



City of Ozark, Alabama

FINANCIAL STATEMENTS

September 30, 2020





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

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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Special Ad Valorem Fund I, and Special Ad Valorem Fund II, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4–15), schedule of changes in net pension liability and related ratios (page 71), schedule of contributions (page 72), and schedule of changes in OPEB liability and related ratios (page 74) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules of bond amortization requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedules of bond amortization requirements, and the schedule of expenditures of federal awards 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, the combining and individual nonmajor fund financial statements, schedules of bond amortization requirements, and the schedule of expenditures of federal awards 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 April 16, 2021, 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 solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama
April 16, 2021

City of Ozark, Alabama Management's Discussion and Analysis

As management of the City of Ozark, Alabama (the "City"), we offer readers of the City's financial statements this narrative overview of the financial activities of the City for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

From the Government-wide Financial Statements:

- The City's combined governmental activities and business-type activities net position at September 30, 2020 was \$23,171,787. This represents an increase of \$2,130,907 from the net position of September 30, 2019. The combined unrestricted deficit decreased \$1,506,637, the governmental activities deficit decreased \$1,318,557, and the business-type deficit decreased \$188,080.
- The revenues at September 30, 2020 from governmental activities were \$19,779,663 and revenues from business-type activities were \$1,552,194, for a combined total of \$21,331,857. This is an overall increase in revenues from prior year of \$1,806,609. The governmental activities capital grants and contributions increased \$692,528. The increase resulted from an increase in funding as a result of the completion of the airport fuel farm and purchase of a firetruck and fire equipment. The governmental activities sales tax increased as a result of COVID-19 and more citizens shopping local.

From the Fund Financial Statements:

- The governmental funds reported revenues of \$19,702,379 for fiscal year 2020, an increase of \$1,900,939 over \$17,801,440 reported last year. The majority of the increases were in intergovernmental revenues and taxes.
- The General Fund reported total fund balances of \$3,999,421 at September 30, 2020. The spendable, unassigned portion of total fund balance was \$3,304,092, the nonspendable portion was \$532,578, and the restricted portion was \$162,751. The net result of operations is an increase of \$1,649,486. 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 24 percent of the total General Fund operating expenditures of \$13,632,114 (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 \$2,272,019. Total fund balances as a percentage of the general operating expenditures is 29 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 postemployment 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.

City of Ozark, Alabama Management's Discussion and Analysis

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 19 of this report.

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

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

City of Ozark, Alabama
Management's Discussion and Analysis

<i>Years ended September 30,</i>	2020	2019	Increase (Decrease)	% Increase (Decrease)
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Number of patients transported	3,372	4,512	(1,140)	-25.3%
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Six year average:

Gross charge per trip	\$ 690
Net charge per trip	\$ 432
Cash collection per trip	\$ 315
Cash collection per trip as a percent of net charge per trip	73.0%

Average cost per transport:

FY2019-20	\$ 319
FY2018-19	\$ 247
FY2017-18	\$ 259
FY2016-17	\$ 270
FY2015-16	\$ 276

Number of patients transported by payer type:

	FY2019-20	% of total	FY2018-19	% of total
Medicare	1,519	45.0%	2,376	52.7%
Medicaid	475	14.1%	647	14.3%
Other Insurance	1,015	30.1%	1,033	22.9%
Patient (no insurance)	363	10.8%	456	10.1%

The EMS program increased the net position by \$212,735 in fiscal year 2020; this increase was \$21,498 less than the prior year's increase in net position of \$234,233. The advance EMS owes to the General Fund at September 30, 2020 is \$206,489 and is \$35,673 lower than at September 30, 2019.

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

Notes to Financial Statements

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

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 \$20,891,271 for fiscal year 2020, as compared to \$19,025,379 for fiscal year 2019.

City of Ozark, Alabama Management's Discussion and Analysis

	Governmental Activities		Business-type Activities		Primary Government Total	
<i>September 30,</i>	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 8,640,532	\$ 6,523,456	\$ 769,416	\$ 530,478	\$ 9,409,948	\$ 7,053,934
Capital assets	36,476,870	36,442,776	2,820,112	2,755,052	39,296,982	39,197,828
Total assets	45,117,402	42,966,232	3,589,528	3,285,530	48,706,930	46,251,762
Deferred outflows of resources	2,374,105	1,534,876	244,333	139,134	2,618,438	1,674,010
Liabilities						
Current liabilities	2,207,731	1,658,320	50,110	54,325	2,257,841	1,712,645
Long-term liabilities	20,776,386	19,976,770	1,344,438	1,168,353	22,120,824	21,145,123
Total liabilities	22,984,117	21,635,090	1,394,548	1,222,678	24,378,665	22,857,768
Deferred inflows of resources	3,616,119	3,840,639	158,797	186,485	3,774,916	4,027,124
Net Position (Deficit)						
Net investment in capital assets	27,347,257	26,799,849	2,820,112	2,743,177	30,167,369	29,543,026
Restricted	546,347	546,420	-	-	546,347	546,420
Unrestricted (deficit)	(7,002,333)	(8,320,890)	(539,596)	(727,676)	(7,541,929)	(9,048,566)
Total net position	\$ 20,891,271	\$ 19,025,379	\$ 2,280,516	\$ 2,015,501	\$ 23,171,787	\$ 21,040,880

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, 2020 and 2019, reported unrestricted deficits in governmental and business-type activities. The unrestricted deficit in governmental activities was the result of the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 68 four years ago and GASB Statement No. 75 two years ago. The governmental activities unrestricted deficit decreased by \$1,318,557, net investment in capital assets increased by \$547,408, and restricted net position decreased by \$73 over prior year. As noted previously, the City's governmental activities net position increased \$1,865,892 and the business-type activities increased \$265,015, for a net increase in total net position during fiscal year 2020 of \$2,130,907.

City of Ozark, Alabama
Management's Discussion and Analysis

Operating Results for the Year

	Governmental Activities		Business-type Activities		Primary Government Total	
<i>Years ended September 30,</i>	2020	2019	2020	2019	2020	2019
Program Revenues:						
Charges for services	\$5,856,047	\$5,703,371	\$1,352,353	\$1,576,178	\$7,208,400	\$7,279,549
Operating grants and contributions	610,462	425,650	-	-	610,462	425,650
Capital grants and contributions	1,202,779	510,251	-	-	1,202,779	510,251
General Revenues:						
Property taxes	787,499	732,190	-	-	787,499	732,190
Sales tax	8,468,708	7,618,687	-	-	8,468,708	7,618,687
Motor fuel tax	1,403,707	1,311,145	-	-	1,403,707	1,311,145
Other taxes	1,077,893	1,177,863	-	-	1,077,893	1,177,863
Other	372,568	469,564	199,841	349	572,409	469,913
Total revenues	19,779,663	17,948,721	1,552,194	1,576,527	21,331,857	19,525,248
Functions/Program Expenses:						
General government	1,274,350	2,266,332	-	-	1,274,350	2,266,332
Police	3,029,588	3,043,808	-	-	3,029,588	3,043,808
Fire	2,682,452	2,726,497	1,205,730	1,219,375	3,888,182	3,945,872
Street	1,614,117	1,054,946	-	-	1,614,117	1,054,946
Sanitation	1,373,801	1,402,102	-	-	1,373,801	1,402,102
Leisure services	1,875,470	1,877,189	-	-	1,875,470	1,877,189
Engineering and inspections	145,836	160,538	-	-	145,836	160,538
Vehicle maintenance	273,315	214,020	-	-	273,315	214,020
Airport	788,428	288,147	-	-	788,428	288,147
Judicial	184,380	196,599	-	-	184,380	196,599
Appropriations	139,253	139,253	-	-	139,253	139,253
Non-departmental	338,512	351,544	-	-	338,512	351,544
Economic development	990,768	1,028,152	81,449	86,949	1,072,217	1,115,101
Ozark technology center	144,295	152,885	-	-	144,295	152,885
Information technology	178,115	180,740	-	-	178,115	180,740
Education	2,614,236	2,399,482	-	-	2,614,236	2,399,482
Interest	250,674	264,590	-	-	250,674	264,590
Fees on long term debt	6,450	7,056	-	-	6,450	7,056
Amortization	9,731	9,731	-	-	9,731	9,731
Total functions/program expenses	17,913,771	17,763,611	1,287,179	1,306,324	19,200,950	19,069,935
Increase (Decrease) in Net Position	\$1,865,892	\$ 185,110	\$ 265,015	\$ 270,203	\$2,130,907	\$ 455,313

City of Ozark, Alabama 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 \$5,105,019, an increase of \$1,654,963 in comparison with the prior year. Spendable, unassigned fund balances of \$3,304,092 represents 65 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 \$532,578, and the restricted amount is \$1,268,349 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 \$3,304,092 while the total fund balance was \$3,999,421. The net result of General Fund operations is an increase in the General Fund's fund balance of \$1,649,486. 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 24 percent of total General Fund operating expenditures of \$13,632,114 (expenditures of \$14,547,663 less capital outlay of \$915,549), while total fund balance represents 29 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 (as defined above) would be approximately \$2,272,019; the City was at \$3,304,092.

<i>September 30,</i>	<u>Total Governmental Funds</u>		Change
	2020	2019	
Assets			
Cash and cash equivalents	\$ 4,133,687	\$ 2,203,626	\$ 1,930,061
Receivables, net	3,766,404	3,543,688	222,716
Due from other funds	362,426	315,166	47,260
Other assets	14,596	14,594	2
Restricted cash and cash equivalents	533,656	519,386	14,270
Total assets	\$ 8,810,769	\$ 6,596,460	\$ 2,214,309

City of Ozark, Alabama
Management's Discussion and Analysis

<i>September 30,</i>	<u>Total Governmental Funds</u>		
	2020	2019	Change
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 933,955	\$ 483,947	\$ 450,008
Due to other funds	170,237	73,004	97,233
Accrued payroll	305,169	305,360	(191)
Other accrued expenses	156,932	144,135	12,797
Total liabilities	1,566,293	1,006,446	559,847
Deferred inflows of resources	2,139,457	2,139,958	(501)
Fund balances			
Nonspendable	532,578	617,327	(84,749)
Restricted	1,268,349	1,263,321	5,028
Unassigned	3,304,092	1,569,408	1,734,684
Total fund balances	5,105,019	3,450,056	1,654,963
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,810,769	\$ 6,596,460	\$ 2,214,309

Revenues for fiscal year 2020 from governmental funds were more than fiscal year 2019 revenues by \$1,900,938. The majority of the increases were attributable to an increase in taxes and intergovernmental revenues.

Expenditures for fiscal year 2020 from governmental funds were more than fiscal year 2019 by \$755,151. The majority of the increases were related to capital outlay and education.

<i>Years ended September 30,</i>	<u>Total Governmental Funds</u>		
	2020	2019	Change
Revenues			
Taxes	\$ 13,137,156	\$ 12,130,973	\$ 1,006,183
Licenses and permits	1,720,969	1,646,669	74,300
Intergovernmental	1,737,809	954,739	783,070
Charges for services	2,067,171	1,994,190	72,981
Fines and forfeitures	511,787	547,447	(35,660)
Investment earnings	20,000	25,670	(5,670)
Miscellaneous	507,487	501,752	5,735
Total revenues	19,702,379	17,801,440	1,900,939

City of Ozark, Alabama
Management's Discussion and Analysis

<i>Years ended September 30,</i>	<u>Total Governmental Funds</u>		<i>Change</i>
	2020	2019	
Expenditures			
General government	\$ 1,034,082	\$ 1,095,685	\$ (61,603)
Education	2,614,236	2,399,482	214,754
Vehicle maintenance	266,925	218,579	48,346
Police	2,807,901	2,833,676	(25,775)
Information technology	149,633	146,610	3,023
Fire	2,423,287	2,542,795	(119,508)
Airport	314,155	260,245	53,910
Sanitation	1,243,543	1,280,003	(36,460)
Street	992,148	983,203	8,945
Leisure services	1,672,034	1,681,239	(9,205)
Appropriations	139,253	139,253	-
Judicial	180,876	191,013	(10,137)
Economic development	863,938	895,808	(31,870)
Engineering and inspections	137,185	152,633	(15,448)
Ozark technology center	116,151	124,507	(8,356)
Non-departmental	338,495	351,550	(13,055)
Debt service	990,770	1,136,838	(146,068)
Capital outlay	2,070,571	1,166,913	903,658
Total expenditures	18,355,183	17,600,032	755,151
Excess (deficiency) of revenues over expenditures	1,347,196	201,408	1,145,788
Other Financing Sources (Uses)			
Transfers in (out), net	-	50,000	(50,000)
Proceeds from issuance of debt	219,846	-	219,846
Loss recoveries	57,540	-	57,540
Proceeds from sale of capital assets	30,381	95,235	(64,854)
Total other financing sources	307,767	145,235	162,532
Excess (deficiency) of revenues and other sources over expenditures	1,654,963	346,643	1,308,320
Fund balances - beginning	3,450,056	3,103,413	346,643
Fund balances - ending	\$ 5,105,019	\$ 3,450,056	\$ 1,654,963

City of Ozark, Alabama
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 above budgeted amounts by \$768,300. Tax revenues were higher by \$931,466.

General Fund operating expenditures were under the final amended budget by \$431,237. 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental activities as of September 30, 2020 amounts to \$36,476,870 (net of accumulated depreciation). The City's investment in capital assets for business-type activities as of September 30, 2020 amounts to \$2,820,112 (net of accumulated depreciation). This investment in capital assets includes land; improvements and infrastructure; buildings; equipment; and construction in progress. Additional information on the City's capital assets can be found in Note 2 of this report.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Primary Government Total	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Land	\$ 5,533,398	\$5,534,223	\$ 573,045	\$ 573,045	\$ 6,106,443	\$6,107,268
Construction in progress	402,125	42,019	-	-	402,125	42,019
Improvements and infrastructure	18,881,503	19,242,732	-	-	18,881,503	19,242,732
Buildings	8,408,962	8,749,781	1,699,805	1,752,135	10,108,767	10,501,916
Equipment	2,442,608	2,145,807	547,262	333,901	2,989,870	2,479,708
Property under capital lease	808,274	728,214	-	95,971	808,274	824,185
Total	\$36,476,870	\$36,442,776	\$2,820,112	\$2,755,052	\$39,296,982	\$39,197,828

City of Ozark, Alabama Management's Discussion and Analysis

Long-Term Debt

The City issued new debt in the current year related to a garbage truck purchase. The Net Pension Liability reflects compliance with GASB Statement Nos. 68 and 71, which were implemented in prior years. The Total OPEB Liability reflects compliance with GASB Statement No. 75, which was also implemented in prior years. Additional information on the City's long-term debt can be found in Note 2 of this report.

	Governmental Activities		Business-type Activities		Primary Government Total	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Capital leases	\$ 653,568	\$ 592,258	\$ -	\$ 11,876	\$ 653,568	\$ 604,134
Bonds payable, net	8,476,045	9,050,669	-	-	8,476,045	9,050,669
Compensated absences	263,226	288,181	22,094	22,094	285,320	310,275
Net pension liability	5,135,030	4,689,848	349,946	294,923	5,484,976	4,984,771
Total OPEB liability	7,060,192	6,080,692	972,398	851,336	8,032,590	6,932,028
Total	\$21,588,061	\$20,701,648	\$ 1,344,438	\$ 1,180,229	\$ 22,932,499	\$ 21,881,877

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Mayor and City Council considered many factors when developing the fiscal year 2020-21 budget. A budget of \$17.7 million was adopted for the General Fund, \$5.2 million in Special Revenue Funds, and \$2.5 million in Enterprise Funds on August 4, 2020.

- 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 2020 and expects to meet that level of participation for 2021. The estimated savings in health insurance premiums is approximately \$18,000. The City did receive a health rate increase of 5.0 percent for calendar year 2021.
- The 2020-21 budget does include a step increase adjustment of approximately 2.5% for all qualifying employees.
- The City projected slight increases in revenues in sales and use tax. The City did not pass any ordinances increasing any taxes.
- Dale County unemployment rate for September 2020 was 5.4 percent, and the rate for September 2019 was 2.6 percent.

These factors were considered in preparing the City's budget for fiscal year 2020-21.

City of Ozark, Alabama Management's Discussion and Analysis

REQUEST 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

	Primary Government			Component Unit
<i>September 30, 2020</i>	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 4,133,687	\$ 698,806	\$ 4,832,493	\$ 19,158,666
Investments	-	-	-	45,490
Receivables, net	3,766,404	262,799	4,029,203	2,545,553
Prepaid items	13,378	-	13,378	-
Internal balances	192,189	(192,189)	-	-
Inventories	1,218	-	1,218	46,910
Restricted assets				
Cash and cash equivalents	533,656	-	533,656	-
Capital assets				
Non-depreciable	5,935,523	573,045	6,508,568	6,939,248
Depreciable, net	30,541,347	2,247,067	32,788,414	21,919,670
Total assets	45,117,402	3,589,528	48,706,930	50,655,537
Deferred Outflows of Resources				
Deferred outflows on refunding	56,431	-	56,431	-
Deferred outflows related to pension	1,099,372	134,666	1,234,038	2,842,679
Deferred outflows related to OPEB	1,218,302	109,667	1,327,969	1,835,789
Total deferred outflows of resources	2,374,105	244,333	2,618,438	4,678,468

-Continued-

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

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

<i>September 30, 2020</i>	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	933,955	18,146	952,101	1,329
Accrued liabilities	462,101	31,964	494,065	647,972
Unearned revenue	-	-	-	549,248
Non-current liabilities				
Due within one year				
Notes payable	-	-	-	232,018
Capital lease obligations	226,675	-	226,675	-
Bonds payable	585,000	-	585,000	180,154
Due in more than one year				
Compensated absences	263,226	22,094	285,320	-
Notes payable	-	-	-	1,313,281
Capital lease obligations	426,893	-	426,893	-
Bonds payable	7,891,045	-	7,891,045	26,492,738
Other postemployment benefits	7,060,192	972,398	8,032,590	7,887,047
Net pension liability	5,135,030	349,946	5,484,976	17,344,000
Total liabilities	22,984,117	1,394,548	24,378,665	54,647,787
Deferred Inflows of Resources				
Deferred inflows of property tax revenue	2,139,457	-	2,139,457	1,834,060
Deferred inflows related to pension	437,562	45,046	482,608	1,723,000
Deferred inflows related to OPEB	1,039,100	113,751	1,152,851	10,243,738
Total deferred inflows of resources	3,616,119	158,797	3,774,916	13,800,798
Net Position				
Net investment in capital assets	27,347,257	2,820,112	30,167,369	640,727
Restricted for				
Capital projects	162,751	-	162,751	-
Debt services	383,528	-	383,528	-
Education	68	-	68	-
Unrestricted	(7,002,333)	(539,596)	(7,541,929)	(13,755,307)
Total net position	\$ 20,891,271	\$ 2,280,516	\$ 23,171,787	\$ (13,114,580)

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

City of Ozark, Alabama

Statement of Activities

For the year ended September 30, 2020

Functions/Programs	Expenses	Program	
		Charges for Services and Fines	Operating Grants and Contributions
Primary Government			
Governmental activities			
General government	\$ 1,274,350	\$ 1,867,119	\$ 122,191
Police	3,029,588	214,992	11,380
Fire	2,682,452	115,506	-
Street	1,614,117	-	-
Sanitation	1,373,801	1,564,464	-
Leisure services	1,875,470	261,657	139,621
Engineering and inspections	145,836	-	-
Vehicle maintenance	273,315	-	-
Airport	788,428	247,106	-
Judicial	184,380	-	-
Appropriations	139,253	-	-
Non-departmental	338,512	-	-
Economic development	990,768	-	337,270
Ozark technology center	144,295	-	-
Information technology	178,115	-	-
Education	2,614,236	1,585,203	-
Interest	250,674	-	-
Fees on long term debt	6,450	-	-
Amortization	9,731	-	-
Total governmental activities	17,913,771	5,856,047	610,462
Business-type activities			
Emergency medical services	1,205,730	1,218,624	-
Ozark square shopping center	81,449	133,729	-
Total business-type activities	1,287,179	1,352,353	-
Total primary government	\$ 19,200,950	\$ 7,208,400	\$ 610,462
Component Unit			
Ozark City Board of Education	\$ 20,409,599	\$ 1,348,567	\$ 16,603,238
General revenues			
Taxes			
Property taxes, levied for general purposes			
Property taxes, levied for specific purposes			
Gas tax			
Sales tax			
Franchise fees			
Alcoholic beverage taxes			
Lodging taxes			
Tobacco taxes			
Other taxes			
Investment earnings			
Miscellaneous			
Rental income			
Total general revenues			
Change in net position			
Net position, beginning of year			
Net position, end of year			

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

Net (Expense) Revenue and Changes in Net Position					
Revenues		Primary Government			
Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	Component Unit
\$	195,827	\$	910,787	\$	-
	-		(2,803,216)		-
	527,231		(2,039,715)		-
	-		(1,614,117)		-
	-		190,663		-
	-		(1,474,192)		-
	-		(145,836)		-
	-		(273,315)		-
	479,721		(61,601)		-
	-		(184,380)		-
	-		(139,253)		-
	-		(338,512)		-
	-		(653,498)		-
	-		(144,295)		-
	-		(178,115)		-
	-		(1,029,033)		-
	-		(250,674)		-
	-		(6,450)		-
	-		(9,731)		-
	1,202,779		(10,244,483)		-
	-		-	12,894	-
	-		-	52,280	-
	-		-	65,174	-
\$	1,202,779		(10,244,483)	65,174	(10,179,309)
\$	946,495		-	-	(1,511,299)
			787,499	-	1,952,936
			-	-	795,192
			1,403,707	-	-
			8,468,708	-	2,274,135
			174,763	-	-
			178,904	-	-
			138,328	-	-
			272,202	-	-
			488,459	-	12,899
			20,000	29	354,965
			115,967	199,812	490,564
			61,838	-	-
			12,110,375	199,841	5,880,691
			1,865,892	265,015	4,369,392
			19,025,379	2,015,501	(17,483,972)
\$	20,891,271	\$	2,280,516	\$	(13,114,580)

City of Ozark, Alabama
Balance Sheet – Governmental Funds

<i>September 30, 2020</i>	General	Special Ad Valorem Fund I	Special Ad Valorem Fund II	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$3,265,008	\$ 13,072	\$ 13,093	\$ 842,514	\$ 4,133,687
Restricted cash and cash equivalents	170,879	-	-	362,777	533,656
Accounts receivable	2,305,822	730,291	730,291	-	3,766,404
Due from other funds	276,829	-	-	85,597	362,426
Inventories	1,218	-	-	-	1,218
Prepaid items	13,378	-	-	-	13,378
Total assets	\$6,033,134	\$ 743,363	\$ 743,384	\$1,290,888	\$ 8,810,769
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 705,380	\$ 29,257	\$ 29,257	\$ 170,061	\$ 933,955
Accrued payroll and related liabilities	305,169	-	-	-	305,169
Due to other funds	154,939	-	-	15,298	170,237
Other accrued expenses	156,932	-	-	-	156,932
Total liabilities	1,322,420	29,257	29,257	185,359	1,566,293
Deferred inflows of resources					
Property tax revenue	711,293	714,082	714,082	-	2,139,457
Fund balances					
Nonspendable	532,578	-	-	-	532,578
Restricted	162,751	24	45	1,105,529	1,268,349
Unassigned	3,304,092	-	-	-	3,304,092
Total fund balances	3,999,421	24	45	1,105,529	5,105,019
Total liabilities, deferred inflows of resources, and fund balances	\$6,033,134	\$ 743,363	\$ 743,384	\$1,290,888	\$ 8,810,769

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

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

September 30, 2020

Total fund balances - governmental funds		\$ 5,105,019
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	78,613,015	
Less accumulated depreciation and amortization	<u>(42,136,145)</u>	36,476,870
Deferred outflow of resources related to OPEB earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		1,218,302
Deferred outflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		1,099,372
Deferred charges on refunding are reported as deferred outflows of resources and are not available to pay for current period expenditures and therefore, are not reported as assets in the governmental funds.		56,431
Deferred inflow of resources related to pension earnings are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		(437,562)
Deferred inflow of resources related to OPEB earnings are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		(1,039,100)
Long-term liabilities, including other postemployment benefits, net pension liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	(5,135,030)	
Bonds payable	(8,476,045)	
Capital lease obligations	(653,568)	
Compensated absences	(263,226)	
Other postemployment benefits	(7,060,192)	(21,588,061)
Net position of governmental activities		<u>\$ 20,891,271</u>

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

City of Ozark, Alabama

**Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds**

<i>For the year ended September 30, 2020</i>	General	Special Ad Valorem Fund I	Special Ad Valorem Fund II	Nonmajor Funds	Total Governmental Funds
Revenues					
Taxes	\$ 11,314,075	\$ 792,602	\$ 792,602	\$ 237,877	\$ 13,137,156
Licenses and permits	1,720,969	-	-	-	1,720,969
Intergovernmental	1,062,817	-	-	674,992	1,737,809
Charges for services	2,067,171	-	-	-	2,067,171
Fines and forfeitures	511,787	-	-	-	511,787
Interest and other	16,468	-	-	3,532	20,000
Miscellaneous revenue	505,387	-	-	2,100	507,487
Total revenues	17,198,674	792,602	792,602	918,501	19,702,379
Expenditures					
General government	1,033,858	-	-	224	1,034,082
Education	1,029,032	792,602	792,602	-	2,614,236
Vehicle maintenance	266,925	-	-	-	266,925
Police	2,807,901	-	-	-	2,807,901
Information technology	149,633	-	-	-	149,633
Fire	2,423,287	-	-	-	2,423,287
Airport	314,155	-	-	-	314,155
Sanitation	1,243,543	-	-	-	1,243,543
Street	926,080	-	-	66,068	992,148
Leisure services	1,672,034	-	-	-	1,672,034
Appropriations	139,253	-	-	-	139,253
Judicial	170,644	-	-	10,232	180,876
Economic development	863,938	-	-	-	863,938
Engineering and inspections	137,185	-	-	-	137,185
Ozark technology center	116,151	-	-	-	116,151
Non-departmental	338,495	-	-	-	338,495
Capital outlay	915,549	-	-	1,155,022	2,070,571
Debt service	-	-	-	990,770	990,770
Total expenditures	14,547,663	792,602	792,602	2,222,316	18,355,183
Excess (deficiency) of revenues over (under) expenditures	2,651,011	-	-	(1,303,815)	1,347,196
Other Financing Sources (Uses)					
Transfers in (out)	(1,309,292)	-	-	1,309,292	-
Proceeds from issuance of debt	219,846	-	-	-	219,846
Loss recoveries	57,540	-	-	-	57,540
Proceeds from sale of capital assets	30,381	-	-	-	30,381
Net other financing sources (uses)	(1,001,525)	-	-	1,309,292	307,767
Net change in fund balances	1,649,486	-	-	5,477	1,654,963
Fund balances, beginning of year	2,349,935	24	45	1,100,052	3,450,056
Fund balances, end of year	\$ 3,999,421	\$ 24	\$ 45	\$ 1,105,529	\$ 5,105,019

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

City of Ozark, Alabama

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

For the year ended September 30, 2020

Net change in fund balances - total governmental funds	\$ 1,654,963
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceed depreciation in the current period.	44,640
In the statement of activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, disposals are not reported. Thus, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets.	(10,656)
Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.	(219,846)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	733,646
Additional interest expense due to deferred charges on refunding and issuance discounts.	(9,731)
Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.	24,955
Other postemployment benefits obligation reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.	(178,378)
Cash pension contributions reported in the funds were greater than the calculated pension expense on the statement of activities and therefore increase net position.	(173,701)
Change in net position of governmental activities	\$ 1,865,892

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

City of Ozark, Alabama
Budgetary Comparison Schedule – General Fund

<i>For the year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 10,382,609	\$ 10,382,609	\$ 11,314,075	931,466
Licenses and permits	1,728,326	1,728,326	1,720,969	(7,357)
Intergovernmental	574,658	1,090,201	1,062,817	(27,384)
Charges for services	2,088,048	2,089,048	2,067,171	(21,877)
Fines and forfeitures	568,513	568,513	511,787	(56,726)
Interest and other	26,840	26,840	16,468	(10,372)
Miscellaneous revenue	542,700	544,837	505,387	(39,450)
Total revenues	15,911,694	16,430,374	17,198,674	768,300
Expenditures				
General government	1,118,056	1,118,056	1,033,858	84,198
Education	853,314	853,314	1,029,032	(175,718)
Vehicle maintenance	273,291	275,791	266,925	8,866
Police	3,021,638	3,021,638	2,807,901	213,737
Information technology	178,546	178,546	149,633	28,913
Fire	2,812,818	2,841,904	2,423,287	418,617
Airport	252,620	252,620	314,155	(61,535)
Sanitation	1,238,914	1,238,914	1,243,543	(4,629)
Street	918,206	930,206	926,080	4,126
Leisure services	1,688,133	1,817,995	1,672,034	145,961
Appropriations	139,253	139,253	139,253	-
Judicial	174,046	174,046	170,644	3,402
Economic development	858,860	860,860	863,938	(3,078)
Engineering and inspections	155,112	155,112	137,185	17,927
Ozark technology center	124,048	125,352	116,151	9,201
Non-departmental	317,504	317,504	338,495	(20,991)
Capital outlay	329,500	677,789	915,549	(237,760)
Total expenditures	14,453,859	14,978,900	14,547,663	431,237
Excess (deficiency) of revenues over (under) expenditures	1,457,835	1,451,474	2,651,011	1,199,537

-Continued-

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

City of Ozark, Alabama
Budgetary Comparison Schedule – General Fund (Continued)

<i>For the year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses)				
Transfers in (out)	(1,889,533)	(1,901,017)	(1,309,292)	591,725
Proceeds from issuance of debt	-	-	219,846	219,846
Loss recoveries	1,000	1,000	57,540	56,540
Proceeds from sale of capital assets	-	-	30,381	30,381
Net other financing sources (uses)	(1,888,533)	(1,900,017)	(1,001,525)	898,492
Net change in fund balance	(430,698)	(448,543)	1,649,486	2,098,029
Fund balance, beginning of year	1,863,041	1,713,394	2,349,935	(636,541)
Fund balance, end of year	\$ 1,432,343	\$ 1,264,851	\$ 3,999,421	\$ 1,461,488

Note that this schedule is prepared on a budgetary basis, but is not different from Generally Accepted Accounting Principles (GAAP) in the presentation.

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

City of Ozark, Alabama

Budgetary Comparison Schedule – Special Ad Valorem Fund I

<i>For the year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 795,352	\$ 795,352	\$ 792,602	\$ (2,750)
Expenditures				
Education	795,352	795,352	792,602	2,750
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance, beginning of year	24	24	24	-
Fund balance, end of year	\$ 24	\$ 24	\$ 24	\$ -

Note that this schedule is prepared on a budgetary basis, but is not different from Generally Accepted Accounting (GAAP) in the presentation.

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

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

<i>For the year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 795,352	\$ 795,352	\$ 792,602	\$ (2,750)
Expenditures				
Education	795,352	795,352	792,602	2,750
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance, beginning of year	45	45	45	-
Fund balance, end of year	\$ 45	\$ 45	\$ 45	\$ -

Note that this schedule is prepared on a budgetary basis, but is not different from Generally Accepted Accounting (GAAP) in the presentation.

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

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

<i>September 30, 2020</i>	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	Ozark Square Shopping Center	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 398,733	\$ 300,073	\$ 698,806
Accounts receivable, net	262,799	-	262,799
Due from other funds	14,300	-	14,300
Total current assets	675,832	300,073	975,905
Noncurrent assets			
Capital assets			
Land	-	573,045	573,045
Building	-	2,313,898	2,313,898
Equipment	887,971	-	887,971
Less accumulated depreciation	(340,709)	(614,093)	(954,802)
Total capital assets, net	547,262	2,272,850	2,820,112
Total assets	1,223,094	2,572,923	3,796,017
Deferred Outflows of Resources			
Deferred outflows related to pension	134,666	-	134,666
Deferred outflows related to OPEB	109,667	-	109,667
Total deferred outflow of resources	244,333	-	244,333
Liabilities			
Current liabilities			
Accounts payable	13,788	4,358	18,146
Accrued payroll and related liabilities	31,964	-	31,964
Due to other funds	206,489	-	206,489
Total current liabilities	252,241	4,358	256,599
Noncurrent liabilities			
Compensated absences	22,094	-	22,094
Total OPEB liability	972,398	-	972,398
Net pension liability	349,946	-	349,946
Total noncurrent liabilities	1,344,438	-	1,344,438
Total liabilities	1,596,679	4,358	1,601,037
Deferred Inflows of Resources			
Deferred inflows related to pension	45,046	-	45,046
Deferred inflows related to OPEB	113,751	-	113,751
Total deferred inflows of resources	158,797	-	158,797
Net Position			
Net investment in capital assets	547,262	2,272,850	2,820,112
Unrestricted	(835,311)	295,715	(539,596)
Total net position	\$ (288,049)	\$ 2,568,565	\$ 2,280,516

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

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

<i>For the year ended September 30, 2020</i>	Business-type Activities - Enterprise Funds		Total
	Emergency Medical Services	Ozark Square Shopping Center	
Operating Revenues			
Charges for services, net of provision for bad debts of \$372,608	\$ 1,218,624	\$ -	\$ 1,218,624
Rental income	-	133,729	133,729
Total operating revenues	1,218,624	133,729	1,352,353
Operating Expenses			
Salaries, wages and employee benefits	923,684	-	923,684
Contractual, materials, and supplies	144,692	66	144,758
Utilities	5,148	12,597	17,745
Legal	3,063	-	3,063
Insurance claims and expense	4,199	7,518	11,717
Depreciation	81,752	52,330	134,082
Repairs and maintenance	43,163	8,938	52,101
Total operating expenses	1,205,701	81,449	1,287,150
Operating income (loss)	12,923	52,280	65,203
Nonoperating Revenues (Expenses)			
Miscellaneous revenues	199,812	-	199,812
Interest income	29	-	29
Interest and fiscal charges	(29)	-	(29)
Total nonoperating revenues (expenses)	199,812	-	199,812
Change in net position	212,735	52,280	265,015
Net position, beginning of year	(500,784)	2,516,285	2,015,501
Net position, end of year	\$ (288,049)	\$ 2,568,565	\$ 2,280,516

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

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

	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	Ozark Square Shopping Center	Total
<i>For the year ended September 30, 2020</i>			
Operating Activities			
Cash received from customers for sales and services	\$ 1,247,355	\$ 133,729	\$ 1,381,084
Cash payments to employees	(880,486)	-	(880,486)
Cash payments to suppliers for goods and services	(196,962)	(24,761)	(221,723)
Net cash provided by (used in) operating activities	169,907	108,968	278,875
Noncapital Financing Activities			
Receipts from local grants	124,599	-	124,599
Cash transfers out to other funds	(35,673)	-	(35,673)
Net cash provided by (used in) noncapital financing activities	88,926	-	88,926
Capital and Related Financing Activities			
Acquisition of capital assets	(199,142)	-	(199,142)
Proceeds from sale of capital assets	14,300	-	14,300
Principal paid on capital lease obligations	(11,876)	-	(11,876)
Interest paid on capital lease obligations	(29)	-	(29)
Net cash provided by (used in) capital and related financing activities	(196,747)	-	(196,747)
Investing Activities			
Investment income	29	-	29
Net increase (decrease) in cash and cash equivalents	62,115	108,968	171,083
Cash and cash equivalents, beginning of year	336,618	191,105	527,723
Cash and cash equivalents, end of year	\$ 398,733	\$ 300,073	\$ 698,806

-Continued-

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

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

	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	Ozark Square Shopping Center	Total
<i>For the year ended September 30, 2020</i>			
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ 12,923	\$ 52,280	\$ 65,203
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	81,752	52,330	134,082
Change in assets, deferred outflows, liabilities and deferred inflows			
(Increase) decrease in assets and deferred outflows			
Accounts receivable	43,031	-	43,031
Due from other funds	(14,300)	-	(14,300)
Deferred outflows related to pension	4,468	-	4,468
Deferred outflows related to OPEB	(109,667)	-	(109,667)
Increase (decrease) in liabilities and deferred inflows			
Accounts payable	3,303	4,358	7,661
Total OPEB liability	121,062	-	121,062
Net pension liability	55,023	-	55,023
Deferred inflows related to pension	(43,970)	-	(43,970)
Deferred inflows related to OPEB	16,282	-	16,282
Total adjustments	156,984	56,688	213,672
Net cash provided by (used in) operating activities	\$ 169,907	\$ 108,968	\$ 278,875

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member governing council (the "Council"). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the Government-wide financial statements to emphasize that it is legally separate from the City. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the City are described below.

In evaluating the City as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification.

Blended Component Units

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. The PBA is reported within the City's General Fund and does not issue separate financial statements.

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. The VFD is reported within the City's General Fund and does not issue separate financial statements.

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. The IDB is reported within the City's General Fund and does not issue separate financial statements.

Discretely Presented Component Unit

The Ozark City Board of Education (the "BOE") is the governing body of the Ozark City School System. The BOE is governed by five members who are appointed by the City. The Dale County Revenue Commissioner remits to the City 14 mills of property taxes and the City distributes the millage to the BOE. The City also remits 12.5% (½ cent of its 4 cent tax) of the net proceeds of the gross receipts license tax levied to the BOE. A resolution adopted by the 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Unit (continued)

Separately issued financial reports are available for the BOE. These reports may be obtained by contacting the following office.

The Ozark City Board of Education
1044 Andrews Avenue
Ozark, Alabama 36360

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has one discretely presented component unit. While the BOE is considered to be a major component unit, it is nevertheless shown in separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component units. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *Special Ad Valorem Fund I* is used to account 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.

The *Special Ad Valorem Fund II* is used to account 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.

The City reports the following major enterprise funds:

The *Ozark Square Shopping Center* accounts for charges to tenants for rent.

The *Emergency Medical Services ("EMS")* accounts for charges to patients for emergency transports.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with GAAP for the General Fund, special revenue funds, and debt service fund.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and Cash Equivalents

The City's 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.

Receivables

Allowance for doubtful accounts – 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 Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" within the fund financial statements. Long-term borrowings between funds are classified as "advances to other funds" or "advances from other funds" in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are funds are netted as part of the reconciliation to the government-wide presentation.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of gas and diesel. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Capital projects – Includes funds received by the State of Alabama that are restricted by law for capital improvements.

Bond debt service accounts – Includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bond obligations.

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 column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items with an acquisition date after October 1, 2003. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Capital Assets (continued)

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	20 - 50
Equipment	5 - 20
Improvements and infrastructure	7 - 40
Obligations under capital lease	8 - 10

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has three (3) items that qualify for reporting as deferred outflows of resources, the *deferred charge on refunding*, the *deferred outflows related to pension*, and the *deferred outflows related to OPEB*, all reported in the government-wide and proprietary funds statements of net position. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceed their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pension are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pension will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. The *deferred outflows related to OPEB* result from claims payments made related to the total OPEB liability (TOL) subsequent to the measurement date, in accordance with GASB Statement No. 75.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three (3) items that qualify for reporting as deferred inflows of resources. The deferred inflows related to pension are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pension will be recognized as a reduction to pension expense in future

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Deferred Outflows/Inflows of Resources (continued)

reporting years. The deferred inflows related to OPEB result from the net difference between expected and actual experience and effects of changes in the assumptions or other inputs, in accordance with GASB Statement No. 75. The deferred inflows of property tax revenue relate to property taxes (and special assessments, if applicable) that are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from government service up to certain limits at current wage rates. The liability for such leave is reported as incurred in the Government-wide and proprietary fund financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Other Postemployment Benefits (OPEB) Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Categories and Classification of Fund Equity

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the Government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Categories and Classification of Fund Equity (continued)

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes – Property taxes attach as an enforceable lien on real property and are levied by the County Commission at the first regular meeting in February of each year based on the property record as of the preceding October 1. The taxes are due the following October 1 and are delinquent after December 31st. The enforceable claim exists as of October 1 preceding the February meeting of the County Commission.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses (continued)

Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the EMS and Ozark Square Shopping Center are charges to customers for services and rental income. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allowance for doubtful accounts, net pension liability, and total OPEB liability.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 16, 2021. See Note 11 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In May 2020, the GASB issued Statement No. 95 (GASB 95), *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB 95 extends the effective date of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of GASB 95 apply to the financial statements of all state and local governments. The primary objective of GASB 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of GASB 95 are effective immediately.

Recently Issued But Not Yet Effective Accounting Pronouncements

The GASB has issued statements that will become effective in future years. These statements are as follows:

In January 2017, the GASB issued Statement No. 84 (GASB 84), *Fiduciary Activities*. GASB 84 seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued But Not Yet Effective Accounting Pronouncements (continued)

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of GASB 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of GASB 89 are effective for reporting periods beginning after December 15, 2020.

In August 2018, the GASB issued Statement No. 90 (GASB 90), *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of GASB 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of GASB 90 are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91 (GASB 91), *Conduit Debt Obligations*. The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued But Not Yet Effective Accounting Pronouncements (continued)

GASB 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of GASB 91 are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92 (GASB 92), Omnibus 2020. The objectives of GASB 92 are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB 92 are effective for reporting periods beginning after June 15, 2021.

In May 2020, the GASB issued Statement No. 93 (GASB 93), *Replacement of Interbank Offered Rates*. The objectives of GASB 93 are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of GASB 93 are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 94 (GASB 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in GASB 94, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in GASB 94 as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB 94 also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in GASB 94, an APA is an arrangement in which a government compensates an operator for services that

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued But Not Yet Effective Accounting Pronouncements (continued)

may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. GASB 94 is effective for fiscal years beginning after June 15, 2022.

In May 2020, the GASB issued GASB Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which GASB 96 is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of GASB 96.

In June 2020, the GASB issued GASB Statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of GASB 97 that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of GASB 97 that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

The City is evaluating the requirements of the above statements and the impact on reporting.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2020, the City's bank balances were entirely covered by federal depository insurance (FDIC) and the Security for Alabama Funds Enhancement ("SAFE") Program.

The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC. If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the City places its deposits are certified as "qualified public depositories," as required under the SAFE Program. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. As of September 30, 2020, the City does not have any investments.

Credit risk – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. As of September 30, 2020, the Board does not have any investments in debt securities.

Concentration risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments. No such reportable concentrations of investments as of September 30, 2020.

City of Ozark, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable

The City deems all governmental fund amounts collectible therefore an allowance for doubtful accounts is not necessary. All account receivables are shown net of allowances for uncollectible accounts for enterprise funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2020, were as follows:

	Accounts Receivable	Property Taxes Receivable	Note Receivable Utilities Board	Allowance for Uncollectible	Net
Governmental Funds					
General Fund	\$ 1,285,749	\$ 708,580	\$ 311,493	\$ -	\$ 2,305,822
Special Ad Valorem I	16,209	714,082	-	-	730,291
Special Ad Valorem II	16,209	714,082	-	-	730,291
Enterprise Fund					
Emergency Medical Services	9,435,588	-	-	(9,172,789)	262,799
Total	\$ 10,753,755	\$ 2,136,744	\$ 311,493	\$ (9,172,789)	\$ 4,029,203

Property taxes levied in fiscal year 2019 for the 2020 budget year are recorded as receivable as of September 30, 2020. There are no other reserves for receivables recorded by the City as of September 30, 2020.

City of Ozark, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 5,534,223	\$ -	\$ (825)	\$ 5,533,398
Construction-in-progress	42,019	402,126	(42,020)	402,125
Capital assets, not being depreciated	5,576,242	402,126	(42,845)	5,935,523
Capital assets, being depreciated				
Buildings	15,880,378	-	-	15,880,378
Improvements and infrastructure	46,426,583	759,421	-	47,186,004
Equipment	7,912,203	839,628	(116,948)	8,634,883
Property under capital lease	864,811	219,846	(108,430)	976,227
Capital assets, being depreciated	71,083,975	1,818,895	(225,378)	72,677,492
Less accumulated depreciation for				
Buildings	(7,130,597)	(340,819)	-	(7,471,416)
Improvements and infrastructure	(27,183,851)	(1,120,650)	-	(28,304,501)
Equipment	(5,766,396)	(533,106)	107,227	(6,192,275)
Property under capital lease	(136,597)	(77,858)	46,502	(167,953)
Total accumulated depreciation	(40,217,441)	(2,072,433)	153,729	(42,136,145)
Total capital assets being depreciated, net	30,866,534	(253,538)	(71,649)	30,541,347
Governmental activities capital assets, net	\$ 36,442,776	\$ 148,588	\$ (114,494)	\$ 36,476,870

City of Ozark, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
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	572,563	383,408	(68,000)	887,971
Property under capital lease	184,266	-	(184,266)	-
Capital assets, being depreciated	3,070,727	383,408	(252,266)	3,201,869
Less accumulated depreciation for				
Buildings	(561,763)	(52,330)	-	(614,093)
Equipment	(238,662)	(170,047)	68,000	(340,709)
Property under capital lease	(88,295)	(23,033)	111,328	-
Total accumulated depreciation	(888,720)	(245,410)	179,328	(954,802)
Total capital assets being depreciated, net	2,182,007	137,998	(72,938)	2,247,067
Business-type activities capital assets, net	\$ 2,755,052	\$ 137,998	\$ (72,938)	\$ 2,820,112

City of Ozark, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

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

<i>For the year ended September 30,</i>	<i>2020</i>
Governmental activities	
General government	\$ 133,902
Police	144,726
Fire	195,535
Street	598,911
Sanitation	114,374
Leisure services	186,617
Engineering and inspections	1,847
Vehicle maintenance	1,954
Airport	472,025
Judicial	2,579
Economic development	121,084
Ozark technology center	23,847
Information technology	28,530
Total depreciation expense - governmental activities	\$ 2,025,931
Business-type activities	
Emergency medical services	81,752
Ozark square shopping center	52,330
Total depreciation expense - business-type activities	\$ 134,082

Long-Term Debt and Liabilities

Bonds Payable

On May 15, 2014, the City issued its Series 2014 General Obligation Warrants in the amount of \$4,180,000. Proceeds were used to redeem \$880,000 of outstanding Series 2004 bonds, 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 were 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 flows savings resulted in an economic gain of \$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 reported as deferred outflows of resources in the accompanying financial statements and amortized into interest expense over the life of the refunded bonds using the straight-line method.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Bonds Payable (continued)

The total amount amortized for the year ended September 30, 2020 is \$39. The remaining amount to be amortized as of September 30, 2020 is \$541. 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. Amortization related to the Series 2014 bonds for the year ended September 30, 2020 is \$1,940. Remaining original issue discount to be amortized in future periods is \$27,153.

On May 10, 2016, the City issued its Series 2016 General Obligation Warrants in the amount of \$2,695,000. Proceeds 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. Amortization related to the Series 2016 bonds for the year ended September 30, 2020 is \$2,741. Remaining original issue premium to be amortized in future periods is \$27,406.

On June 6, 2017, the City issued its Series 2017 General Obligation Warrants in the amount of \$3,140,000. Proceeds were used to partially redeem \$2,880,000 of outstanding Series 2011 bonds, provide the match on an ALDOT Transportation Alternative Project for sidewalks, provide 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 were 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 flows savings resulted in an economic gain of \$142,836 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 reported as deferred outflows of resources in the accompanying financial statements and amortized into interest expense over the life of the refunded bonds using the straight-line method. The total amount amortized for the year ended September 30, 2020 is \$9,316. The remaining amount to be amortized as of September 30, 2020 is \$55,890. 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 is reported as a component of interest expense. Amortization related to the Series 2017 bonds for the year ended September 30, 2020 is \$2,144. Remaining original issue premium to be amortized in future periods is \$10,717.

City of Ozark, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Bonds Payable (continued)

The following is a summary of governmental activities bonds payable for the year ended September 30, 2020:

<i>Year ending September 30,</i>	Principal	Interest	Total
2021	\$ 585,000	\$ 225,442	\$ 810,442
2022	595,000	214,632	809,632
2023	600,000	199,432	799,432
2024	620,000	183,932	803,932
2025	640,000	167,782	807,782
2026–2030	3,220,000	611,497	3,831,497
2031–2035	2,225,000	149,822	2,374,822
Total	8,485,000	1,752,539	10,237,539
Current portion	(585,000)	(225,442)	(810,442)
Payable after one year	\$ 7,900,000	\$ 1,527,097	\$ 9,427,097

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of two ambulances, a dump truck, an emergency generator, six work vehicles, an animal control vehicle, construction of a ten unit T Hangar, a freightliner with knuckleboom loader, a freightliner, and a garbage truck. The two ambulances, dump truck, and emergency generator were paid off during the current year. The lease agreements qualify as capital leases for accounting purposes (title transfer at the end of the lease term) and therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

City of Ozark, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Capital Leases (continued)

The following is a schedule of minimum future lease payments from lease agreements as of September 30:

	Capital Lease Obligations	Interest Expense	Total
2021	\$ 226,675	\$ 14,856	\$ 241,531
2022	100,934	10,539	111,473
2023	103,594	7,879	111,473
2024	63,770	5,655	69,425
2025	16,941	4,659	21,600
2026-2030	93,006	14,993	107,999
2031-2035	48,648	1,829	50,477
Total	\$ 653,568	\$ 60,410	\$ 713,978

Long-Term Debt and Liabilities – Component Unit

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 payable solely from and secured by pledged 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. Payment of principal and sinking fund deposits on this warrant shall be transferred from the pledged revenues to the Debt Service Fund for the 2010 Pool Bonds. Semi-annual interest payments are due March 1 and September 1 of each year. Annual principal payments are made to a sinking fund annually on September 1.

City of Ozark, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities – Component Unit (continued)

Capital Outlay Pool Warrants (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
2021	5.15%	\$ 983,715	\$ 94,918	\$ 1,078,633
2022	5.15%	983,715	94,918	1,078,633
2023	5.15%	983,715	94,918	1,078,633
2024	5.15%	983,715	94,918	1,078,633
2025	5.15%	983,715	94,918	1,078,633
2026-2027	5.15%	1,967,430	189,836	2,157,266
		<u>\$ 6,886,005</u>	<u>\$ 664,426</u>	<u>\$ 7,550,431</u>

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 payable solely from and secured by pledged 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. Payment of principal and sinking fund deposits 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 of each year. Annual principal payments are made to a sinking fund annually on 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
2021	4.60%	\$ 36,750	\$ 16,790	\$ 53,540
2022	4.60%	36,750	16,790	53,540
2023	4.60%	36,750	16,790	53,540
2024	4.60%	36,750	16,790	53,540
2025	4.60%	36,750	16,790	53,540
2026	4.60%	36,750	16,790	53,540
		<u>\$ 220,500</u>	<u>\$ 100,740</u>	<u>\$ 321,240</u>

City of Ozark, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Changes In Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows for governmental activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General Obligation Warrants, Series 2014	\$ 3,785,000	\$ -	\$ -	\$ 3,785,000	\$ -
General Obligation Warrants, Series 2016	2,225,000	-	(160,000)	2,065,000	165,000
General Obligation Warrants, Series 2017	3,050,000	-	(415,000)	2,635,000	420,000
Less unamortized discount	(9,331)	-	376	(8,955)	-
Total bonds payable	9,050,669	-	(574,624)	8,476,045	585,000
Capital lease obligations	592,258	219,846	(158,536)	653,568	226,675
Compensated absences	288,181	-	(24,955)	263,226	-
Governmental activities long-term liabilities	\$ 9,931,108	\$ 219,846	\$ (758,115)	\$ 9,392,839	\$ 811,675

Long-term liability activity for the year ended September 30, 2020, was as follows for business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Capital lease obligations	\$ 11,876	\$ -	\$ (11,876)	\$ -	\$ -
Compensated absences	22,094	-	-	22,094	-
Business-type activities long-term liabilities	\$ 33,970	\$ -	\$ (11,876)	\$ 22,094	\$ -

Compensated absences, other postemployment benefits and the net pension liability will be liquidated in future periods primarily by the General Fund for governmental activities. Business-type activities compensated absences will be liquidated by the respective proprietary fund.

City of Ozark, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Changes In Long-Term Liabilities (continued)

Long-term liability activity for the year ended September 30, 2020, was as follows for the component unit:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component unit					
Notes payable from direct borrowings	\$ 1,775,046	\$ -	\$ (229,747)	\$ 1,545,299	\$ 232,018
Bonds payable	26,487,632	-	(150,970)	26,336,662	158,693
Bond premium	357,691	-	(21,461)	336,230	21,461
Component unit long-term liabilities	\$ 28,620,369	\$ -	\$ (402,178)	\$ 28,218,191	\$ 412,172

Pledged Revenues

The City has general obligation warrants outstanding at September 30, 2020, for which revenues of the City have been pledged for repayment. Revenues pledged to repay these obligations are as follows:

	Amount Issued	Future Principal and Interest	Current Pledged Revenue	Current Year Principal and Interest	Current Percentage of Revenue
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Governmental Activities

General Obligation Warrants,
Series 2016

Maturity: 2031

Interest rate: 1.40% - 4.00% \$ 2,695,000 \$ 2,385,265 \$ 309,361 \$ 215,924 69.8%

Purpose: Resurface streets in the City

Pledged revenue: Gas taxes levied pursuant to Ordinance 2015-9 of \$0.04 per gallon, net of certain tax abatements (more fully described in the first paragraph of Note 8) as defined in the bond indenture.

The City has also adopted Ordinance 2007-8 and Resolution 2010-AA, which pledge 12.5% (½ cent of its 4 cent tax) of the net proceeds of the gross receipts license tax levied by the City to the BOE related to the Capital Outlay Pool Warrant, Series 2011 described earlier in this note. The amount pledged and remitted to the BOE during the year ended September 30, 2020 totaled \$1,007,032.

City of Ozark, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables And Transfers

Operating Transfers	Transfers		Net
	In	Out	
Major Funds			
General Fund	\$ 267,276	\$ (1,576,568)	\$ (1,309,292)
Nonmajor Funds			
Street	614,906	(217,174)	397,732
Municipal Court / Judicial Admin	30,673	(5,840)	24,833
FEMA	26,671	-	26,671
Alabama Trust Fund Improvements	-	(145,827)	(145,827)
Corrections	73,841	(56,049)	17,792
Debt Service	988,091	-	988,091
Total	\$ 2,001,458	\$ (2,001,458)	\$ -

The transfers between funds are generally used to meet cash demands necessary to pay operating expenditures.

Net Investment In Capital Assets

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets (net)	\$ 36,476,870	\$ 2,820,112	\$ 39,296,982
Outstanding debt related to capital assets	(9,129,613)	-	(9,129,613)
Net investment in capital assets	\$ 27,347,257	\$ 2,820,112	\$ 30,167,369

Note 3: 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 deferred compensation 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 4: RETIREMENT PLAN

Description of Plan

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

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

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

Summary of Significant Accounting Policies

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.

Note 4: RETIREMENT PLAN (Continued)

Funding Requirements

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, 2020, 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 Board's average contribution rate to fund the normal and accrued liability costs was 9.92% of pensionable payroll for Tier 1 employees and 6.00% for Tier 2 employees.

The City's contractually required contribution rate for the year ended September 30, 2020 was 10.29% of pensionable pay for Tier 1 employees, and 6.37% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the Plan from the City were \$446,665 for the year ended September 30, 2020.

Note 4: RETIREMENT PLAN (Continued)

Plan Membership and Benefits

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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Plan Membership

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active members	55,222
Post-DROP participants who are still in active service	98
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Total plan membership	93,986

City of Ozark, Alabama
Notes to Financial Statements

Note 4: RETIREMENT PLAN (Continued)

Net Pension Liability, Significant Assumptions, And Discount Rate

The City's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2018 rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

	Expected	Actual
(a) Total pension liability as of September 30, 2018	\$ 21,272,501	\$ 21,046,817
(b) Discount rate	7.70%	7.70%
(c) Entry age normal cost for the period		
October 1, 2018 - September 30, 2019	467,852	467,852
(d) Transfers among employers	-	(100,412)
(e) Actual benefit payments and refunds for		
the period October 1, 2018 - September 30, 2019	(1,436,389)	(1,436,389)
(f) TPL as of September 30, 2019 =		
[(a) x (1+(b))] + (c) + (d) + [(e) * (1 + 0.5*(b))]	\$ 21,886,646	\$ 21,543,172
(g) Difference between expected and actual:		\$ (343,474)
(h) Less liability transferred for immediate recognition:		\$ (100,412)
(i) Experience (gain)/loss = (g) - (h)		\$ (243,062)

The total pension liability as of September 30, 2019 was determined based on the actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized as follows:

Inflation	2.75%
Projected salary increases	3.25% - 5.00%
Investment rate of return	
(net of pension plan investment expense)	7.70%

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

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

Note 4: RETIREMENT PLAN (Continued)

Net Pension Liability, Significant Assumptions, And Discount Rate (continued)

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

Asset Class	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 2.50%

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the rates currently in effect and that 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.

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

For the year ended September 30, 2020, the City recognized pension expense of \$656,142. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pension of the following sources:

City of Ozark, Alabama
Notes to Financial Statements

Note 4: RETIREMENT PLAN (Continued)

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension (continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 147,490	\$ 482,608
Changes of assumptions	461,406	-
Net difference between projected and actual earnings on plan investments	178,477	-
Employer contributions subsequent to the measurement date*	446,665	-
Total	\$ 1,234,038	\$ 482,608

\$446,665 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ending September 30,

2021	\$ (304)
2022	61,916
2023	223,738
2024	122,888
2025	(62,945)
Thereafter	(40,528)
Total	\$ 304,765

City of Ozark, Alabama
Notes to Financial Statements

Note 4: RETIREMENT PLAN (Continued)

Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2018	\$ 21,272,501	\$ 16,287,730	\$ 4,984,771
Changes for the year			
Service cost	467,852	-	467,852
Interest	1,582,682	-	1,582,682
Differences between expected and actual experience	(243,062)	-	(243,062)
Changes of assumptions	-	-	-
Contributions - employer	-	549,631	(549,631)
Contributions - employee	-	347,610	(347,610)
Net investment income	-	410,026	(410,026)
Benefit payments, including refunds of employee contributions	(1,436,389)	(1,436,389)	-
Transfer among employers	(100,412)	(100,412)	-
Net changes	270,671	(229,534)	500,205
Balances at September 30, 2019	\$ 21,543,172	\$ 16,058,196	\$ 5,484,976

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

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
City's net pension liability	\$ 7,966,567	\$ 5,484,976	\$ 3,392,558

Pension Plan Financial Statements

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, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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 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 (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. 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 (55) 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.

Funding Policy

The City is funding the post employee benefits on a pay-as-you-go basis. Contribution rates for the Plan are established by Council annually during the budget process. The OPEB plan includes health, prescription drug, and dental benefits through the payment of a percentage of premiums based on level of service.

Plan Membership

As of September 30, 2019, the valuation date, membership consisted of:

Inactive members or beneficiaries currently receiving benefits	45
Inactive members entitled to but not yet receiving benefits	0
Active members	170
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Total	215

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions and Other Inputs

In the September 30, 2019 measurement data, the actuarial assumptions and other inputs applied include the following:

Inflation	2.75%
Real wage growth	0.25%
Wage inflation	3.00%
Salary increases, including wage inflation	3.25% - 5.00%
Municipal Bond Index Rate	
Prior Measurement Date	4.18%
Measurement Date	2.66%
Health Care Cost Trends	
Pre-Medicare Medical and Prescription Drug	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare Medical and Prescription Drug	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021
Dental	4.00%

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

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, 2019 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, 2019 valuation were based on a review of recent plan experience done concurrently with the September 30, 2019 valuation.

At September 30, 2020, the City reported a TOL of \$8,032,590. The information has been provided as of the September 30, 2019 measurement date.

City of Ozark, Alabama
Notes to Financial Statements

Note 5: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions and Other Inputs (continued)

Total OPEB Liability	Increase (Decrease)
Balance as of October 1, 2018	\$ 6,932,028
Changes for the year	
Service cost at the end of the year*	285,100
Interest on TOL and cash flows	284,230
Change in benefit terms	-
Difference between expected and actual experience	(331,883)
Change of assumptions or other inputs	1,130,389
Net benefit payments	(267,274)
Other	-
Net changes	1,100,562
Balance as of September 30, 2019	\$ 8,032,590

*The service cost includes interest for the year.

There were no changes in benefit terms since prior measurement date. Changes in assumptions or other inputs since prior measurement date include change in discount rate and change in medical trend.

Sensitivity of the Net OPEB Liability

The following table represents the City's TOL calculated using the discount rate of 2.66%, as well as what the City's TOL would be if it were calculated using a discount rate that is one percentage point lower (1.66%) or one percentage point higher (3.66%) than the current rate:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB Liability	\$ 9,250,388	\$ 8,032,590	\$ 7,035,389

The following table represents the City's TOL calculated using current health care cost trend rates noted above, as well as what the City's TOL would be if it were determined 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	1% Increase
Total OPEB Liability	\$ 6,875,529	\$ 8,032,590	\$ 9,514,804

City of Ozark, Alabama
Notes to Financial Statements

Note 5: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

For the fiscal year ended September 30, 2020, the City recognized an OPEB expense of \$518,885. In addition the City reported deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,734	\$ 307,744
Change of assumptions or other inputs	999,405	845,107
Net difference between projected and actual earnings on OPEB plan investments	-	-
Benefit payments subsequent to the measurement date*	312,830	-
Total	\$ 1,327,969	\$ 1,152,851

\$312,830 reported as deferred outflows of resources related to OPEB resulting from benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year ending September 30,</i>		
2020	\$	(50,445)
2021		(50,445)
2022		(50,445)
2023		(50,445)
2024		(50,445)
Thereafter		114,513
Total	\$	(137,712)

Note 6: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City has obtained coverage from commercial insurance companies, effectively transferring any risk of loss.

Note 7: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the City is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the City or results of activities.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts not recorded, if any, to be immaterial.

The City has active construction projects as of September 30, 2020. At year-end, the City's commitments with contractors are as follows:

General Fund	\$ 571,280
Street	455,311
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Total outstanding commitments	\$ 1,026,591

General Fund includes airport improvements that are mainly funded by federal and state matching grants. Street projects are primarily funded by debt and tax revenue.

Note 8: TAX ABATEMENTS

On November 19, 2013, the 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, 2020, rebates totaled \$305,545 and remaining available rebates under the agreement were approximately \$578,064 as of September 30, 2020.

On June 3, 2014, the 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, 2020, rebates totaled \$49,656 and remaining available rebates under the agreement were approximately \$104,630 as of September 30, 2020.

On September 22, 2014, the 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.

Note 8: TAX ABATEMENTS (Continued)

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, 2020, rebates totaled \$50,375 and remaining available rebates under the agreement were approximately \$747,745 as of September 30, 2020.

On October 17, 2017, the 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, 2020, rebates totaled \$30,998 and remaining available rebates under the agreement were approximately \$36,863 as of September 30, 2020.

On March 19, 2019, the Council adopted resolutions to enter into agreements with two manufacturing companies to grant each 100% of all state and local noneducational property taxes and 100% of all construction related transaction taxes. The agreements shall extend for a period of ten years or through the date the project is placed in service. No taxes were rebated under these agreements during the year ended September 30, 2020.

Note 9: RELATED PARTY TRANSACTIONS

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

On November 22, 2005, the City and the Utilities Board entered into a formal agreement in which the Utilities Board reimburses the City for use of a portion of the Municipal Complex to be applied to the 2002 Bond Issue. The Utilities Board agreed to be responsible for 18% of the bonded 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 2 is a note receivable due from the Utilities Board with a principal balance of \$311,493 as of September 30, 2020. The note is due in monthly installments through February 2026 with interest ranging from 3.35% to 5%. During 2020, the City recorded total payments from the Utilities Board of \$65,517, which includes \$49,078 principal and \$16,439 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 10: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of the novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the ongoing operating activities and the future results of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain as of April 16, 2021.

Note 11: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2020 through April 16, 2021, the date the current year's financial statements were available to be issued. The following events occurred:

On November 23, 2020, the City was donated property located on Roy Parker Road at a total appraised value of \$1,720,000.

On December 1, 2020, the City approved a new Business Incentives Policy that offers investment-based incentives for development of the business community. The incentives include a tax abatement policy, a sales and use tax rebate probate program, and historic rehabilitation tax credits.

On December 21, 2020, the City approved a new Residential Incentives Policy that offers investment-based incentives for new home construction. The incentives include a tax abatement policy, a sales and use tax rebate probate program, and building permits at no cost.

On May 2, 2019, the City entered into an agreement with two manufacturing companies to convey title of property located on Van Heusen Drive for the sum of \$100 should the companies satisfy a job target minimum by the target date January 31, 2021. As of January 31, 2021, the target was met and title was conveyed to the companies. The estimated fair market value of the premises was \$2,070,000 and the difference between such value and the purchase price was an incentive offered by the City to the companies to induce the companies to undertake the project.

On February 2, 2021, the City donated property located at the Ozark Square Shopping Center to the Ozark Dale County Library, Inc.

On March 2, 2021, the City introduced and adopted an ordinance authorizing the issuance, delivery and payment of the City's \$3,760,000 principal amount of the General Obligation Warrants, Series 2021, dated March 23, 2021. The City determined it was in the best public and financial interest to issue the Series 2021 Warrants for the purpose of refunding and redeeming the City's outstanding General Obligation Warrants, Series 2014, dated May 1, 2014, outstanding in the principal amount of \$3,785,000 on or about April 23, 2021, purchasing a municipal bond insurance policy, and paying issuance expenses.

City of Ozark, Alabama
Schedule of Changes in Net Pension Liability and Related Ratios
Last Six Fiscal Years

<i>As of and for the year ended September 30,</i>	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 467,852	\$ 484,217	\$ 469,964	\$ 474,328	\$ 444,431	\$ 486,720
Interest	1,582,682	1,561,886	1,510,378	1,408,146	1,386,963	1,334,762
Difference between expected and actual experience	(243,062)	(316,905)	39,418	286,209	(174,320)	-
Changes of assumptions	-	113,058	-	870,768	-	-
Benefit payments, including refunds of member contributions	(1,436,389)	(1,497,733)	(1,216,202)	(1,411,749)	(1,372,821)	(965,131)
Transfers among employers	(100,412)	25,742	1,824	161,456	-	-
Net change in total pension liability	270,671	370,265	805,382	1,789,158	284,253	856,351
Total pension liability - beginning	21,272,501	20,902,236	20,096,854	18,307,696	18,023,443	17,167,092
Total pension liability - ending (a)	21,543,172	21,272,501	20,902,236	20,096,854	18,307,696	18,023,443
Plan Fiduciary Net Position						
Contributions - employer	549,631	446,010	459,888	467,660	457,419	463,937
Contributions - member	347,610	346,073	332,178	362,299	301,942	298,308
Net investment income	410,026	1,408,494	1,790,040	1,331,113	159,366	1,482,615
Benefit payments, including refunds of member contributions	(1,436,389)	(1,497,733)	(1,216,202)	(1,411,749)	(1,372,821)	(965,131)
Transfers among employers	(100,412)	25,742	1,824	161,456	(9,909)	13,776
Net change in plan fiduciary net position	(229,534)	728,586	1,367,728	910,779	(464,003)	1,293,505
Plan fiduciary net position - beginning	16,287,730	15,559,144	14,191,416	13,280,637	13,744,640	12,451,135
Plan fiduciary net position - ending (b)	16,058,196	16,287,730	15,559,144	14,191,416	13,280,637	13,744,640
Net pension liability - ending (a) - (b)	\$ 5,484,976	\$ 4,984,771	\$ 5,343,092	\$ 5,905,438	\$ 5,027,059	\$ 4,278,803
Plan fiduciary net position as a percentage of the total pension liability	74.54%	76.57%	74.44%	70.62%	72.54%	76.26%
Covered payroll	\$ 5,615,180	\$ 6,068,177	\$ 6,148,668	\$ 5,885,886	\$ 5,609,577	\$ 5,749,664
Net pension liability as a percentage of covered payroll	97.68%	82.15%	86.90%	100.33%	89.62%	74.42%

Note to Schedule

Note 1: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only the years for which information is available.

City of Ozark, Alabama
Schedule of Contributions
Last Six Fiscal Years

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 467,852	\$ 484,217	\$ 469,964	\$ 474,328	\$ 444,431	\$ 486,720
Contributions in relation to the actuarially determined contributions	446,665	529,376	446,010	459,888	467,660	457,419
Contribution deficiency (excess)	\$ 21,187	\$ (45,159)	\$ 23,954	\$ 14,440	\$ (23,229)	\$ 29,301
Covered payroll	\$ 6,073,132	\$ 5,615,180	\$ 6,068,177	\$ 6,148,668	\$ 5,885,886	\$ 5,609,577
Contributions as a percentage of covered payroll	7.35%	9.43%	7.35%	7.48%	7.95%	8.15%

Notes to Schedule

Note 1: 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 2020 were based on the September 30, 2017 actuarial valuation.

Note 2: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only the years for which information is available.

City of Ozark, Alabama
Notes to Required Supplementary Information

Note 1: PLAN CHANGES IN BENEFIT TERMS

There have been no changes in benefits since the prior valuation of the ERS.

Note 2: CHANGES OF ASSUMPTIONS

There have been no changes in assumptions used to determine the total pension liability since the prior valuation of the ERS.

The following assumptions used to determine contribution rates changed since the prior valuation of the ERS:

- The inflation rate was decreased 0.125%, from 2.875% to 2.75%. This same 0.125% decrease also impacted salary increases and the investment rate of return, which both include the inflation rate.
- The remaining amortization period decreased from 26.1 years to 25.4 years.

Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25.4 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

City of Ozark, Alabama
Schedule of Changes in OPEB Liability and Related Ratios
Last Three Fiscal Years

<i>As of and for the year ended September 30,</i>	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 285,100	\$ 323,144	\$ 369,979
Interest	284,230	250,841	215,486
Changes of benefit term	-	-	-
Difference between expected and actual experience	(331,883)	20,604	(22,184)
Changes of assumptions or other inputs	1,130,389	(554,098)	(653,868)
Benefit payments	(267,274)	(267,274)	(208,661)
Net change in total OPEB liability	1,100,562	(226,783)	(299,248)
Total OPEB liability - beginning	6,932,028	7,158,811	7,458,059
Total OPEB liability	\$ 8,032,590	\$ 6,932,028	\$ 7,158,811
Covered payroll	\$ 5,561,701	\$ 5,576,106	\$ 5,576,106
Total OPEB liability as a percentage of covered payroll	144.43%	124.32%	128.38%

Notes to Schedule

Note 1: * GASB Codification P52 requires an employer to disclose a 10-year history. However, until a full 10-year trend is compiled, information will be presented only for those years which information is available.

Note 2: * The following discount rate was used in each period:

9/30/2017 - 3.57%

9/30/2018 - 4.18%

9/30/2019 - 2.66%

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

<i>September 30, 2020</i>	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 821,764	\$ 20,750	\$ 842,514
Due from other governments	85,597	-	85,597
Restricted cash and cash equivalents	-	362,777	362,777
Total assets	\$ 907,361	\$ 383,527	\$ 1,290,888
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 170,061	\$ -	\$ 170,061
Due to other funds	15,298	-	15,298
Total liabilities	185,359	-	185,359
Fund balances			
Restricted	722,002	383,527	1,105,529
Total liabilities and fund balances	\$ 907,361	\$ 383,527	\$ 1,290,888

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

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<i>For the year ended September 30, 2020</i>			
Revenues			
Intergovernmental	\$ 674,992	\$ -	\$ 674,992
Taxes	237,877	-	237,877
Interest and other	477	3,055	3,532
Miscellaneous revenue	2,100	-	2,100
Total revenues	915,446	3,055	918,501
Expenditures			
General government	224	-	224
Judicial	10,232	-	10,232
Street	66,068	-	66,068
Debt service			
Principal	-	733,646	733,646
Interest	-	250,674	250,674
Fiscal agent fees	-	6,450	6,450
Capital outlay	1,155,022	-	1,155,022
Total expenditures	1,231,546	990,770	2,222,316
Excess (deficiency) of revenues over (under) expenditures	(316,100)	(987,715)	(1,303,815)
Other Financing Sources (Uses)			
Transfers in (out)	321,201	988,091	1,309,292
Net change in fund balances	5,101	376	5,477
Fund balances, beginning of year	716,901	383,151	1,100,052
Fund balances, end of year	\$ 722,002	\$ 383,527	\$ 1,105,529

City of Ozark, Alabama
Combining Balance Sheet –
Nonmajor Special Revenue Funds

	Special					
<i>September 30, 2020</i>	Street	Four Cent Gas Tax	Ten Cent Gas Tax	UDAG	FEMA	Wiregrass Violent Crime
Assets						
Cash and cash equivalents	\$ 499,185	\$ 31,467	\$ 60,514	\$ 17,639	\$ 6,507	\$ 3,871
Due from other funds	76,890	-	-	-	-	-
Total assets	\$ 576,075	\$ 31,467	\$ 60,514	\$ 17,639	\$ 6,507	\$ 3,871
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 170,061	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	13,298	-	-	-	-
Total liabilities	170,061	13,298	-	-	-	-
Fund Balances						
Restricted	406,014	18,169	60,514	17,639	6,507	3,871
Total liabilities and fund balances	\$ 576,075	\$ 31,467	\$ 60,514	\$ 17,639	\$ 6,507	\$ 3,871

Revenue Funds									Total Nonmajor Special Revenue Funds
Department of Justice	Drug Forfeiture	Municipal Court/ Judicial Admin	CDBG	Alabama Trust Fund Improvements	Corrections	Bond			
\$ 4,227	\$ 99	\$ 58,802	\$ 7,341	\$ 22,496	\$ 78,531	\$ 31,085	\$ 821,764		
-	-	2,247	-	-	6,460	-	85,597		
<u>\$ 4,227</u>	<u>\$ 99</u>	<u>\$ 61,049</u>	<u>\$ 7,341</u>	<u>\$ 22,496</u>	<u>\$ 84,991</u>	<u>\$ 31,085</u>	<u>\$ 907,361</u>		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,061		
-	-	-	2,000	-	-	-	15,298		
-	-	-	2,000	-	-	-	185,359		
4,227	99	61,049	5,341	22,496	84,991	31,085	722,002		
<u>\$ 4,227</u>	<u>\$ 99</u>	<u>\$ 61,049</u>	<u>\$ 7,341</u>	<u>\$ 22,496</u>	<u>\$ 84,991</u>	<u>\$ 31,085</u>	<u>\$ 907,361</u>		

City of Ozark, Alabama

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Special Revenue Funds**

	Special					
<i>Year ended September 30, 2020</i>	Street	Four Cent Gas Tax	Ten Cent Gas Tax	UDAG	FEMA	Wiregrass Violent Crime
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 527,231	\$ -
Taxes	114,235	63,128	60,514	-	-	-
Interest and other	-	5	-	-	-	-
Miscellaneous revenue	-	-	-	2,100	-	-
Total revenues	114,235	63,133	60,514	2,100	527,231	-
Expenditures						
Current						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Street	-	66,068	-	-	-	-
Capital outlay	601,120	-	-	-	553,902	-
Total expenditures	601,120	66,068	-	-	553,902	-
Excess (deficiency) of revenues over expenditures	(486,885)	(2,935)	60,514	2,100	(26,671)	-
Other Financing Sources (Uses)						
Transfers in (out)	397,732	-	-	-	26,671	-
Total other financing sources (uses)	397,732	-	-	-	26,671	-
Net change in fund balances	(89,153)	(2,935)	60,514	2,100	-	-
Fund balances, beginning of year	495,167	21,104	-	15,539	6,507	3,871
Fund balances, end of year	\$ 406,014	\$ 18,169	\$ 60,514	\$ 17,639	\$ 6,507	\$ 3,871

Revenue Funds								Total Nonmajor Special Revenue Funds
Department of Justice	Drug Forfeiture	Municipal Court/ Judicial Admin	CDBG	Alabama Trust Fund Improvements	Corrections	Bond		
\$ 1,934	\$ -	\$ -	\$ -	\$ 145,827	\$ -	\$ -	\$	674,992
-	-	-	-	-	-	-		237,877
-	-	122	-	107	243	-		477
-	-	-	-	-	-	-		2,100
1,934	-	122	-	145,934	243	-		915,446
-	-	-	224	-	-	-		224
-	-	7,831	-	-	2,401	-		10,232
-	-	-	-	-	-	-		66,068
-	-	-	-	-	-	-		1,155,022
-	-	7,831	224	-	2,401	-		1,231,546
1,934	-	(7,709)	(224)	145,934	(2,158)	-		(316,100)
-	-	24,833	-	(145,827)	17,792	-		321,201
-	-	24,833	-	(145,827)	17,792	-		321,201
1,934	-	17,124	(224)	107	15,634	-		5,101
2,293	99	43,925	5,565	22,389	69,357	31,085		716,901
\$ 4,227	\$ 99	\$ 61,049	\$ 5,341	\$ 22,496	\$ 84,991	\$ 31,085	\$	722,002

City of Ozark, Alabama
Schedules of Bond Amortization Requirements

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

Paying Agent: Regions Bank

Year Ending	Interest Rate	Principal	Interest	Total
9/30/2021	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	\$ 1,268,786	\$ 5,053,786

-Continued-

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

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

Paying Agent: Regions Bank

Year Ending	Interest Rate	Principal	Interest	Total
9/30/2021	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		\$ 2,065,000	\$ 320,265	\$ 2,385,265

\$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
9/30/2021	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		\$ 2,635,000	\$ 163,480	\$ 2,798,480

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ozark, Alabama (the "City"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 16, 2021. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, the Ozark City Board of Education, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a significant deficiency.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Ozark's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity'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
April 16, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Ozark, Alabama's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-003, that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

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

Enterprise, Alabama

April 16, 2021

City of Ozark, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section I – Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Type of auditors' report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | Yes |
| 4. Identification of major programs | |

CFDA Number	Federal Program
97.044	Assistance to Firefighters Grant

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 6. Auditee qualified as low-risk under 2CFR 200.520 | No |

Section II – Financial Statements Findings

2020-001 Financial Reporting (Repeat of Finding 2019-001)

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

City of Ozark, Alabama
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2020

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

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

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

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

Management Response: The City’s Finance Officer will implement a formal financial close process.

2020-002 Capital Assets

Condition: Multiple assets were not added to or removed from the depreciation schedule, additional construction in progress amounts had to be booked as a result of accounts payable testing, and depreciation expense was not properly calculated for additions.

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

Cause: Internal processes and controls, such as financial close and reconciliation procedures, were not sufficient to detect assets not accounted for and depreciation not calculating correctly.

Effect: Multiple assets had to be added, removed, and recalculated on the depreciation schedule in order for the financial statements to be presented in accordance with generally accepted accounting principles.

Recommendation: We recommend that management establish a formal financial close process, including the timely preparation and review of a fixed asset rollforward and reconciliation of capital asset account balances to the depreciation schedule, and consider additional training for personnel responsible for preparation of the depreciation schedule.

Management Response: The City’s Finance Officer will implement a formal financial close process to include rollforward and reconciliation of capital assets and related depreciation.

City of Ozark, Alabama
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2020

Section III – Federal Award Findings and Questioned Costs

2020-003 Equipment and Real Property

CFDA 97.044 Assistance to Firefighters Grant EMW-2017-FV-02174 & EMW-2018-FO-05808
United States Department of Homeland Security

2017 and 2018 Funding

Criteria: Grantees should have controls in place to ensure that equipment purchased through the grant is properly maintained and tracked. 2 CFR 200.303 requires the non-Federal entity to “(a) establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal statutes, regulations, and the terms and conditions of the Federal award.”

Condition: The equipment purchased through the grant was not added to the depreciation schedule and the asset input form was not created for proper tracking.

Cause: Lack of sufficient controls over the additions of equipment to ensure proper tracking and documentation in accordance with the grant documents.

Effect: Lack of proper tracking and documentation of the equipment purchased through grant money could lead to improper equipment management or disposal.

Questioned Costs: Not determinable

Recommendation: We recommend the implementation of controls to ensure assets are being properly added to the depreciation schedule and tracked through the input form packet.

Management Response: The City is in agreement with the finding noted and will implement a formal process to ensure assets are properly added to the depreciation schedule and tracked.

SECTION IV: PRIOR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

City of Ozark, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Federal Agency Pass-through Grantor Program Title	CFDA Number	Contract/ Grant Number	Expenditures	Payments to Subrecipients
United States Department of Agriculture				
Passed through Alabama Department of Education Summer Food Service Program for Children*	10.559		\$ 125,361	\$ -
United States Department of Transportation				
Passed through Alabama Department of Transportation Airport Improvement Program	20.106	3-01-0056-019-2019	279,627	-
Passed through Southeast Alabama Highway Safety Office, Enterprise State Community College State and Community Highway Safety**	20.600		746	-
Total United States Department of Transportation			280,373	-
United States Department of Health and Human Services				
Passed through Southern Alabama Regional Council on Aging Aging Cluster Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers	93.044		7,920	
Special Programs for the Aging, Title III, Part C Nutrition Services	93.045		5,340	-
Total Aging Cluster			13,260	
Total United States Department of Health and Human Services			13,260	
United States Department of the Treasury				
Passed through State of Alabama COVID-19 - Coronavirus Relief Fund	21.019		132,694	-

-Continued-

City of Ozark, Alabama
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2020

Federal Agency Pass-through Grantor Program Title	CFDA Number	Contract/ Grant Number	Expenditures	Payments to Subrecipients
United States Department of Homeland Security				
Assistance to Firefighters Grant	97.044	EMW-2017-FV-02174 & EMW-2018-FO-05808	527,231	-
Passed through Alabama Law Enforcement Agency to Houston County Commission Homeland Security Grant Program	97.067		3,336	
Total United States Department of Homeland Security			530,567	-
Total Expenditures of Federal Awards			\$ 1,082,255	\$ -

* Child Nutrition Cluster

** Highway Safety Cluster

City of Ozark, Alabama
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying schedule of expenditures of federal awards (the SEFA) includes the federal spending of the City of Ozark, Alabama (the "City") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not represent the financial position of the City.

Note 2: INDIRECT COST RATE

The Uniform Guidance allows an organization to elect a 10% de minimis indirect cost rate. For the year ended September 30, 2020, the City did not elect to use this rate.

Note 3: LOAN / LOAN GUARANTEE OUTSTANDING BALANCES

The City did not have any federal loans or loan guarantees outstanding during the year ended September 30, 2020.

Note 4: SUB-RECIPIENTS

During the year ended September 30, 2020 the City had no sub-recipients.

Note 5: NONCASH ASSISTANCE AND OTHER

The City did not receive any noncash assistance or federally funded insurance during the year ended September 30, 2020.

Note 6: CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City.

City of Ozark, Alabama
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Note 7: FEDERAL PASS-THROUGH FUNDS

The City is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-through are considered to be direct.



ADMINISTRATIVE DEPARTMENT

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MAYOR
Mark Blankenship

**CITY CLERK/
PERSONNEL OFFICER**
Denise Strickland

FINANCE OFFICER
Chris Peters

COUNCIL MEMBERS
Leah Harlow
Les Perault
Winston Jackson
Brenda Simechak
Stanley Enfinger

A city for all seasons

Corrective Active Plan

2020-001 FINANCIAL REPORTING (Repeat of 2019-001)

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

Action Taken: The City's Finance Officer will implement a formal financial close process.

Anticipated Completion: September 30, 2021

Responsible Party: City Finance Officer

2020-002 CAPITAL ASSETS

Recommendation: We recommend that management establish a formal financial close process, including the timely preparation and review of a fixed asset rollforward and reconciliation of capital asset account balances to the depreciation schedule, and consider additional training for personnel responsible for preparation of the depreciation schedule.

Action Taken: The City's Finance Officer will implement a formal financial close process to include rollforward and reconciliation of capital assets and related depreciation.

Anticipated Completion: September 30, 2021

Responsible Party: City Finance Officer

2020-003 EQUIPMENT AND REAL PROPERTY

Recommendation: We recommend the implementation of controls to ensure assets are being properly added to the depreciation schedule and tracked through the input form packet.

Action Taken: The City will implement a formal process to ensure assets are properly added to the depreciation schedule and tracked.

Anticipated Completion: September 30, 2021

Responsible Party: City Finance Officer