of the impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

City of Ozark, Alabama
Required Supplementary Information
Schedule of Changes in Total OPEB Liability

<i>September 30,</i>	2018	2017
Total OPEB Liability		
Service cost	\$ 323,144	\$ 369,979
Interest	250,841	215,486
Changes of benefit terms	-	-
Differences between expected and actual experience	20,604	(22,184)
Changes of assumptions	(554,098)	(653,868)
Benefit payments	(267,274)	(208,661)
Other	-	-
Net change in total OPEB liability	(226,783)	(299,248)
Total OPEB liability - beginning	7,158,811	7,458,059
Total OPEB liability - ending	\$ 6,932,028	\$ 7,158,811
Covered-employee payroll	\$ 5,576,106	\$ 5,576,106
Total OPEB liability as a percentage of covered-employee payroll*	124.32%	128.38%

*Covered-employee payroll during the fiscal year is the total payroll paid to covered employees. For FY 2019, the measurement period is October 1, 2017 - September 30, 2018.

Note: Schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

City of Ozark, Alabama
Required Supplementary Information
Schedule of Changes in Net Pension Liability

<i>September 30,</i>	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 484,217	\$ 469,964	\$ 474,328	\$ 444,431	\$ 486,720
Interest	1,561,886	1,510,378	1,408,146	1,386,963	1,334,762
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(316,905)	39,418	286,209	(174,320)	-
Changes of assumptions	113,058	-	870,768	-	-
Benefit payments, including refunds of employee contributions	(1,497,733)	(1,216,202)	(1,411,749)	(1,372,821)	(965,131)
Transfers among employers	25,742	1,824	161,456	-	-
Net change in total pension liability	370,265	805,382	1,789,158	284,253	856,351
Total pension liability - beginning	20,902,236	20,096,854	18,307,696	18,023,443	17,167,092
Total pension liability - ending (a)	\$ 21,272,501	\$ 20,902,236	\$ 20,096,854	\$ 18,307,696	\$ 18,023,443
Plan Fiduciary Net Position					
Contributions - employer	\$ 446,010	\$ 459,888	\$ 467,660	\$ 457,419	\$ 463,937
Contributions - member	346,073	332,178	362,299	301,942	298,308
Net investment income	1,408,494	1,790,040	1,331,113	159,366	1,482,615
Benefit payments, including refunds of employee contributions	(1,497,733)	(1,216,202)	(1,411,749)	(1,372,821)	(965,131)
Transfers among employers	25,742	1,824	161,456	(9,909)	13,776
Net change in plan fiduciary net position	728,586	1,367,728	910,779	(464,003)	1,293,505
Plan net position - beginning	15,559,144	14,191,416	13,280,637	13,744,640	12,451,135
Plan net position - ending (b)	\$ 16,287,730	\$ 15,559,144	\$ 14,191,416	\$ 13,280,637	\$ 13,744,640
Net pension liability (asset) - ending (a) - (b)	\$ 4,984,771	\$ 5,343,092	\$ 5,905,438	\$ 5,027,059	\$ 4,278,803
Plan fiduciary net position as a percentage of the total pension liability	76.57%	74.44%	70.62%	72.54%	76.26%
Covered payroll*	\$ 6,068,177	\$ 6,148,668	\$ 5,885,886	\$ 5,609,577	\$ 5,749,664
Net pension liability (asset) as a percentage of covered payroll	82.15%	86.90%	100.33%	89.62%	74.42%

*Employer's covered-payroll during the measurement period is the total covered payroll. For FY 2019, the measurement period is October 1, 2017 - September 30, 2018. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY2017.

Note: Schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

City of Ozark, Alabama
Required Supplementary Information
Schedule of Employer Contributions

<i>September 30,</i>	2019	2018	2017	2016	2015
Actuarially determined contribution*	\$ 484,217	\$ 469,964	\$ 474,328	\$ 444,431	\$ 486,720
Contributions in relation to the actuarially determined contribution*	529,376	446,010	459,888	467,660	457,419
Contribution deficiency (excess)	\$ (45,159)	\$ 23,954	\$ 14,440	\$ (23,229)	\$ 29,301
Covered payroll**	\$ 5,615,180	\$ 6,068,177	\$ 6,148,668	\$ 5,885,886	\$ 5,609,577
Contributions as a percentage of covered-employee payroll	9.43%	7.35%	7.48%	7.95%	8.15%

*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statements.

**Employer's covered payroll for FY2019 is the total covered payroll for the twelve month period of the underlying financial statement.

Note: Schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2018 to September 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	26.1 years
Asset valuation method	Five years smoothed market
Inflation	2.875%
Salary increases	3.375 – 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS

Street – Accounts for seven cent gasoline tax, which is restricted to expenditures related to construction, improvement, maintenance of highways, bridges and street.

Four Cent Gas Tax – Funding is restricted to expenditures related to construction, improvement, and maintenance of highways, bridges and streets.

UDAG – Accounts for homeowners' payments on second mortgages for housing revitalization. The use of this funding is restricted to expenditures for housing revitalization and homeowners match for the federal grant.

FEMA – Accounts for federal emergency management funding for damage due to natural disasters.

Wiregrass Violent Crime – Accounts for a federal grant to fund the Wiregrass Violent Crime and Drug Task Force. The proceeds pay for staff in the Dale County Sheriff's Office, Geneva County Sheriff's Office, Dale County District Attorney and the Ozark Police Department.

Department of Justice – Accounts for direct federal grants to provide technology, law enforcement equipment and supplies for the City of Ozark Police Department. The proceeds are restricted for the specific purpose of the grants.

Drug Forfeiture – Accounts for proceeds from settled drug court cases and reflects seizure resources distributed to the City. Funds are restricted to acquire vehicles, equipment and supplies for the Wiregrass Violent Crime Drug Task Force use.

Municipal Court/Judicial Admin – Accounts for municipal court fees restricted for the enforcement of municipal court ordinances.

CDBG – Accounts for federal grants funding revitalization efforts to improve major entrance and exit corridors into the City. The proceeds are restricted for the specific purpose of the grants.

Alabama Trust Fund Improvements – Accounts for proceeds received from the State of Alabama Section 11-66-6, Code of Alabama, 1975. The proceeds are restricted to capital improvements and/or financing capital improvements.

Corrections – Accounts for municipal court fees restricted for the enforcement of municipal court ordinances.

Bond – Accounts for the proceeds of General Obligations Bonds, Series 2014, for capital projects and to acquire capital equipment.

Debt Service – Accounts for debt service. The funds are restricted for the payments of principal, interest, bond issue costs, and agent fees.

City of Ozark, Alabama
Combining Balance Sheet-Nonmajor Governmental Funds

	Special			
<i>September 30, 2019</i>	Street	Four Cent Gas Tax	UDAG	FEMA
Assets				
Cash and cash equivalents	\$ 448,839	\$ 34,402	\$ 15,539	\$ 6,507
Due from other funds	46,328	-	-	-
Restricted cash and cash equivalents	-	-	-	-
<hr/>				
Total assets	\$ 495,167	\$ 34,402	\$ 15,539	\$ 6,507
<hr/>				
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ -	\$ 13,298	\$ -	\$ -
Fund balances				
Restricted	495,167	21,104	15,539	6,507
<hr/>				
Total liabilities and fund balances	\$ 495,167	\$ 34,402	\$ 15,539	\$ 6,507
<hr/>				

Revenue

Wiregrass Violent Crime	Department of Justice	Drug Forfeiture	Municipal Court/ Judicial Admin	CDBG	Alabama Trust Fund Improvements
\$ 3,871	\$ 2,293	\$ 99	\$ 40,652	\$ 7,565	\$ 22,389
-	-	-	3,273	-	-
-	-	-	-	-	-
\$ 3,871	\$ 2,293	\$ 99	\$ 43,925	\$ 7,565	\$ 22,389
\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ -
3,871	2,293	99	43,925	5,565	22,389
\$ 3,871	\$ 2,293	\$ 99	\$ 43,925	\$ 7,565	\$ 22,389

-Continued-

City of Ozark, Alabama
Combining Balance Sheet-Nonmajor Governmental Funds (Continued)

<i>September 30, 2019</i>	Corrections	Bond	Debt Service	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 61,251	\$ 31,085	\$ 27,181	\$ 701,673
Due from other funds	8,106	-	-	57,707
Restricted cash and cash equivalents	-	-	355,970	355,970
Total assets	\$ 69,357	\$ 31,085	\$ 383,151	\$ 1,115,350
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ -	\$ -	\$ -	\$ 15,298
Fund balances				
Restricted	69,357	31,085	383,151	1,100,052
Total liabilities and fund balances	\$ 69,357	\$ 31,085	\$ 383,151	\$ 1,115,350

City of Ozark, Alabama
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances-Nonmajor Governmental Funds

	Special			
<i>For the year ended September 30, 2019</i>	Street	Four Cent Gas Tax	UDAG	FEMA
Revenues				
Taxes	\$ 116,163	\$ 67,081	\$ -	\$ -
Intergovernmental	-	-	-	-
Investment earnings	-	5	-	-
Miscellaneous	-	-	1,375	-
Total revenues	116,163	67,086	1,375	-
Expenditures				
Judicial	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Dues, fees and issuance costs	-	-	-	-
Capital outlay	506,190	153,984	-	-
Total expenditures	506,190	153,984	-	-
Excess (deficiency) of revenues over expenditures	(390,027)	(86,898)	1,375	-
Other Financing Sources (Uses)				
Transfers in (out)	378,340	-	-	-
Excess revenues and other sources over (under) expenditures and other (uses)	(11,687)	(86,898)	1,375	-
Fund Balances - beginning	506,854	108,002	14,164	6,507
Fund Balances - ending	\$ 495,167	\$ 21,104	\$ 15,539	\$ 6,507

Revenue

Wiregrass Violent Crime	Department of Justice	Drug Forfeiture	Municipal Court/ Judicial Admin	CDBG	Alabama Trust Fund Improvements
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	304	-	-	-	135,940
-	-	-	153	-	325
-	-	-	-	-	-
-	304	-	153	-	136,265
-	-	-	7,803	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	7,803	-	-
-	304	-	(7,650)	-	136,265
-	-	-	31,064	-	(127,600)
-	304	-	23,414	-	8,665
3,871	1,989	99	20,511	5,565	13,724
\$ 3,871	\$ 2,293	\$ 99	\$ 43,925	\$ 5,565	\$ 22,389

-Continued-

City of Ozark, Alabama
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances-Nonmajor Governmental Funds (Continued)

<i>For the year ended September 30, 2019</i>	Corrections	Bond	Debt Service	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 183,244
Intergovernmental	-	-	-	136,244
Investment earnings	221	-	6,172	6,876
Miscellaneous	-	-	-	1,375
Total revenues	221	-	6,172	327,739
Expenditures				
Judicial	2,400	-	-	10,203
Debt service				
Principal	-	-	865,090	865,090
Interest	-	-	264,590	264,590
Dues, fees and issuance costs	-	-	7,158	7,158
Capital outlay	-	-	-	660,174
Total expenditures	2,400	-	1,136,838	1,807,215
Excess (deficiency) of revenues over expenditures	(2,179)	-	(1,130,666)	(1,479,476)
Other Financing Sources (Uses)				
Transfers in (out)	52,884	-	1,158,622	1,493,310
Excess revenues and other sources over (under) expenditures and other (uses)	50,705	-	27,956	13,834
Fund Balances - beginning	18,652	31,085	355,195	1,086,218
Fund Balances - ending	\$ 69,357	\$ 31,085	\$ 383,151	\$ 1,100,052

City of Ozark
Schedules of Bond Amortization Requirements

\$4,180,000 General Obligation Warrants, Series 2014, dated May 1, 2014 with interest payable on May 1 and November 1 of each year. Warrants mature on March 1, 2034.

Paying Agent: Regions Bank

Year Ending	Interest Rate	Principal	Interest	Total
9/30/2020	2.00%	\$ -	\$ 122,557	\$ 122,557
9/30/2021	2.00%	-	122,557	122,557
9/30/2022	2.00%	-	122,557	122,557
9/30/2023	2.00%	-	122,557	122,557
9/30/2024	2.00%	-	122,557	122,557
9/30/2025	2.00%	-	122,557	122,557
9/30/2026	2.00%	-	122,558	122,558
9/30/2027	2.80%	420,000	116,678	536,678
9/30/2028	3.00%	435,000	104,273	539,273
9/30/2029	3.00%	450,000	90,998	540,998
9/30/2030	3.15%	465,000	76,924	541,924
9/30/2031	3.30%	480,000	61,680	541,680
9/30/2032	3.40%	495,000	45,345	540,345
9/30/2033	3.50%	510,000	28,005	538,005
9/30/2034	3.60%	530,000	9,540	539,540
Total		\$ 3,785,000	\$ 1,391,343	\$ 5,176,343

City of Ozark, Alabama
Schedules of Bond Amortization Requirements (Continued)

\$2,695,000 General Obligation Warrants, Series 2016, dated May 1, 2016 with interest payable on March 1 and November 1 of each year. Warrants mature on May 1, 2031.

Paying Agent: Regions Bank

Year Ending	Interest Rate	Principal	Interest	Total
9/30/2020	1.25%	\$ 160,000	\$ 55,924	\$ 215,924
9/30/2021	1.40%	165,000	53,924	218,924
9/30/2022	4.00%	165,000	51,613	216,613
9/30/2023	4.00%	170,000	45,014	215,014
9/30/2024	4.00%	180,000	38,214	218,214
9/30/2025	2.00%	185,000	31,013	216,013
9/30/2026	2.00%	190,000	27,314	217,314
9/30/2027	2.13%	195,000	23,512	218,512
9/30/2028	2.25%	200,000	19,370	219,370
9/30/2029	2.35%	200,000	14,870	214,870
9/30/2030	2.40%	205,000	10,170	215,170
9/30/2031	2.50%	210,000	5,251	215,251
Total		\$ 2,225,000	\$ 376,189	\$ 2,601,189

\$3,140,000 General Obligation Warrants, Series 2017, dated June 1, 2017 with interest payable on March 1 and September 1 of each year. Warrants mature on March 1, 2026.

Paying Agent: Regions Bank

Year Ending	Interest Rate	Principal	Interest	Total
9/30/2020	1.20%	\$ 415,000	\$ 55,650	\$ 470,650
9/30/2021	2.00%	420,000	48,960	468,960
9/30/2022	2.00%	430,000	40,460	470,460
9/30/2023	2.00%	430,000	31,860	461,860
9/30/2024	2.00%	440,000	23,160	463,160
9/30/2025	2.00%	455,000	14,210	469,210
9/30/2026	2.10%	460,000	4,830	464,830
Total		\$ 3,050,000	\$ 219,130	\$ 3,269,130



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**INDEPENDENT AUDITORS' 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***

Honorable Mayor and Members of
the City Council
City of Ozark, Alabama

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ozark, Alabama (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2020. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, the Ozark City Board of Education, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below as item 2019-001, that we consider to be a significant deficiency.

Item 2019-001 – Financial Reporting

Condition – Multiple general ledger accounts and financial statement line items required adjustment or reclassification. Such adjustments included proper presentation of cash, accounts receivable and related allowance for doubtful accounts, property, plant and equipment, accounts payable, long term liabilities, and revenues, among others.

Criteria – *Government Auditing Standards* Section A1.08 (d) states that management is responsible for “establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulation; and ensuring that management and financial information is reliable and properly reported;...”

Cause – Internal processes and controls, such as financial close and reconciliation procedures, were not sufficient to detect needed adjustments to multiple general ledger accounts.

Effect – Multiple general ledger accounts and financial statement line items required adjustment or reclassification in order for the financial statements to be presented in accordance with generally accepted accounting principles

Recommendation – We recommend that management establish a formal financial close process, including the timely preparation and review of various reconciliations of general ledger account balances and schedules, and consider additional training for personnel responsible for preparation of the GASB conversion entries.

Views of Responsible Officials and Corrective Actions – The City’s Finance Officer will implement a formal financial close process.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from 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*.

City of Ozark, Alabama's Response to Findings

The City's response to the findings identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
March 24, 2020