

City of Ozark, Alabama

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

For The Year Ended September 30, 2018



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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, net position, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended September 30, 2018. Our opinion is not modified with respect to this matter.

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 GASB, 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 and other auditors 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 19, 2019, 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 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.

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

Enterprise, Alabama

March 19, 2019

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, 2017, and ending September 30, 2018. 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, 2018.

Financial Highlights

From the Government-Wide Financial Statements

- The City's combined governmental activities and business-type activities net position at September 30, 2018 was \$20,585,567. This represents an increase of \$2,239,202 from the restated net position of September 30, 2017. The combined unrestricted deficit increased \$997,636, the governmental activities deficit increased \$954,683, and the business-type deficit increased \$42,953. The restated unrestricted deficit for September 30, 2017 was due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established new accounting entries to include in the financial statements for the current fiscal year and the restatement entries for fiscal year 2017.
- The revenues at September 30, 2018 from governmental activities were \$19,707,144 and revenues from business-type activities were \$1,522,846, for a combined total of \$21,229,990. This is an overall increase in revenues from prior year of \$2,680,818. The governmental activities capital grants and contributions increased \$172,848, the net increase resulted from an increase in State airport improvement funding to construct the 10 unit T-hangar at Ozark Airport – Blackwell Field of \$250,000, the increase in the CDBG grant and the local Wiregrass Foundation grants totaling \$514,600 to construct the municipal swimming pool, a reduction in ALDOT funding for Roy Parker Road improvements of \$474,100 as compared to last year, the general government reduction of \$115,900 of State Industrial Development funds, and the completion of the CDBG Housing Revitalization grant. The governmental activities other revenues increased \$2,126,956; the majority of the increase 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. The governmental activities charges for services revenue increased \$309,701; the majority of the increase was related the sale of aviation fuel at the Ozark Airport – Blackwell Field in the current fiscal year.

From the Fund Financial Statements

- The governmental funds reported revenues of \$17,342,877 for fiscal year 2018, an increase of \$440,569 over \$16,902,308 reported last year. The majority of the increases were in charges for services (sale of aviation fuel), net increase in intergovernmental grants (municipal pool and 10 unit T-Hangar), and the net increase in taxes, which included \$42,000 from ad valorem tax and \$22,000 from rental tax.

Management's Discussion and Analysis

- The General Fund reported a total fund balance of \$2,017,126 at September 30, 2018. The spendable, unassigned portion of total fund balance was \$1,247,269, the nonspendable portion was \$557,257, and the restricted portion was \$212,600. The net result of operations is a decrease of \$236,833. 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 9.2 percent of the total general fund operating expenditures of \$13,510,998 (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 \$2,251,800. Total fund balance as a percentage of the general operating expenditures is 14.9 percent.

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-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 2018.

Management's Discussion and Analysis

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 eighth year of operations, are as follows:

<i>Years ended September 30,</i>	2018	2017	Increase (Decrease)	% Increase (Decrease)
Number of patients transported	4,343	4,192	151	3.6%
Eight year average:				
Gross charge per trip	\$ 685			
Net charge per trip	\$ 431			
Cash collection per trip	\$ 306			
Cash collection per trip as a percent of net charge per trip	71.0%			
Average cost per transport:				
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:

	FY2017-18	% of total	FY2016-17	% of total
Medicare	2,506	57.7%	2,469	58.9%
Medicaid	490	11.3%	634	15.1%
Other Insurance	879	20.2%	663	15.8%
Patient (no insurance)	468	10.8%	426	10.2%

The EMS program increased the net position by \$294,741 in fiscal year 2018; this increase was \$34,223 more than the prior year's increase in net position of \$260,518. The advance EMS owes to the General Fund at September 30, 2018 is \$131,042 and is \$38,442 less than at September 30, 2017.

The basic proprietary fund financial statements can be found beginning on page 28 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 30 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 \$18,840,269 for fiscal year 2018, as compared to \$16,785,372 for fiscal year 2017, as restated.

Net Position, End of Year

	Governmental Activities		Business-type Activities		Primary Government Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
<i>September 30,</i>						
Assets						
Current and other assets	\$ 6,088,375	\$ 6,460,088	\$ 296,056	\$ 438,775	\$ 6,384,431	\$ 6,898,863
Capital assets	37,374,719	34,677,326	2,763,334	2,582,353	40,138,053	37,259,679
Total assets	43,463,094	41,137,414	3,059,390	3,021,128	46,522,484	44,158,542
Deferred outflows of resources	1,498,056	1,697,258	135,712	172,957	1,633,768	1,870,215
Liabilities						
Current liabilities	1,828,427	1,678,268	97,002	251,338	1,925,429	1,929,606
Long-term liabilities	21,225,600	22,342,420	1,238,720	1,366,448	22,464,320	23,708,868
Total liabilities	23,054,027	24,020,688	1,335,722	1,617,786	24,389,749	25,638,474
Deferred inflows of resources	3,066,854	2,028,612	114,082	15,306	3,180,936	2,043,918
Net Position (Deficit)						
Net investment in capital assets	26,866,863	23,860,898	2,704,432	2,477,174	29,571,295	26,338,072
Restricted	567,864	564,351	-	-	567,864	564,351
Unrestricted (deficit)	(8,594,458)	(7,639,877)	(959,134)	(916,181)	(9,553,592)	(8,556,058)
Total net position	\$ 18,840,269	\$ 16,785,372	\$ 1,745,298	\$ 1,560,993	\$ 20,585,567	\$ 18,346,365

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, 2018 and 2017, reported unrestricted deficits in governmental and business-type activities. The unrestricted deficit in governmental activities was the result of the implementation of GASB 68 three years ago and GASB

Management's Discussion and Analysis

75 in the current fiscal year. The governmental activities unrestricted deficit increased by \$954,683, net investment in capital assets increased by \$3,006,067, and restricted net position increased by \$3,513 over prior year. As noted previously, the City's governmental activities net position increased \$2,054,897 and the business-type activities increased \$184,305, for a net increase in total net position during fiscal year 2018 of \$2,239,202.

Operating Results for the Year

<i>Years ended September 30,</i>	Governmental		Business-type		Primary Government	
	Activities		Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for services	\$ 5,575,867	\$ 5,266,166	\$ 1,522,827	\$ 1,479,365	\$ 7,098,694	\$ 6,745,531
Operating grants and contributions	358,775	387,429	-	-	358,775	387,429
Capital grants and contributions	1,097,325	924,477	-	-	1,097,325	924,477
General Revenues:						
Property taxes	740,558	731,195	-	-	740,558	731,195
Sales tax	7,037,908	7,042,900	-	-	7,037,908	7,042,900
Motor fuel tax	1,269,212	1,276,419	-	-	1,269,212	1,276,419
Other taxes	1,012,986	951,079	-	-	1,012,986	951,079
Other	2,524,513	487,557	19	2,585	2,524,532	490,142
Total revenues	19,617,144	17,067,222	1,522,846	1,481,950	21,139,990	18,549,172
Functions/Program Expenses:						
General government	2,282,310	2,259,540	-	-	2,282,310	2,259,540
Police department	3,055,744	3,012,547	-	-	3,055,744	3,012,547
Fire department	2,855,749	2,834,980	1,126,309	1,129,036	3,982,058	3,964,016
Street	982,261	942,023	-	-	982,261	942,023
Sanitation	1,323,178	1,277,458	-	-	1,323,178	1,277,458
Leisure services	1,749,721	1,776,624	-	-	1,749,721	1,776,624
Engineering/inspections	173,348	142,853	-	-	173,348	142,853
Vehicle maintenance	203,635	203,676	-	-	203,635	203,676
Airport	386,564	219,265	-	-	386,564	219,265
Judicial	200,632	208,614	-	-	200,632	208,614
Appropriations	139,253	135,253	-	-	139,253	135,253
Education	2,357,093	2,365,859	-	-	2,357,093	2,365,859
Non-departmental	332,433	323,416	-	-	332,433	323,416
Economic development	990,469	853,947	122,232	147,252	1,112,701	1,001,199
Ozark technology center	140,478	141,248	-	-	140,478	141,248
Information technology	191,415	197,804	-	-	191,415	197,804
Interest and fees on long term debt	278,233	442,414	-	-	278,233	442,414
Amortization	9,731	9,731	-	-	9,731	9,731
Total functions/program expenses	17,652,247	17,347,252	1,248,541	1,276,288	18,900,788	18,623,540
Increase (Decrease) in Net Position	\$ 1,964,897	\$ (280,030)	\$ 274,305	\$ 205,662	\$ 2,239,202	\$ (74,368)

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 \$3,103,413, a decrease of \$619,100 in comparison with the prior year. Spendable unassigned fund balances of \$1,247,269 represents 40.4 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 \$557,257, and the restricted amount is \$1,298,887 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 \$1,247,269 while the total fund balance was \$2,017,126. The net result of General Fund operations is a decrease in the General Fund's fund balance of \$236,833. 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 9.2 percent of total General Fund operating expenditures of \$13,510,998, while total fund balance represents 14.9 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 \$13,510,998) would be approximately \$2,251,800; the City was at \$1,247,269.

<i>September 30,</i>	Total Governmental Funds		
	2018	Restated 2017	Change
Assets			
Cash and cash equivalents	\$ 1,678,919	\$ 2,282,691	\$ (603,772)
Receivables, net	3,573,942	3,485,924	88,018
Due from other funds	240,573	178,869	61,704
Other assets	18,979	13,473	5,506
Restricted cash and cash equivalents	645,493	508,516	136,977
Total assets	\$ 6,157,906	\$ 6,469,473	\$ (311,567)

Management's Discussion and Analysis

<i>September 30,</i>	<u>Total Governmental Funds</u>		Change
	2018	Restated 2017	
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 556,136	\$ 339,751	\$ 216,385
Due to other funds	69,531	9,385	60,146
Accrued payroll	272,827	292,010	(19,183)
Other accrued expenses	137,869	184,946	(47,077)
Total liabilities	1,036,363	826,092	210,271
Deferred inflows of resources	2,018,130	1,920,868	97,262
Fund balances			
Nonspendable	557,257	634,294	(77,037)
Restricted	1,298,887	1,653,905	(355,018)
Unassigned	1,247,269	1,434,314	(187,045)
Total fund balances	3,103,413	3,722,513	(619,100)
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,157,906	\$ 6,469,473	\$ (311,567)

<i>Years ended September 30,</i>	<u>Total Governmental Funds</u>		Changes
	2018	2017	
Revenues			
Taxes	\$ 11,375,395	\$ 11,289,642	\$ 85,753
Licenses and permits	1,587,795	1,673,157	(85,362)
Intergovernmental	1,299,804	1,163,784	136,020
Charges for services	1,787,994	1,563,197	224,797
Fines and forfeitures	535,548	524,459	11,089
Investment earnings	24,998	25,595	(597)
Miscellaneous	731,343	662,474	68,869
Total revenues	17,342,877	16,902,308	440,569

Revenues for fiscal year 2018 from governmental funds were more than fiscal year 2017 revenues by \$440,569. The majority of the increases were in charges for services (sale of aviation fuel), net increase in intergovernmental grants (municipal pool and 10 unit T-Hangar), and the net increase in taxes, which included \$42,000 from ad valorem tax and \$22,000 from rental tax.

As shown below, expenditures for fiscal year 2018 from governmental funds were more than fiscal year 2017 by \$1,146,243. The majority of the increases were from debt service principal, airport (aviation fuel), capitalized capital outlay (equipment and infrastructure), and economic development (repairs to Petrey building and improvements to the Industrial Park grounds).

Management's Discussion and Analysis

<i>Years ended September 30,</i>	Total Governmental Funds		Changes
	2018	2017	
Expenditures			
General government	\$ 1,079,758	\$ 1,142,090	\$ (62,332)
Education	2,357,093	2,365,859	(8,766)
Vehicle maintenance	206,146	201,870	4,276
Police department	2,816,621	2,784,283	32,338
Information technology	155,387	155,317	70
Fire department	2,630,551	2,559,246	71,305
Airport	353,746	190,732	163,014
Sanitation	1,192,565	1,141,123	51,442
Street	928,249	888,610	39,639
Leisure services	1,545,498	1,579,003	(33,505)
Appropriations	139,253	135,253	4,000
Judicial	193,192	199,990	(6,798)
Economic development	862,556	782,990	79,566
Engineering/inspections	163,890	133,076	30,814
Ozark technology center	111,002	115,453	(4,451)
Non-departmental	332,423	323,416	9,007
Debt service			
Principal	882,494	667,630	214,864
Interest, fees and issuance costs	278,335	363,283	(84,948)
Capital outlay	2,579,573	1,932,865	646,708
Total expenditures	18,808,332	17,662,089	1,146,243
Excess (deficiency) of revenues over expenditures	(1,465,455)	(759,781)	(705,674)
Other Financing Sources (Uses)			
Transfers in, net	90,000	50,000	40,000
Net proceeds from long term debt	573,544	3,342,128	(2,768,584)
Payment to refunded bond escrow agent	-	(2,959,132)	2,959,132
Proceeds from sale of capital assets and loss recoveries	182,811	75,974	106,837
Total other financing sources	846,355	508,970	337,385
Excess (deficiency) of revenues and other sources over expenditures	(619,100)	(250,811)	(368,289)
Fund Balances - beginning, as restated	3,722,513	3,973,324	(250,811)
Fund Balances - ending	\$ 3,103,413	\$ 3,722,513	\$ (619,100)

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 \$1,236,261. Tax revenues were lower by \$231,500, charges for services revenues were higher by \$1,226,162, intergovernmental revenues were lower by \$1,336,588, and miscellaneous revenues were lower by \$130,978.

General Fund operating expenditures were under the final amended budget by \$1,038,387. 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 & Peacock sidewalk connector project).

Capital Assets

The City's investment in capital assets for governmental activities as of September 30, 2018 amounts to \$37,374,719 (net of accumulated depreciation). The City's investment in capital assets for business-type activities as of September 30, 2018 amounts to \$2,763,334 (net of accumulated depreciation). This investment in capital assets includes land; improvements and infrastructure; buildings; equipment; and construction in progress. The majority of the governmental activities land and buildings net increase was due to donations from Anna Laura Parker of 11 land parcels valued and the net land and warehouse donation by W. L. Petrey Wholesale Co valued at \$1,974,000. 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	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Land	\$ 5,534,223	\$5,382,658	\$ 573,045	\$573,045	\$ 6,107,268	\$5,955,703
Construction in progress	95,656	95,738	-	-	95,656	95,738
Improvements/ infrastructure	19,292,814	18,865,055	-	-	19,292,814	18,865,055
Buildings	9,096,898	7,405,155	1,804,465	1,856,796	10,901,363	9,261,951
Equipment	2,137,004	2,062,927	266,820	10,474	2,403,824	2,073,401
Property under capital lease	1,218,124	865,793	119,004	142,038	1,337,128	1,007,831
Total	\$37,374,719	\$34,677,326	\$2,763,334	\$2,582,353	\$ 40,138,053	\$37,259,679

Management's Discussion and Analysis

Long-Term Debt

The City Council approved: 1) a 36-month financing with BancorpSouth on October 17, 2017 in the amount of \$173,773 for the purchase of a 2018 Freightliner Rear Loader Garbage Truck, 2) a 20-year loan with Commercial Bank of Ozark on August 1, 2018 for the construction of a ten unit T-Hangar at the Ozark Airport – Blackwell Field in the amount of \$250,000, and 3) a 60-month financing with PeoplesSouth Bank for the purchase of 2019 Freightliner Truck with a Knuckle Boom Loader in the amount of \$149,771.

The Net Pension Liability reflects compliance GASB 68 and 71, which were implemented in prior years.

The Total OPEB Liability reflects compliance with the implementation of GASB 75, *Financial Reporting for Postemployment Benefits other than Pensions*, which was implemented in the current year. The accounting entries are reflected in the financial statements for fiscal year 2018 and the restatement of fiscal year 2017. 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	
	9/30/2018	Restated 9/30/2017	9/30/2018	Restated 9/30/2017	9/30/2018	Restated 9/30/2017
Capital leases	\$ 892,461	\$ 651,513	\$ 58,903	\$ 105,179	\$ 951,364	\$ 756,692
Bonds payable, net	9,615,292	10,164,916	-	-	9,615,292	10,164,916
Compensated absences	282,289	310,659	22,094	20,942	304,383	331,601
Net pension liability	5,012,337	5,521,260	330,755	384,178	5,343,092	5,905,438
Total OPEB liability	6,284,815	6,555,634	873,996	902,425	7,158,811	7,458,059
Total	\$ 22,087,194	\$ 23,203,982	\$ 1,285,748	\$ 1,412,724	\$ 23,372,942	\$ 24,616,706

Significant Economic Factors

The Mayor and City Council considered many factors when developing the fiscal year 2018-19 budget. A budget of \$17.5 million was adopted for the General Fund, \$5.7 million in Special Revenue Funds, and \$1.8 million in Enterprise Funds on August 7, 2018.

- 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 2018 and expects to meet that level of participation for 2019. 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 2019.
- The 2018-19 budget does include a step increase adjustment of approximately 2.5%.

Management's Discussion and Analysis

- The City Council approved an increase in the monthly garbage rate from \$17 per month to \$20 per month; the increase will be used to replace outdated vehicles and equipment and fund two additional staff for litter patrol.
- The City projected slight increases in revenues in sales and use tax. The City held a referendum on the Sunday Sales of Alcohol on August 28, 2018, which included on-premises consumption of alcohol at 10:30 AM and off-premises consumption at 1:00 PM, which passed. The City saw this initiative as an important economic opportunity to the local economy that could result in recruiting national chain restaurants, jobs and current restaurants to compete with surrounding cities that allow alcohol sales on Sundays.
- The City opened a competition municipal swimming pool on August 31, 2018, and the Leisure Services will develop aquatic programs to include swimming lessons, swimming competitions, swimming programs and times for seniors and youngsters.
- Dale County unemployment rate for September 2018 was 4.1 percent, and the rate for September 2017 was 3.8 percent.

These factors were considered in preparing the City's budget for fiscal year 2018-19.

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
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Ozark City Board of Education
Assets				
Current assets				
Cash and cash equivalents	\$ 1,678,919	\$ 178,113	\$ 1,857,032	\$ 15,412,270
Investments	-	-	-	47,842
Receivables, net	3,573,942	288,985	3,862,927	2,255,541
Other assets	18,979	-	18,979	39,985
Internal balances	171,042	(171,042)	-	-
Total current assets	5,442,882	296,056	5,738,938	17,755,638
Restricted cash and cash equivalents				
	645,493	-	645,493	-
Capital assets				
Capital assets, net of depreciation	31,744,840	2,190,289	33,935,129	23,366,049
Land and other nondepreciable capital assets	5,629,879	573,045	6,202,924	5,635,477
Total capital assets	37,374,719	2,763,334	40,138,053	29,001,526
Total assets	43,463,094	3,059,390	46,522,484	46,757,164
Deferred Outflows of Resources				
Deferred outflows related to pension	1,175,154	135,712	1,310,866	2,361,977
Deferred outflows related to OPEB	247,761	-	247,761	497,846
Deferred charge on debt refunding	75,141	-	75,141	-
Total deferred outflows of resources	1,498,056	135,712	1,633,768	2,859,823
Liabilities				
Current liabilities				
Accounts payable	556,136	17,059	573,195	57,146
Accrued payroll and other accrued expenses	410,594	32,915	443,509	1,306,224
Notes payable	-	-	-	154,554
Amounts due under capital leases	296,697	47,028	343,725	-
Bonds payable	565,000	-	565,000	165,408
Total current liabilities	1,828,427	97,002	1,925,429	1,683,332

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Ozark, Alabama
Statement of Net Position (Continued)
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Ozark City Board of Education
Noncurrent liabilities				
Notes payable	-	-	-	976,182
Amounts due under capital leases	595,866	11,875	607,741	-
Bonds payable, net	9,050,293	-	9,050,293	26,845,322
Compensated absences	282,289	22,094	304,383	-
Net pension liability	5,012,337	330,755	5,343,092	16,120,000
Total OPEB liability	6,284,815	873,996	7,158,811	14,615,100
Total noncurrent liabilities	21,225,600	1,238,720	22,464,320	58,556,604
Total liabilities	23,054,027	1,335,722	24,389,749	60,239,936
Deferred Inflows of Resources				
Deferred inflows related to pension	509,216	57,449	566,665	3,098,000
Deferred inflows related to OPEB	539,508	56,633	596,141	3,100,228
Unearned property taxes	2,018,130	-	2,018,130	1,730,415
Total deferred inflows of resources	3,066,854	114,082	3,180,936	7,928,643
Net Position (Deficit)				
Net investment in capital assets	26,866,863	2,704,432	29,571,295	860,059
Restricted for:				
Capital outlay	212,600	-	212,600	-
Debt service	355,195	-	355,195	-
Education	69	-	69	-
Unrestricted (deficit)	(8,594,458)	(959,134)	(9,553,592)	(19,411,651)
Total net position (deficit)	\$ 18,840,269	\$ 1,745,298	\$ 20,585,567	\$ (18,551,592)

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Ozark, Alabama
Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 2,282,310	\$ 1,821,648	\$ -	\$ 212,822
Police department	3,055,744	268,938	30,958	54,823
Fire department	2,855,749	183,039	-	5,140
Street	982,261	-	-	31,370
Sanitation	1,323,178	1,299,686	-	-
Leisure services	1,749,721	229,339	63,890	514,605
Engineering/inspections	173,348	-	-	-
Vehicle maintenance	203,635	-	-	-
Airport	386,564	279,165	-	278,565
Judicial	200,632	-	-	-
Appropriations	139,253	-	-	-
Non-departmental	332,433	-	-	-
Economic development	990,469	-	263,927	-
Ozark technology center	140,478	-	-	-
Information technology	191,415	-	-	-
Education	2,357,093	1,494,052	-	-
Interest	270,897	-	-	-
Fees on long term debt	7,336	-	-	-
Amortization	9,731	-	-	-
Total governmental activities	17,652,247	5,575,867	358,775	1,097,325
Business-type Activities:				
Emergency medical services	1,126,309	1,421,031	-	-
Ozark square shopping center	122,232	101,796	-	-
Total business-type activities	1,248,541	1,522,827	-	-
Total primary government	\$ 18,900,788	\$ 7,098,694	\$ 358,775	\$ 1,097,325
Component Unit				
Ozark City Board of Education	\$ 21,766,566	\$ 1,813,206	\$ 15,268,951	\$ 782,421

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Ozark City Board of Education	
\$ (247,840)	\$ -	\$ (247,840)	\$ -	-
(2,701,025)	-	(2,701,025)	-	-
(2,667,570)	-	(2,667,570)	-	-
(950,891)	-	(950,891)	-	-
(23,492)	-	(23,492)	-	-
(941,887)	-	(941,887)	-	-
(173,348)	-	(173,348)	-	-
(203,635)	-	(203,635)	-	-
171,166	-	171,166	-	-
(200,632)	-	(200,632)	-	-
(139,253)	-	(139,253)	-	-
(332,433)	-	(332,433)	-	-
(726,542)	-	(726,542)	-	-
(140,478)	-	(140,478)	-	-
(191,415)	-	(191,415)	-	-
(863,041)	-	(863,041)	-	-
(270,897)	-	(270,897)	-	-
(7,336)	-	(7,336)	-	-
(9,731)	-	(9,731)	-	-
(10,620,280)	-	(10,620,280)	-	-
-	294,722	294,722	-	-
-	(20,436)	(20,436)	-	-
-	274,286	274,286	-	-
\$ (10,620,280)	\$ 274,286	\$ (10,345,994)	\$ -	-
\$ -	\$ -	\$ -	\$ (3,901,988)	-

-Continued-

City of Ozark, Alabama
Statement of Activities (Continued)
For the Year Ended September 30, 2018

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	\$ 7,037,908	\$ -	\$ 7,037,908	\$ 2,016,441
Motor fuel taxes	1,269,212	-	1,269,212	-
Property taxes	740,558	-	740,558	2,402,233
Alcoholic beverage taxes	151,810	-	151,810	-
Lodging taxes	147,135	-	147,135	-
Tobacco taxes	265,276	-	265,276	-
Other taxes	448,765	-	448,765	9,219
Miscellaneous	182,283	-	182,283	663,028
Donations of capital assets	2,137,170	-	2,137,170	-
Rental income	74,912	-	74,912	-
Franchise fees	105,150	-	105,150	-
Investment earnings	24,998	19	25,017	266,622
Transfers	90,000	(90,000)	-	-
Total general revenues and transfers	12,675,177	(89,981)	12,585,196	5,357,543
Change in net position	2,054,897	184,305	2,239,202	1,455,555
Net Position - beginning, as previously stated	20,892,629	2,252,010	23,144,639	(2,886,915)
Restatement of Net Position (Note 16)	(4,107,257)	(691,017)	(4,798,274)	(17,120,232)
Net Position - beginning, as restated	16,785,372	1,560,993	18,346,365	(20,007,147)
Net Position - ending	\$ 18,840,269	\$ 1,745,298	\$ 20,585,567	\$ (18,551,592)

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Ozark, Alabama
Balance Sheet-Governmental Funds
September 30, 2018

	General Fund	Special Ad Valorem Fund I	Special Ad Valorem Fund II
Assets			
Cash and cash equivalents	\$ 959,523	\$ 24	\$ 45
Receivables	2,124,365	710,496	710,496
Due from other funds	203,043	-	-
Prepays	17,763	-	-
Inventory	1,216	-	-
Restricted cash and cash equivalents	296,984	-	-
Total assets	\$ 3,602,894	\$ 710,520	\$ 710,541
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 468,499	\$ 35,952	\$ 35,952
Due to other funds	37,531	-	-
Accrued payroll	272,827	-	-
Other accrued expenses	137,869	-	-
Total liabilities	916,726	35,952	35,952
Deferred inflows of resources			
Unearned property taxes	669,042	674,544	674,544
Fund balances			
Nonspendable	557,257	-	-
Restricted	212,600	24	45
Unassigned	1,247,269	-	-
Total fund balances	2,017,126	24	45
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,602,894	\$ 710,520	\$ 710,541

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 719,327	\$ 1,678,919
28,585	3,573,942
37,530	240,573
-	17,763
-	1,216
348,509	645,493
<hr/>	
\$ 1,133,951	\$ 6,157,906
<hr/>	
\$ 15,733	\$ 556,136
32,000	69,531
-	272,827
-	137,869
<hr/>	
47,733	1,036,363
<hr/>	
-	2,018,130
<hr/>	
-	557,257
1,086,218	1,298,887
-	1,247,269
<hr/>	
1,086,218	3,103,413
<hr/>	
\$ 1,133,951	\$ 6,157,906
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City of Ozark, Alabama
Reconciliation of the Balance Sheet-Governmental Funds
to the Statement of Net Position
September 30, 2018

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

Total fund balance - governmental funds	\$ 3,103,413
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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.	37,374,719
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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	(892,462)
Bonds payable, net	(9,615,292)
Deferred charges on debt refunding (amortized as interest expense)	75,141
Net pension liability	(5,012,337)
Deferred outflows related to pension	1,175,154
Deferred inflows related to pension	(509,216)
Accrued compensated absences	(282,289)
Total OPEB liability	(6,284,815)
Deferred outflows related to OPEB	247,761
Deferred inflows related to OPEB	(539,508)

Net position of governmental activities in the statement of net position	\$ 18,840,269
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City of Ozark, Alabama

Statement of Revenues, Expenditures and Changes in Fund Balances-
Governmental Funds
For the Year Ended September 30, 2018

	General Fund	Special Ad Valorem Fund I
Revenues		
Taxes	\$ 9,690,537	\$ 747,026
Licenses and permits	1,587,795	-
Intergovernmental	788,998	-
Charges for services	1,787,994	-
Fines and forfeitures	535,548	-
Investment earnings	21,284	-
Miscellaneous	731,193	-
Total revenues	15,143,349	747,026
Expenditures		
General government	1,079,758	-
Education	863,041	747,026
Vehicle maintenance	206,146	-
Police department	2,814,220	-
Information technology	155,387	-
Fire department	2,619,751	-
Airport	353,746	-
Sanitation	1,192,565	-
Street	905,052	-
Leisure services	1,545,498	-
Appropriations	139,253	-
Judicial	166,710	-
Economic development	862,556	-
Engineering/inspections	163,890	-
Ozark technology center	111,002	-
Non-departmental	332,423	-
Debt service		
Principal	-	-
Interest	-	-
Dues, fees and issuance costs	-	-
Capital outlay	1,473,428	-
Total expenditures	14,984,426	747,026
Excess (deficiency) of revenues over expenditures	158,923	-
Other Financing Sources (Uses)		
Proceeds from long term debt, net	573,544	-
Proceeds from sale of capital assets	151,437	-
Loss recoveries	31,374	-
Transfers in (out), net	(1,152,111)	-
Total other financing sources (uses)	(395,756)	-
Excess revenues and other financing sources over (under) expenditures and other (uses)	(236,833)	-
Fund Balances - beginning, as previously stated	2,253,959	24
Restatement of fund balance (Note 16)	-	-
Fund Balances - beginning, as restated	2,253,959	24
Fund Balances - ending	\$ 2,017,126	\$ 24

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Special Ad ValoremFund II	Other Governmental Funds	Total Governmental Funds
\$ 747,026	\$ 190,806	\$ 11,375,395
-	-	1,587,795
-	510,806	1,299,804
-	-	1,787,994
-	-	535,548
-	3,714	24,998
-	150	731,343
747,026	705,476	17,342,877
-	-	1,079,758
747,026	-	2,357,093
-	-	206,146
-	2,401	2,816,621
-	-	155,387
-	10,800	2,630,551
-	-	353,746
-	-	1,192,565
-	23,197	928,249
-	-	1,545,498
-	-	139,253
-	26,482	193,192
-	-	862,556
-	-	163,890
-	-	111,002
-	-	332,423
-	882,494	882,494
-	270,897	270,897
-	7,438	7,438
-	1,106,145	2,579,573
747,026	2,329,854	18,808,332
-	(1,624,378)	(1,465,455)
-	-	573,544
-	-	151,437
-	-	31,374
-	1,242,111	90,000
-	1,242,111	846,355
-	(382,267)	(619,100)
45	1,450,435	3,704,463
-	18,050	18,050
45	1,468,485	3,722,513
\$ 45	\$ 1,086,218	\$ 3,103,413

City of Ozark, Alabama

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances-Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2018**

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

Net change in fund balances - total governmental funds: \$ (619,100)

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. 2,579,573

Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities. (1,973,636)

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. 882,494

Net proceeds from the issuance of long-term debt recorded as other financing source in governmental funds. (573,544)

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

The net effect of various miscellaneous transactions involving capital assets (i.e., exchanges, loss recoveries, donations) is to increase net position. 2,091,556

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	(121,496)
Total OPEB liability and related accounts	(229,589)
Compensated absences	28,370

Change in net position of governmental activities \$ 2,054,897

City of Ozark, Alabama

**Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget and Actual – General Fund
For the Year Ended September 30, 2018**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 9,876,554	\$ 9,922,037	\$ 9,690,537	\$ (231,500)
Licenses and permits	1,653,491	1,679,670	1,587,795	(91,875)
Intergovernmental	1,916,165	2,125,586	788,998	(1,336,588)
Charges for services	492,306	561,832	1,787,994	1,226,162
Fines and forfeitures	997,029	1,207,151	535,548	(671,603)
Investment earnings	20,996	21,163	21,284	121
Miscellaneous	659,543	862,171	731,193	(130,978)
Total revenues	15,616,084	16,379,610	15,143,349	(1,236,261)
Expenditures				
General government	1,090,807	1,135,252	1,079,758	55,494
Education	904,249	863,049	863,041	8
Vehicle maintenance	218,771	218,771	206,146	12,625
Police department	2,960,380	3,036,110	2,814,220	221,890
Information technology	223,880	192,301	155,387	36,914
Fire department	2,710,028	2,714,348	2,619,751	94,597
Airport	174,582	396,317	353,746	42,571
Sanitation	1,183,103	1,192,563	1,192,565	(2)
Street	859,307	908,357	905,052	3,305
Leisure services	1,523,227	1,548,672	1,545,498	3,174
Appropriations	139,253	139,253	139,253	-
Judicial	152,787	169,167	166,710	2,457
Economic development	770,628	873,709	862,556	11,153
Engineering/inspections	135,304	163,892	163,890	2
Ozark Technology Center	120,490	120,490	111,002	9,488
Non-departmental	337,384	333,673	332,423	1,250
Capital outlay	1,487,062	2,016,889	1,473,428	543,461
Total expenditures	14,991,242	16,022,813	14,984,426	1,038,387
Excess of revenues over expenditures	624,842	356,797	158,923	(197,874)
Other Financing Sources (Uses)				
Proceeds from long-term debt, net	423,772	573,544	573,544	-
Proceeds from insurance	1,000	1,000	-	(1,000)
Proceeds from the sale of capital assets	70,374	174,768	151,437	(23,331)
Loss recoveries	-	36,176	31,374	(4,802)
Transfers in (out), net	(1,209,744)	(1,240,730)	(1,152,111)	88,619
Total other financing sources (uses)	(714,598)	(455,242)	(395,756)	59,486
Excess (deficiency) of revenues and other sources (uses) over expenditures	(89,756)	(98,445)	(236,833)	(138,388)
Fund Balance - beginning	2,256,645	2,253,959	2,253,959	-
Fund Balance - ending	\$ 2,166,889	\$ 2,155,514	\$ 2,017,126	\$ (138,388)

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Ozark, Alabama

**Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget and Actual – Special Ad Valorem Fund I
For the Year Ended September 30, 2018**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 752,482	\$ 752,482	\$ 747,026	\$ (5,456)
Expenditures				
Education	752,482	752,482	747,026	5,456
Excess revenues over expenditures	-	-	-	-
Fund Balance - beginning	24	24	24	-
Fund Balance - ending	\$ 24	\$ 24	\$ 24	\$ -

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Ozark, Alabama

**Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget and Actual- Special Ad Valorem Fund II
For the Year Ended September 30, 2018**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 752,482	\$ 752,482	\$ 747,026	\$ (5,456)
Expenditures				
Education	752,482	752,482	747,026	5,456
Excess revenues over expenditures	-	-	-	-
Fund Balance - beginning	45	45	45	-
Fund Balance - ending	\$ 45	\$ 45	\$ 45	\$ -

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Ozark, Alabama
Statement of Net Position
Proprietary Funds
For the Year Ended September 30, 2018

	Emergency Medical Services	Ozark Square Shopping Center	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 32,819	\$ 145,294	\$ 178,113
Receivables, net	288,985	-	288,985
Total current assets	321,804	145,294	467,098
Noncurrent assets			
Land	-	573,045	573,045
Capital assets, net of depreciation	385,823	1,804,466	2,190,289
Total noncurrent assets	385,823	2,377,511	2,763,334
Total assets	707,627	2,522,805	3,230,432
Deferred Outflows of Resources			
Deferred outflows related to pension	135,712	-	135,712
Liabilities			
Current liabilities			
Accounts and other payables	14,559	2,500	17,059
Due to other funds	131,042	40,000	171,042
Accrued payroll	32,915	-	32,915
Amount due under capital lease	47,028	-	47,028
Total current liabilities	225,544	42,500	268,044
Noncurrent liabilities			
Amount due under capital lease	11,875	-	11,875
Compensated absences	22,094	-	22,094
Net pension liability	330,755	-	330,755
Total OPEB liability	873,996	-	873,996
Total noncurrent liabilities	1,238,720	-	1,238,720
Total liabilities	1,464,264	42,500	1,506,764
Deferred Inflows of Resources			
Deferred inflows related to pension	57,449	-	57,449
Deferred inflows related to OPEB	56,633	-	56,633
Total deferred inflows of resources	114,082	-	114,082
Net Position (Deficit)			
Net investment in capital assets	326,920	2,377,512	2,704,432
Unrestricted (deficit)	(1,061,927)	102,793	(959,134)
Total net position (deficit)	\$ (735,007)	\$ 2,480,305	\$ 1,745,298

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Ozark, Alabama
Statement of Revenues, Expenses and Changes in Net Position-
Proprietary Funds
For the Year Ended September 30, 2018

	Emergency Medical Services	Ozark Square Shopping Center	Total
Operating Revenues			
Charges for services (net of provision for bad debts of \$455,871)	\$ 1,421,031	\$ -	\$ 1,421,031
Rental income	-	101,796	101,796
Total operating revenues	1,421,031	101,796	1,522,827
Operating Expenses			
Salaries and benefits	900,060	-	900,060
Repairs and maintenance	41,664	37,821	79,485
Utilities	6,454	19,572	26,026
Insurance	5,670	6,443	12,113
Legal	2,144	543	2,687
Depreciation	27,686	52,331	80,017
Other operating expenses	141,277	5,522	146,799
Total operating expenses	1,124,955	122,232	1,247,187
Operating income (loss)	296,076	(20,436)	275,640
Non-Operating Revenues (Expenses)			
Interest income (expense)	(1,335)	-	(1,335)
Income (loss) before transfers	294,741	(20,436)	274,305
Transfers In (Out), net	-	(90,000)	(90,000)
Change in net position	294,741	(110,436)	184,305
Total Net Position (Deficit) - beginning, as previously stated	(338,731)	2,590,741	2,252,010
Restatement of Fund Balance (Note 16)	(691,017)	-	(691,017)
Total Net Position (Deficit) - beginning, as restated	(1,029,748)	2,590,741	1,560,993
Total Net Position (Deficit) - ending	\$ (735,007)	\$ 2,480,305	\$ 1,745,298

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Ozark, Alabama
Statement of Cash Flows-Proprietary Funds
For the Year Ended September 30, 2018

	Emergency Medical Services	Ozark Square Shopping Center	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 1,421,050	\$ 101,796	\$ 1,522,846
Payments to suppliers	(227,496)	(28,332)	(255,828)
Payments to or on behalf of employees	(835,722)	-	(835,722)
Net cash provided by operating activities	357,832	73,464	431,296
Cash Flows From Noncapital and Related Financing Activities			
Advances to other funds	-	(90,000)	(90,000)
Net repayments of loans to other funds	(38,442)	-	(38,442)
Net cash used in noncapital and related financing activities	(38,442)	(90,000)	(128,442)
Cash Flows From Capital and Related Financing Activities			
Interest payments on long-term debt	(1,354)	-	(1,354)
Principal payments on long-term debt	(46,276)	-	(46,276)
Purchases of capital assets	(260,998)	-	(260,998)
Net cash used in capital and related financing activities	(308,628)	-	(308,628)
Cash Flows From Investing Activities			
Interest received	19	-	19
Net increase (decrease) in cash and cash equivalents	10,781	(16,536)	(5,755)
Cash and Cash Equivalents - beginning	22,038	161,830	183,868
Cash and Cash Equivalents - ending	\$ 32,819	\$ 145,294	\$ 178,113
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 296,076	\$ (20,436)	\$ 275,640
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	27,686	52,331	80,017
Provision for bad debts	455,871	-	455,871
Changes in operating assets and liabilities:			
Increase in receivables	(489,949)	-	(489,949)
Increase in due to other fund	-	40,000	40,000
Increase in accounts payable	6,983	1,569	8,552
Increase in deferred inflows related to pension	42,143	-	42,143
Decrease in deferred outflows related to pension	37,245	-	37,245
Increase in deferred inflows related to OPEB	56,633	-	56,633
Decrease in net pension liability	(53,423)	-	(53,423)
Decrease in total OPEB liability	(28,429)	-	(28,429)
Increase in salaries and benefits payable	6,996	-	6,996
Net cash provided by operating activities	\$ 357,832	\$ 73,464	\$ 431,296

The accompanying "Notes to Financial Statements" form an integral part of this statement.

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.

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.

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.

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.

Investments

The City’s investments are limited to money market accounts held at federally insured banks. These investments are reported at amortized cost.

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.

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. A liability for these amounts is reported in governmental funds only for the current portion of compensated absences expected to be paid using expendable available resources.

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 straight-line 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, 2018 is comprised of the following:

	Nonspendable	Restricted	Unassigned
General Fund	\$ 557,257	\$ 212,600	\$ 1,247,269
Special Ad Valorem I	-	24	-
Special Ad Valorem II	-	45	-
Nonmajor governmental funds	-	1,086,218	-
	\$ 557,257	\$ 1,298,887	\$ 1,247,269

Nonspendable fund balances include gas and diesel inventory of \$1,216, prepaid expenditures of \$17,763, long-term note receivable due from the Utilities Board of \$407,236, and amounts due from the EMS fund of \$131,042.

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.

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 purposes 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 2017 for the 2018 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of Recently Issued Accounting Pronouncements

In fiscal year 2018, the City adopted four new statements of financial accounting standards issued by the GASB:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75)
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81)
- GASB Statement No. 85, *Omnibus 2017* (GASB 85)
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86)

GASB 75 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. GASB 75 also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurement by Agent Employers and Agent Employers and Agent Multiple-Employer Plans*. For defined benefit OPEB plans, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. Note disclosure and required supplementary information are addressed. The adoption of GASB 75 has no impact on the City's governmental fund financial statements. However, the adoption has resulted in the restatement of the City's fiscal year 2017 government-wide and proprietary fund financial statements to reflect the reporting of total OPEB liabilities, deferred inflows of resources, deferred outflows of resources and the recognition of OPEB expense in accordance with the provisions of the Statement. Refer to Note 12 for more information regarding the City's OPEB.

GASB 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources as the inception of the agreement. GASB 81 also provides expanded guidance for circumstances in which the government holds the assets. There was no material impact on the City's financial statement as a result of the implementation of GASB 81.

GASB 85 addresses practice issues that were identified during the implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and OPEB). The adoption of GASB 85 had no impact on the City's current accounting practices nor its financial reporting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 86 establishes standards of accounting and financial reporting requirements, for in-substance defeasance of debt transactions in which cash and other monetary assets acquired with only existing resources – that is, resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of future repayment of outstanding debt. There was no material impact on the City’s financial statements as a result of the implementation of GASB 86.

Pronouncements Issued But Not Yet Effective

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
83	<i>Certain Asset Retirement Obligations</i>	2019
84	<i>Fiduciary Activities</i>	2020
87	<i>Leases</i>	2021
88	<i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i>	2019
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

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, 2018, the EMS Proprietary Fund reported unrestricted deficit of \$1,061,927 and total net deficit of \$735,007, which is expected to be funded by future revenues.

City of Ozark, Alabama
Notes to Financial Statements

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, 2018 consist of the following:

	Accounts Receivable	Property Taxes Receivable	Note Receivable - Utilities Board	Total
General Fund	\$ 1,048,087	\$ 669,042	\$ 407,236	\$ 2,124,365
Special Ad Valorem I	35,952	674,544	-	710,496
Special Ad Valorem II	35,952	674,544	-	710,496
Nonmajor governmental funds	28,585	-	-	28,585
	\$ 1,148,576	\$ 2,018,130	\$ 407,236	\$ 3,573,942

Proprietary Funds

EMS Fund patient transport accounts receivable, net at September 30, 2018 consists of:

Medicare	\$ 83,529
Medicaid	55,777
Insurance providers	139,779
Patients	169,995
Other	2,690,870
	3,139,950
Less: allowance for doubtful accounts	(2,850,965)
Patient transport accounts receivable, net	\$ 288,985

City of Ozark, Alabama
Notes to Financial Statements

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, 2018 consist of the following:

	Due From	Due To
General fund	\$ 203,043	\$ 37,531
Nonmajor governmental funds	37,530	32,000
Enterprise funds	-	171,042
	<u>\$ 240,573</u>	<u>\$ 240,573</u>

Transfers to/from other funds for the year ended September 30, 2018 consist of the following:

	Transfers In	Transfers Out	Net
General fund	\$ 281,676	\$ (1,433,787)	\$ (1,152,111)
Nonmajor governmental funds	1,808,133	(566,022)	1,242,111
Enterprise funds	-	(90,000)	(90,000)
	<u>\$ 2,089,809</u>	<u>\$ (2,089,809)</u>	<u>\$ -</u>

NOTE 6 – RESTRICTED ASSETS

Restricted cash in the governmental funds is comprised of \$348,509 from the debt service fund restricted for debt service and \$296,984 from the general fund for capital projects.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance 10/1/2017	Increases	Decreases	Ending Balance 9/30/2018
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 5,382,658	\$ 154,100	\$ 2,535	\$ 5,534,223
Construction in progress	95,738	95,656	95,738	95,656
Total capital assets not being depreciated	<u>\$ 5,478,396</u>	<u>\$ 249,756</u>	<u>\$ 98,273</u>	<u>\$ 5,629,879</u>

City of Ozark, Alabama
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS (Continued)

	Beginning Balance 10/1/2017	Increases	Decreases	Ending Balance 9/30/2018
Capital assets being depreciated:				
Buildings	\$ 13,847,642	\$ 2,032,736	\$ -	\$ 15,880,378
Improvements and infrastructure	43,799,182	1,510,292	-	45,309,474
Equipment	7,480,742	606,093	864,463	7,222,372
Property under capital leases	1,116,710	573,544	159,941	1,530,313
Total capital assets being depreciated	66,244,276	4,722,665	1,024,404	69,942,537
Less accumulated depreciation for:				
Buildings	6,442,487	340,993	-	6,783,480
Improvements and infrastructure	24,934,127	1,082,533	-	26,016,660
Equipment	5,417,815	488,838	821,285	5,085,368
Property under capital leases	250,917	61,272	-	312,189
Total accumulated depreciation	37,045,346	1,973,636	821,285	38,197,697
Total capital assets being depreciated, net	\$ 29,198,930	\$ 2,749,029	\$ 203,119	\$ 31,744,840
Governmental activities capital assets, net	\$ 34,677,326	\$ 2,998,785	\$ 301,392	\$ 37,374,719
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	379,919	260,998	5,850	635,067
Property under capital lease	184,266	-	-	184,266
Total capital assets being depreciated	2,878,083	260,998	5,850	3,133,231
Less accumulated depreciation for:				
Buildings	457,102	52,331	-	509,433
Equipment	369,445	4,652	5,850	368,247
Property under capital lease	42,228	23,034	-	65,262
Total accumulated depreciation	868,775	80,017	5,850	942,942
Total capital assets being depreciated, net	\$ 2,009,308	\$ 180,981	\$ -	\$ 2,190,289
Business-type activities capital assets, net	\$ 2,582,353	\$ 180,981	\$ -	\$ 2,763,334

Construction in progress for governmental activities at September 30, 2018 is comprised of the amounts relating to airport improvement projects, particularly sealing runways, and the Faust/Peacock Sidewalk project. These projects are expected to be completed and reclassified during the next fiscal year. The estimated costs to complete the projects are insignificant.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 1,083,193
Vehicle maintenance	1,240
Police department	167,081
Information technology	33,803
Fire department	183,070
Airport	27,236
Sanitation department	120,199
Street department	44,732
Leisure services	170,298
Judicial	2,907
Economic development	114,182
Engineering/inspections	1,848
Ozark Technology Center	23,847
<hr/>	
Total depreciation expense – Governmental Activities	\$ 1,973,636
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Business-type Activities	
Emergency Medical Services	\$ 27,686
Ozark Square Shopping Center	52,331
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Total depreciation expense – Business-type Activities	\$ 80,017
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NOTE 8 – DEFERRED INFLOWS OF RESOURCES

	General Fund	Special Ad Valorem Fund I	Special Ad Valorem Fund II	Governmental Activities
<hr/>				
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.	\$ 669,042	\$ 674,544	\$ 674,544	\$ 2,018,130
Pensions – Net difference between projected and actual earnings on pension plan investments.	-	-	-	509,216
OPEB – Net difference between projected and actual earnings on benefit plan investments.	-	-	-	539,508
<hr/>				
	\$ 669,042	\$ 674,544	\$ 674,544	\$ 3,066,854
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City of Ozark, Alabama
Notes to Financial Statements

NOTE 8 – DEFERRED INFLOWS OF RESOURCES (Continued)

	Governmental Activities
Business-type Activities:	EMS
Pensions – Net difference between projected and actual earnings on pension plan investments	\$ 57,449
OPEB – Net difference between projected and actual earnings on pension plan investments	56,633
	\$ 114,082

NOTE 9 – LONG-TERM DEBT

Changes in long-term debt for the year ended September 30, 2018 were as follows:

	(Restated) Beginning Balance 10/1/2017	Additions	Reductions	Ending Balance 9/30/2018	Due Within One Year
Governmental Activities					
Capital leases	\$ 651,513	\$ 573,544	\$ 332,596	\$ 892,461	\$ 296,697
Bonds payable	10,175,000	-	550,000	9,625,000	565,000
Unamortized discount	(10,084)	-	(376)	(9,708)	-
Compensated absences	310,659	-	28,370	282,289	-
Net pension liability	5,521,260	-	508,923	5,012,337	-
Net OPEB liability	6,555,634	-	270,819	6,284,815	-
Governmental activities long-term liabilities	\$ 23,203,982	\$ 573,544	\$ 1,690,332	\$ 22,087,194	\$ 861,697
Business-type Activities					
Capital lease	\$ 105,179	\$ -	\$ 46,276	\$ 58,903	\$ 47,028
Compensated absences	20,942	1,152	-	22,094	-
Net pension liability	384,178	-	53,423	330,755	-
Net OPEB liability	902,425	-	28,429	873,996	-
Business-type activities long-term liabilities	\$ 1,412,724	\$ 1,152	\$ 128,128	\$ 1,285,748	\$ 47,028

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9 – LONG-TERM DEBT (Continued)

	(Restated) Beginning Balance 10/1/2017	Additions	Reductions	Ending Balance 9/30/2018	Due Within One Year
Component Unit					
Bonds payable	\$ 26,768,504	\$ -	\$ 136,926	\$ 26,631,578	\$ 143,947
Bond premium	400,614	-	21,461	379,153	21,461
Notes payable	1,281,990	-	151,254	1,130,736	154,554
Net pension liability	18,607,000	-	2,487,000	16,120,000	-
Net OPEB liability	17,597,909	-	2,982,809	14,615,100	
Component unit long-term liabilities	\$ 64,656,017	\$ -	\$ 5,779,450	\$ 58,876,567	\$ 319,962

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

Bonds payable

A description and terms of the City's bonds payable at September 30, 2018 are as follows:

	9/30/2018 Principal Balance
\$4,425,000 General Obligation Warrants, Series 2011 , dated July 1, 2011, payable in annual installments from 2012 through 2026, interest rates range from 2 to 3.75 percent.	\$ 360,000
\$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.	2,385,000
\$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.	3,095,000
	\$ 9,625,000

NOTE 9 – LONG-TERM DEBT (Continued)

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, 2018 was \$9,316. The balance on the deferred refunding cost at September 30, 2018 is \$74,522 and is reported as a deferred outflow of resources in the statement of net position.

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, 2018 is \$3,321. Remaining original issue discount to be deferred to future periods is \$26,567.

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

NOTE 9 – LONG-TERM DEBT (Continued)

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, 2018 was \$39. The balance on the deferred refunding cost at September 30, 2018 is \$619 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, 2018 is \$1,940. Remaining original issue discount to be deferred to future periods is \$31,033.

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, 2017 is \$2,741. Remaining original issue premium to be recognized in future periods is \$32,888.

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, 2018 is \$2,144. Remaining original issue premium to be recognized in future periods is \$15,005.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9 – LONG-TERM DEBT (Continued)

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

Year Ending September 30,	Principal	Interest	Total
2019	\$ 565,000	\$ 243,841	\$ 808,841
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
2024-2028	3,160,000	770,246	3,930,246
2029-2033	3,015,000	333,243	3,348,243
2034	530,000	9,540	539,540
	\$ 9,625,000	\$ 2,230,503	\$ 11,855,503

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, thirteen police vehicles, two ambulances, a dump truck, an emergency generator, six work vehicles, and an animal control vehicle.

In the current fiscal year, the City entered into three separate additional lease agreements as lessee: financing was obtained for the acquisition of a rear load garbage truck, to construct a ten unit T Hangar, and for the acquisition of a freightliner with knuckle boom loader.

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
Police vehicles (13) and garbage truck - 2015	\$ 665,502	\$ -
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	1,530,313	184,266
Accumulated depreciation	(312,189)	(65,262)
Total equipment under capital lease, net	\$ 1,218,124	\$ 119,004

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9 – LONG-TERM DEBT (Continued)

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, 2018:

September 30,	Governmental Activities	Business-type Activities
2019	\$ 317,944	\$ 47,630
2020	160,814	11,906
2021	179,319	-
2022	49,265	-
2023	49,265	-
2024-2028	248,878	-
Total minimum lease payments	1,005,485	59,536
Less: amount representing interest	(112,922)	(633)
Present value of future minimum lease payments	\$ 892,563	\$ 58,903

The interest rates range from 1.59 to 3.15 percent.

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.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9 – LONG-TERM DEBT (Continued)

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
2019	5.15%	\$ 983,715	\$ 94,918	\$ 1,078,633
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 - 2026	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. 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
2019	4.60%	\$ 36,750	\$ 16,790	\$ 53,540
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 - 2027	4.60%	147,000	67,160	214,160
		\$ 330,750	\$ 151,110	\$ 481,860

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 the Retirement Systems of Alabama (“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*.

NOTE 11 – RETIREMENT PLAN (Continued)

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.

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 are calculated and paid to the beneficiary on the member’s age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 88,517 participants. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active members	55,941
Post-DROP participants who are still in active service	168
<hr/> Total	<hr/> 88,517

NOTE 11 – RETIREMENT PLAN (Continued)

As of September 30, 2017, the City’s membership consisted of:

Retirees and beneficiaries currently receiving benefits	65
Terminated employees entitled to but not yet receiving benefits	2
Terminated employees not entitled to a benefit	10
<u>Active members</u>	<u>178</u>
<u>Total</u>	<u>255</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, 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, 2018, 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 9.22% of pensionable payroll for Tier 1 employees and 5.83% for Tier 2 employees.

The City’s contractually required contribution rate for the year ended September 30, 2018 was 9.59% of pensionable pay for Tier 1 employees, and 6.2% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, 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.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 11 – RETIREMENT PLAN (Continued)

Total employer contributions to the Plan from the City were \$467,740 for the year ended September 30, 2018.

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2017, and the total pension liability (“TPL”) used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2016, rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

	Expected	Actual
(a) TPL as of September 30, 2016	\$ 20,096,854	\$ 20,133,436
(b) Discount rate	7.75%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2016 - September 30, 2017	469,964	469,964
(d) Transfers Among Employers	-	1,824
(e) Actual Benefit Payments and Refunds for the period October 1, 2016 - September 30, 2017	(1,216,202)	(1,216,202)
(f) TPL as of September 30, 2017 = [(a) x (1+(b))] + (c) + (d) + [(e) * (1 + 0.5*(b))]	\$ 20,860,994	\$ 20,902,236
(g) Difference between Expected and Actual:		\$ 41,242
(h) Less Liability Transferred for Immediate recognition:		1,824
(i) Experience (Gain)/Loss = (g) - (h)		\$ 39,418

Actuarial assumptions. The total pension liability as of September 30, 2017 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.75%

* 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.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 11 – RETIREMENT PLAN (Continued)

The actuarial assumptions used in the actuarial valuation as of September 30, 2016 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.

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, 7.75%. 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, 2016	\$ 20,096,854	\$ 14,191,416	\$ 5,905,438
Changes for the year:			
Service cost	469,964	-	469,964
Interest	1,510,378	-	1,510,378
Changes of assumptions	-	-	-
Differences between expected and actual experience	39,418	-	39,418
Contributions - employer	-	459,888	(459,888)
Contributions - employee	-	332,178	(332,178)
Net investment income	-	1,790,040	(1,790,040)
Benefit payments, including refunds of employee contributions	(1,216,202)	(1,216,202)	-
Administrative expenses	-	-	-
Transfers among employers	1,824	1,824	-
Net changes	805,382	1,367,728	(562,346)
Balances at September 30, 2017	\$ 20,902,236	\$ 15,559,144	\$ 5,343,092

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 7.75%, 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 (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 7,802,074	\$ 5,343,092	\$ 3,272,289

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, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018 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, 2018, the City recognized pension expense of \$593,471. At September 30, 2018, 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	\$ 239,374	\$ 97,415
Changes of assumptions	625,482	-
Net difference between projected and actual earnings on pension plan investments	-	469,250
Employer contributions subsequent to the measurement date	446,010	-
Total	\$ 1,310,866	\$ 566,665

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:	
2019	\$ 474,788
2020	127,595
2021	(55,459)
2022	6,761
2023	168,585
Thereafter	21,931

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.

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	2.875%
Real wage growth	0.25%
Salary increases, including wage inflation	3.375% - 5.125%
Municipal Bond Index Rate	
Prior Measurement Date	2.93%
Measurement Date	3.57%
Health Care Cost Trends	
Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022
Medicare	5.75% for 2016 decreasing to an ultimate rate of 5.00% by 2019

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.

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	\$ 6,160,481	\$ 7,158,811	\$ 8,426,413

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 3.57%, 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 (2.57%) or 1-percentage point higher (4.57%) than the current rate:

	1% Decrease (2.57%)	Current Rate (3.57%)	1% Increase (4.57%)
City’s total OPEB liability	\$ 8,219,370	\$ 7,158,811	\$ 6,288,244

City of Ozark, Alabama
Notes to Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

Total OPEB Liability as of September 30, 2016	\$ 7,458,059
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Changes for the year:	
Service cost at the end of the year*	369,979
Interest on total OPEB liability and cash flows	215,486
Changes of benefit terms	-
Differences between expected and actual experience	(22,184)
Changes of assumptions or other inputs	(653,868)
Benefit payments	(208,661)
Other	-
<hr/>	
Net changes	(299,248)
<hr/>	
Total OPEB Liability as of September 30, 2017	\$ 7,158,811
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*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, 2016, 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, 2018, the City recognized OPEB expense of \$505,554. At September 30, 2018, 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	\$ -	\$ (19,562)
Changes of assumptions or other inputs	-	(576,579)
Benefit payments subsequent to the measurement date	247,761	-
<hr/>		
Total	\$ 247,761	\$ (596,141)
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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:

2018		\$	167,850
2019			(79,911)
2020			(79,911)
2021			(79,911)
2022			(79,911)
Thereafter			(196,586)

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, 2018, rebates totaled \$323,232 and remaining available rebates under the agreement were approximately \$1,204,000 at September 30, 2018.

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, 2018, rebates totaled \$34,382 and remaining available rebates under the agreement were approximately \$194,000 at September 30, 2018.

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, 2018, rebates totaled \$46,678 and remaining available rebates under the agreement were approximately \$843,000 at September 30, 2018.

On June 20, 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 \$17,000) 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 \$17,000. During the year ended September 30, 2018, rebates totaled \$155 and remaining available rebates under the agreement were approximately \$16,845 at September 30, 2018.

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, 2018. The remaining rebate at September 30, 2018 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, 2018, rebates totaled \$572 and remaining available rebates under the agreement were approximately \$82,200 at September 30, 2018.

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.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 15 – RELATED PARTY TRANSACTIONS (Continued)

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 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 \$407,236 as of September 30, 2018. The note is due in monthly installments through February 2026 with interest ranging from 3.35% to 5%. During 2018, the City recorded total payments from the Utilities Board of \$65,063, which includes \$44,101 principal and \$20,962 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 – PRIOR PERIOD ADJUSTMENTS

As discussed in Note 1, the implementation of GASB Statement No. 75 required that the City record its beginning total OPEB liability, as well as related deferred outflows of resources. The cumulative effect of applying the statement retroactively is as follows:

	As Previously Reported	Increase (Decrease)	As Restated
Governmental Activities:			
Total OPEB liability	\$ 2,221,666	\$ 4,333,968	\$ 6,555,634
Deferred outflows related to OPEB	-	208,661	208,661
Net Position	20,892,625	(4,125,307)	16,767,318
Business-type Activities and EMS Proprietary Fund:			
Total OPEB liability	\$ 211,408	\$ 691,017	\$ 902,245
Net Position	(338,278)	(691,017)	(1,029,745)

In addition, an adjustment was made to properly state accounts payable related to a non-major governmental fund. The effect of this adjustment was an increase in fund balance of \$18,050 and an increase in governmental activities net position of the same amount.

NOTE 17 – DONATED ASSETS

During the fiscal year ended September 30, 2018, the City recognized donated capital assets totaling \$2,137,170. Comprising the most significant portion of the donations is a donation of land and building from W.L. Petrey Wholesale Co., recorded at estimated fair value of \$101,980 and \$1,968,020, respectively. The remaining donations consisted of smaller land parcels and equipment.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 19, 2019, the date of these financial statements, and there are none to disclose.

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

September 30,	2017
Total OPEB Liability	
Service cost	\$ 369,979
Interest	215,486
Changes of benefit terms	-
Differences between expected and actual experience	(22,184)
Changes of assumptions	(653,868)
Benefit payments	(208,661)
Other	-
<hr/>	
Net change in total OPEB liability	(299,248)
Total OPEB liability - beginning	7,458,059
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Total OPEB liability - ending	\$ 7,158,811
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Covered-employee payroll	\$ 5,576,106
Total OPEB liability as a percentage of covered-employee payroll*	128.38%

*Covered-employee payroll during the fiscal year is the total payroll paid to covered employees. For FY 2018, the measurement period is October 1, 2016 - September 30, 2017.

^This 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

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

*Employer's covered-payroll during the measurement period is the total covered payroll, not just pensionable payroll. For FY 2018, the measurement period is October 1, 2016 - September 30, 2017. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for FY2017.

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

September 30,	2017	2016	2015
Actuarially determined contribution*	\$ 474,328	\$ 444,431	\$ 486,720
Contributions in relation to the actuarially determined contribution*	459,888	467,660	457,419
Contribution deficiency (excess)	\$ 14,440	\$ (23,229)	\$ 29,301
Covered payroll**	\$ 6,148,668	\$ 5,885,886	\$ 5,609,577
Contributions as a percentage of covered-employee payroll	7.48%	7.95%	8.15%

*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 FY2018 is the total covered payroll for the twelve month period of the underlying financial statement.

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 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2017 to September 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	25.9 years
Asset valuation method	Five years smoothed market
Inflation	3.00%
Salary increases	3.75 – 7.25%, including inflation
Investment rate of return	8.00%, 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.

Bond 2016 – Accounts for the proceeds of General Obligations Bonds, Series 2016, for street resurfacing.

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
September 30, 2018

	Special			
	Street	Four Cent Gas Tax	UDAG	FEMA
Assets				
Cash and cash equivalents	\$ 470,815	\$ 108,002	\$ 14,164	\$ 6,507
Receivables	5,351	-	-	-
Due from other funds	30,688	-	-	-
Restricted cash and cash equivalents	-	-	-	-
<hr/>				
Total assets	\$ 506,854	\$ 108,002	\$ 14,164	\$ 6,507
<hr/>				
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
<hr/>				
Total liabilities	-	-	-	-
Fund balances				
Restricted	506,854	108,002	14,164	6,507
<hr/>				
Total liabilities and fund balances	\$ 506,854	\$ 108,002	\$ 14,164	\$ 6,507
<hr/>				

Revenue

Wiregrass Violent Crime	Department of Justice	Drug Forfeiture	Municipal Court/ Judicial Admin	CDBG	Alabama Trust Fund Improvements
\$ 3,870	\$ 1,989	\$ 99	\$ 33,942	\$ 65	\$ 13,724
23	-	-	-	23,211	-
-	-	-	1,569	-	-
-	-	-	-	-	-
\$ 3,893	\$ 1,989	\$ 99	\$ 35,511	\$ 23,276	\$ 13,724
\$ 22	\$ -	\$ -	\$ -	\$ 15,711	\$ -
-	-	-	15,000	2,000	-
22	-	-	15,000	17,711	-
3,871	1,989	99	20,511	5,565	13,724
\$ 3,893	\$ 1,989	\$ 99	\$ 35,511	\$ 23,276	\$ 13,724

-Continued-

City of Ozark, Alabama
Combining Balance Sheet-Nonmajor Governmental Funds (Continued)
September 30, 2018

				Debt Service		
	Corrections	Bond	2016 Bond	Debt Service	Total Nonmajor Governmental Funds	
Assets						
Cash and cash equivalents	\$ 28,379	\$ 31,085	\$ -	\$ 6,686	\$ 719,327	
Receivables	-	-	-	-	28,585	
Due from other funds	5,273	-	-	-	37,530	
Restricted cash and cash equivalents	-	-	-	348,509	348,509	
Total assets	\$ 33,652	\$ 31,085	\$ -	\$ 355,195	\$ 1,133,951	
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 15,733	
Due to other funds	15,000	-	-	-	32,000	
Total liabilities	15,000	-	-	-	47,733	
Fund balances						
Restricted	18,652	31,085	-	355,195	1,086,218	
Total liabilities and fund balances	\$ 33,652	\$ 31,085	\$ -	\$ 355,195	\$ 1,133,951	

City of Ozark, Alabama
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances-Nonmajor Governmental Funds
For the Year Ended September 30, 2018

	Special			
	Street	Four Cent Gas Tax	UDAG	FEMA
Revenues				
Taxes	\$ 124,906	\$ 65,900	\$ -	\$ -
Intergovernmental	-	-	-	-
Investment earnings	-	10	-	-
Miscellaneous	-	-	150	-
Total revenues	124,906	65,910	150	-
Expenditures				
Police department	-	-	-	-
Fire department	-	-	-	-
Street	23,137	60	-	-
Judicial	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Dues, fees and issuance costs	-	-	-	-
Capital outlay	499,041	26,730	-	-
Total expenditures	522,178	26,790	-	-
Excess (deficiency) of revenues over expenditures	(397,272)	39,120	150	-
Other Financing Sources (Uses)				
Transfers in (out)	353,540	-	-	-
Excess revenues and other sources over (under) expenditures and other (uses)	(43,732)	39,120	150	-
Fund Balances - beginning, as previously stated	550,586	68,882	14,014	6,507
Restatement of fund balance (Note 16)	-	-	-	-
Fund Balances - beginning, as restated	550,586	68,882	14,014	6,507
Fund Balances - ending	\$ 506,854	\$ 108,002	\$ 14,164	\$ 6,507

Revenue

Wiregrass Violent Crime	Department of Justice	Drug Forfeiture	Municipal Court/ Judicial Admin	CDBG	Alabama Trust Fund Improvements
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	2,401	3,899	-	375,000	128,767
-	-	-	182	-	111
-	-	-	-	-	-
-	2,401	3,899	182	375,000	128,878
-	2,401	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	24,039	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	375,046	-
-	2,401	-	24,039	375,046	-
-	-	3,899	(23,857)	(46)	128,878
-	-	(10,729)	4,875	-	(128,767)
-	-	(6,830)	(18,982)	(46)	111
3,871	1,989	6,929	39,493	5,611	13,613
-	-	-	-	-	-
3,871	1,989	6,929	39,493	5,611	13,613
\$ 3,871	\$ 1,989	\$ 99	\$ 20,511	\$ 5,565	\$ 13,724

-Continued-

City of Ozark, Alabama
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances-Nonmajor Governmental Funds (Continued)
For the Year Ended September 30, 2018

				Debt Service	Total Nonmajor Governmental Funds
	Corrections	Bond	2016 Bond	Debt Service	
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 190,806
Intergovernmental	-	-	739	-	510,806
Investment earnings	144	-	-	3,267	3,714
Miscellaneous	-	-	-	-	150
Total revenues	144	-	739	3,267	705,476
Expenditures					
Police department	-	-	-	-	2,401
Fire department	-	10,800	-	-	10,800
Street	-	-	-	-	23,197
Judicial	2,443	-	-	-	26,482
Debt service					
Principal	-	-	-	882,494	882,494
Interest	-	-	-	270,897	270,897
Dues, fees and issuance costs	-	-	-	7,438	7,438
Capital outlay	-	-	205,328	-	1,106,145
Total expenditures	2,443	10,800	205,328	1,160,829	2,329,854
Excess (deficiency) of revenues over expenditures	(2,299)	(10,800)	(204,589)	(1,157,562)	(1,624,378)
Other Financing Sources (Uses)					
Transfers in (out)	2,079	(113,598)	886	1,133,825	1,242,111
Excess revenues and other sources over (under) expenditures and other (uses)	(220)	(124,398)	(203,703)	(23,737)	(382,267)
Fund Balances - beginning, as previously stated	18,872	137,433	203,703	378,932	1,450,435
Restatement of fund balance (Note 16)	-	18,050	-	-	18,050
Fund Balances - beginning, as restated	18,872	155,483	203,703	378,932	1,468,485
Fund Balances - ending	\$ 18,652	\$ 31,085	\$ -	\$ 355,195	\$ 1,086,218

City of Ozark
Schedules of Bond Amortization Requirements
September 30, 2018

\$4,425,000 General Obligation Warrants, Series 2011, dated July 1, 2011. Interest payable on March 1 and September 1 of each year. Warrants mature on March 1, 2026.

Paying Agent: Bank of New York

Year Ending	Interest Rate	Principal	Interest	Total
9/30/2019	2.75%	\$ 360,000	\$ 4,950	\$ 364,950

\$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
9/30/2019	2.00%	\$ -	\$ 122,557	\$ 122,557
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	\$ 1,513,900	\$ 5,298,900

\$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.

City of Ozark, Alabama
Schedules of Bond Amortization Requirements (Continued)
September 30, 2018

Paying Agent: Regions Bank

Year Ending	Interest Rate	Principal	Interest	Total
9/30/2019	1.25%	\$ 160,000	\$ 57,924	\$ 217,924
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		\$ 2,385,000	\$ 434,113	\$ 2,819,113

\$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
9/30/2019	1.20%	\$ 45,000	\$ 58,410	\$ 103,410
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		\$ 3,095,000	\$ 277,540	\$ 3,372,540

**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, the discretely presented component unit, 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, 2018, 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 19, 2019. Our report includes a reference to other auditors who audited the financial statements of 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. However, material weaknesses may exist that have not been identified.

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*.

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 19, 2019