



City of Ozark, Alabama

FINANCIAL STATEMENTS

September 30, 2025



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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Ozark, Alabama

Report on Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ozark, Alabama (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Ozark City Board of Education (the "Board of Education"), which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit as of September 30, 2025. 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 Board of Education, is based solely on the report of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5–16), budgetary comparison information (pages 68-69), schedule of changes in net pension liability (page 70), schedule of employer contributions (page 71), and schedule of changes in OPEB liability (page 72) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and schedules of bond amortization requirements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2026, 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, L.L.C.

Enterprise, Alabama

May 13, 2026

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, 2025. 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, 2025 was \$35,132,476. This represents an increase of \$1,647,287 from restated net position at September 30, 2024. The combined unrestricted (deficit) increased \$1,148,858, the governmental activities deficit increased \$1,018,468, and the business-type activities net position decreased \$130,390.
- The revenues at September 30, 2025 from governmental activities were \$24,175,426 and revenues from business-type activities were \$2,023,572, for a combined total of \$26,198,998. This is a net increase in revenues from prior year (restated) of \$613,647.

From the Fund Financial Statements

- The governmental funds reported revenues of \$24,028,919 for fiscal year 2025, an increase of \$741,781 over \$23,287,138 reported for fiscal year 2024. The majority of the increases were in taxes.
- The General Fund reported a total fund balance of \$9,477,620 at September 30, 2025. The spendable, unassigned portion of total fund balance was \$8,276,625, the nonspendable portion was \$1,168,717, and the restricted portion was \$32,278. The net result of operations is a decrease of \$216,419. 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 47.5 percent of the total general fund operating expenditures of \$17,409,660 (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 \$2,901,610. Total fund balance as a percentage of the general operating expenditures is 54.4 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

City of Ozark, Alabama Management's Discussion and Analysis

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 Union Central 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 17 of this report.

Fund Financial Statements

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

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

City of Ozark, Alabama Management's Discussion and Analysis

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 that is considered to be a major fund. Data from the other governmental funds are combined into an aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the other supplementary 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 pages 21 and 68, respectively, of this report.

Proprietary Funds The City maintains two proprietary funds, one for the Union Central 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 property now referred to as Union Central Shopping Center in a donation in December 2008, and there are 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 are as follows:

City of Ozark, Alabama
Management's Discussion and Analysis

<i>Years ended September 30,</i>	2025	2024	Increase (Decrease)	% Increase (Decrease)
Number of patients transported	4,486	4,339	147	3.4%
Gross charge per trip	\$ 776	\$ 797	\$ (21)	-2.6%
Net charge per trip	\$ 571	\$ 572	\$ (1)	-0.2%
Cash collection per trip	\$ 350	\$ 427	\$ (77)	-18.0%
Cash collection per trip as a percent of net charge per trip	61.3%	74.7%		
Ten year average cost per transport:	\$ 319			

Number of patients transported by payer type:

	FY2024-25	% of total	FY2023-24	% of total
Medicare	1,302	29.0%	1,265	29.2%
Medicaid	559	12.5%	700	16.1%
Other Insurance	2,325	51.8%	2,029	46.8%
Patient (no insurance)	300	6.7%	345	8.0%

The EMS program decreased its net position by \$111,881 in fiscal year 2025.

The basic proprietary fund financial statements can be found beginning on page 26 of this report.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found beginning on page 30 of this report.

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 \$31,900,132 for fiscal year 2025, as compared to (restated) \$30,168,317 for fiscal year 2024.

City of Ozark, Alabama Management's Discussion and Analysis

	Governmental Activities		Business-type Activities		Primary Government Total	
		(Restated)				(Restated)
<i>September 30,</i>	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 12,260,883	\$ 15,198,903	\$ 2,058,241	\$ 2,253,889	\$ 14,319,124	\$ 17,452,792
Capital assets	42,795,732	39,971,956	3,012,644	3,071,978	45,808,376	43,043,934
Total assets	55,056,615	55,170,859	5,070,885	5,325,867	60,127,500	60,496,726
Deferred Outflows of Resources						
	2,665,675	3,377,460	314,260	383,496	2,979,935	3,760,956
Liabilities						
Current liabilities	3,122,096	4,543,500	59,051	87,294	3,181,147	4,630,794
Long-term liabilities	18,512,593	20,135,058	1,398,803	1,540,935	19,911,396	21,675,993
Total liabilities	21,634,689	24,678,558	1,457,854	1,628,229	23,092,543	26,306,787
Deferred Inflows of Resources						
	4,187,469	3,701,444	694,947	764,262	4,882,416	4,465,706
Net Position (Deficit)						
Net investment in capital assets	35,703,630	32,928,864	2,732,592	2,686,730	38,436,222	35,615,594
Restricted	413,729	438,212	-	-	413,729	438,212
Unrestricted (deficit)	(4,217,227)	(3,198,759)	499,752	630,142	(3,717,475)	(2,568,617)
Total net position	\$ 31,900,132	\$ 30,168,317	\$ 3,232,344	\$ 3,316,872	\$ 35,132,476	\$ 33,485,189

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 liabilities, it should be noted that the resources needed to repay any 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, 2025 and 2024, reported unrestricted deficits in governmental activities. The unrestricted deficit in governmental activities was the result of the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 68 and GASB Statement No. 75 in prior years.

As illustrated below, total revenues increased year over year, mostly attributable to taxes in governmental activities. Business-type charges for services saw a decline from fiscal year 2024.

City of Ozark, Alabama
Management's Discussion and Analysis

<i>Years ended September 30,</i>	Governmental		Business-type		Primary Government	
	Activities		Activities		Total	
	(Restated)				(Restated)	
	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for services	\$ 6,601,806	\$ 6,385,279	\$ 1,925,523	\$ 2,227,005	\$ 8,527,329	\$ 8,612,284
Operating grants and contributions	488,856	484,781	-	-	488,856	484,781
Capital grants and contributions	1,443,589	1,628,851	97,148	121,498	1,540,737	1,750,349
General Revenues:					-	-
Property taxes	1,088,285	993,369	-	-	1,088,285	993,369
Sales taxes	11,171,580	10,967,322	-	-	11,171,580	10,967,322
Motor fuel taxes	1,462,599	1,241,552	-	-	1,462,599	1,241,552
Other taxes	1,388,156	1,176,721	-	-	1,388,156	1,176,721
Other	530,555	278,867	901	80,286	531,456	359,153
Total revenues	24,175,426	23,156,742	2,023,572	2,428,789	26,198,998	25,585,531
Functions/Program Expenses:						
General government	1,309,728	1,420,664	-	-	1,309,728	1,420,664
Police	3,702,799	3,756,706	-	-	3,702,799	3,756,706
Fire	3,698,296	3,349,953	2,009,411	1,869,778	5,707,707	5,219,731
Street	2,154,516	2,232,741	-	-	2,154,516	2,232,741
Sanitation	1,850,403	1,799,255	-	-	1,850,403	1,799,255
Leisure services	2,237,907	2,123,733	-	-	2,237,907	2,123,733
Engineering and inspections	224,874	218,430	-	-	224,874	218,430
Vehicle maintenance	340,615	352,077	-	-	340,615	352,077
Airport	873,333	942,904	-	-	873,333	942,904
Judicial	264,154	230,024	-	-	264,154	230,024
Appropriations	145,103	141,503	-	-	145,103	141,503
Non-departmental	484,127	350,583	-	-	484,127	350,583
Economic development	704,083	742,871	98,689	100,085	802,772	842,956
Ozark technology center	155,676	160,066	-	-	155,676	160,066
Information technology	238,453	183,121	-	-	238,453	183,121
Education	3,596,825	3,341,205	-	-	3,596,825	3,341,205
Interest	172,086	154,797	-	-	172,086	154,797
Fees on long term debt	39,658	5,868	-	-	39,658	5,868
Amortization (accretion)	250,975	(205)	-	-	250,975	(205)
Total functions/program expenses	22,443,611	21,506,296	2,108,100	1,969,863	24,551,711	23,476,159
Net Increase (Decrease) in Net Position	\$ 1,731,815	\$ 1,650,446	\$ (84,528)	\$ 458,926	\$ 1,647,287	\$ 2,109,372

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 \$11,052,780, a decrease of \$298,637 in comparison with the prior year. Spendable, unassigned fund balances of \$8,276,625 represents 75 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 \$1,168,717, and the restricted amount is \$1,607,438 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, the spendable, unassigned portion of total fund balance was \$8,276,625, the nonspendable portion was \$1,168,717, and the restricted portion was \$32,278. The net result of operations is a decrease of \$216,419. 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 47.5 percent of the total general fund operating expenditures of \$17,409,660 (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 \$2,901,610. Total fund balance as a percentage of the general operating expenditures is 54.4 percent.

<i>September 30,</i>	<u>Total Governmental Funds</u>		Change
	2025	(Restated) 2024	
Assets			
Cash and cash equivalents	\$ 9,774,795	\$ 12,648,616	\$ (2,873,821)
Receivables, net	1,935,113	2,006,489	(71,376)
Due from other funds	204,624	132,689	71,935
Other assets	1,012,155	14,595	997,560
Restricted cash and cash equivalents	407,364	428,361	(20,997)
Total assets	\$ 13,334,051	\$ 15,230,750	\$ (1,896,699)

City of Ozark, Alabama
Management's Discussion and Analysis

<i>September 30,</i>	<u>Total Governmental Funds</u>		Change
	2025	(Restated) 2024	
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 561,151	\$ 2,348,213	\$ (1,787,062)
Due to other funds	75,608	31,847	43,761
Accrued payroll	520,797	503,077	17,720
Unearned revenue	119,896	256,419	(136,523)
Other accrued expenses	350,099	209,286	140,813
Total liabilities	1,627,551	3,348,842	(1,721,291)
Deferred inflows of resources	653,720	530,491	123,229
Fund balances			
Nonspendable	1,168,717	205,746	962,971
Restricted	1,607,438	1,712,065	(104,627)
Unassigned	8,276,625	9,433,606	(1,156,981)
Total fund balances	11,052,780	11,351,417	(298,637)
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,334,051	\$ 15,230,750	\$ (1,896,699)

Revenues for fiscal year 2025 from governmental funds were more than fiscal year 2024 revenues (restated) by \$786,453. The majority of the increases were attributable to an increase in tax categories.

Expenditures for fiscal year 2025 from governmental funds were less than fiscal year 2024 (restated) by \$446,828. The majority of the decrease was related to capital outlay.

<i>Years ended September 30,</i>	<u>Total Governmental Funds</u>		Change
	2025	(Restated) 2024	
Revenues			
Taxes	\$ 16,913,419	\$ 16,158,484	\$ 754,935
Licenses and permits	1,919,598	1,861,434	58,164
Intergovernmental	1,885,268	2,069,705	(184,437)
Charges for services	2,220,139	2,297,022	(76,883)
Fines and forfeitures	389,217	410,015	(20,798)
Investment earnings	21,006	26,920	(5,914)
Miscellaneous	680,272	418,886	261,386
Total revenues	24,028,919	23,242,466	786,453

City of Ozark, Alabama
Management's Discussion and Analysis

<i>Years ended September 30,</i>	Total Governmental Funds		Change
	2025	(Restated) 2024	
Expenditures			
General government	\$ 1,137,860	\$ 1,179,769	\$ (41,909)
Education	3,596,825	3,341,238	255,587
Vehicle maintenance	349,333	341,005	8,328
Police	3,583,975	3,453,096	130,879
Information technology	223,883	164,366	59,517
Fire	3,732,668	3,028,701	703,967
Airport	271,661	394,939	(123,278)
Sanitation	1,749,286	1,639,692	109,594
Street	1,515,256	1,338,884	176,372
Leisure services	1,851,064	1,820,206	30,858
Appropriations	145,103	141,503	3,600
Judicial	269,274	224,746	44,528
Economic development	584,575	612,277	(27,702)
Engineering and inspections	223,291	209,429	13,862
Ozark technology center	133,680	131,203	2,477
Non-departmental	347,980	381,651	(33,671)
Debt service	1,009,571	1,042,574	(33,003)
Capital outlay	4,082,123	5,808,957	(1,726,834)
Total expenditures	24,807,408	25,254,236	(446,828)
Excess (deficiency) of revenues over expenditures	(778,489)	(2,011,770)	1,233,281
Other Financing Sources (Uses)			
Transfers in (out), net	-	(79,754)	79,754
Proceeds from issuance of debt	300,000	501,752	(201,752)
Loss recoveries	22,393	30,787	(8,394)
Proceeds from sale of capital assets	157,459	104,264	53,195
Total other financing sources (uses)	479,852	557,049	(77,197)
Excess (deficiency) of revenues and other sources over expenditures	(298,637)	(1,454,721)	1,156,084
Fund balances - beginning	11,351,417	12,806,138	(1,454,721)
Fund balances - ending	\$ 11,052,780	\$ 11,351,417	\$ (298,637)

City of Ozark, Alabama
Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget to actual schedules are presented as required supplementary information (RSI) 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 \$959,390. Tax revenues were higher by \$457,695.

General Fund operating expenditures were over the final amended budget by \$2,117,073. The overage related primarily to capital outlay.

CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Assets

The City's investment in capital assets for governmental activities as of September 30, 2025 amounts to \$42,795,732 (net of accumulated depreciation and amortization). The City's investment in capital assets for business-type activities as of September 30, 2025 amounts to \$3,012,644 (net of accumulated depreciation). This investment in capital assets includes land; improvements and infrastructure; buildings; equipment; subscription assets; right-to-use assets; and construction in progress. Additional information on the City's capital assets can be found in Note 3 of this report.

Capital Assets (net of depreciation and amortization)

	Governmental Activities		Business-type Activities		Primary Government Total	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Land	\$ 6,364,793	\$5,776,473	\$ 698,045	\$ 698,045	\$ 7,062,838	\$6,474,518
Construction in progress	2,723,844	906,445	-	-	2,723,844	906,445
Improvements and infrastructure	20,456,132	20,802,081	288,582	306,035	20,744,714	21,108,116
Buildings	7,412,801	7,635,383	1,430,160	1,493,058	8,842,961	9,128,441
Equipment	4,950,445	4,421,401	595,857	574,840	5,546,302	4,996,241
Subscription assets	173,970	-	-	-	173,970	-
Right-to-use assets	713,747	430,173	-	-	713,747	430,173
Total	\$42,795,732	\$39,971,956	\$3,012,644	\$3,071,978	\$ 45,808,376	\$43,043,934

City of Ozark, Alabama
Management's Discussion and Analysis

Long-Term Financing

During the current year, the City entered into lease and subscription liabilities for police equipment. No new notes payable during fiscal year 2025. One new bond payable related to the purchase of land for economic development. 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 3 of this report.

	Governmental Activities		Business-type Activities		Primary Government Total	
	9/30/2025	9/30/2024	9/30/2025	9/30/2024	9/30/2025	9/30/2024
Notes payable and other	\$ 360,708	\$ 435,461	\$ -	\$ -	\$ 360,708	\$ 435,461
Lease and subscription liabilities	975,720	501,752	-	-	975,720	501,752
Bonds payable, net	5,792,023	6,154,881	-	-	5,792,023	6,154,881
Compensated absences	358,242	331,528	22,525	31,953	380,767	363,481
Net pension liability	6,031,267	7,964,711	436,647	627,867	6,467,914	8,592,578
Total OPEB liability	6,564,888	5,973,230	939,631	881,115	7,504,519	6,854,345
Total	\$ 20,082,848	\$21,361,563	\$ 1,398,803	\$ 1,540,935	\$ 21,481,651	\$ 22,902,498

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Mayor and City Council considered many factors when developing the fiscal year 2025-26 budget. A budget of \$18.9 million was adopted for the General Fund, \$4.5 million in Special Revenue Funds, and \$2.4 million in Enterprise Funds on August 19, 2025.

- 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 2025 and expects to meet that level of participation for 2026.
- The 2025-26 budget does include a step increase adjustment for all qualifying employees, in April 2026.
- The City projected slight increases in revenues in sales tax. The City did not pass any ordinances increasing any taxes.
- Dale County unemployment rate for September 2025 was 3.2 percent, and the rate for September 2024 was 3.5 percent.

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

<i>September 30, 2025</i>	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Board of Education
Assets				
Cash and cash equivalents	\$ 9,774,795	\$ 1,622,945	\$ 11,397,740	\$ 29,791,011
Investments	-	-	-	44,563
Receivables, net	1,887,279	284,260	2,171,539	1,429,591
Leases receivable	47,834	280,052	327,886	-
Prepaid items	13,378	-	13,378	510,608
Internal balances	129,016	(129,016)	-	-
Inventories	1,217	-	1,217	77,799
Restricted assets				
Cash and cash equivalents	407,364	-	407,364	-
Capital assets				
Non-depreciable	9,088,637	698,045	9,786,682	8,070,462
Depreciable, net	32,819,378	2,314,599	35,133,977	29,229,823
Right-to-use assets, net	713,747	-	713,747	239,504
Subscription assets, net	173,970	-	173,970	-
Total assets	55,056,615	5,070,885	60,127,500	69,393,361
Deferred Outflows of Resources				
Deferred outflows on refunding	36,349	-	36,349	-
Deferred outflows related to pension	1,303,132	163,742	1,466,874	5,394,028
Deferred outflows related to OPEB	1,326,194	150,518	1,476,712	14,803,921
Total deferred outflows of resources	2,665,675	314,260	2,979,935	20,197,949

(Continued)

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

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

<i>September 30, 2025</i>	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Board of Education
Liabilities				
Accounts payable	561,049	5,067	566,116	538,238
Accrued liabilities	870,896	53,984	924,880	1,625,361
Unearned revenue	119,896	-	119,896	-
Non-current liabilities				
Due within one year				
Notes payable	-	-	-	224,888
Direct - vehicle and equipment financing arrangements	24,395	-	24,395	-
Lease liabilities	211,040	-	211,040	47,883
Subscription liabilities	40,223	-	40,223	-
Bonds payable	710,000	-	710,000	202,228
Due in more than one year				
Compensated absences	358,242	22,525	380,767	-
Notes payable	-	-	-	971,435
Direct - vehicle and equipment financing arrangements	336,313	-	336,313	-
Lease liabilities	584,597	-	584,597	193,195
Subscription liabilities	139,860	-	139,860	-
Bonds payable	5,082,023	-	5,082,023	25,487,736
Other postemployment benefits	6,564,888	939,631	7,504,519	16,011,216
Net pension liability	6,031,267	436,647	6,467,914	20,979,000
Total liabilities	21,634,689	1,457,854	23,092,543	66,281,180
Deferred Inflows of Resources				
Deferred inflows related to leases	48,759	280,052	328,811	-
Deferred inflows of settlement revenue	604,961	-	604,961	-
Deferred inflows related to pension	1,098,360	148,943	1,247,303	5,783,000
Deferred inflows related to OPEB	2,435,389	265,952	2,701,341	8,237,718
Total deferred inflows of resources	4,187,469	694,947	4,882,416	14,020,718
Net Position (Deficit)				
Net investment in capital assets	35,703,630	2,732,592	38,436,222	10,412,424
Restricted for				
Capital projects	32,278	-	32,278	-
Debt service	381,217	-	381,217	-
Education	234	-	234	-
Unrestricted (deficit)	(4,217,227)	499,752	(3,717,475)	(1,123,012)
Total net position (deficit)	\$ 31,900,132	\$ 3,232,344	\$ 35,132,476	\$ 9,289,412

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

City of Ozark, Alabama
Statement of Activities

For the year ended September 30, 2025

Functions/Programs	Expenses	Charges for Services and Fines	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,309,728	\$ 1,883,976	\$ 17,750	\$ 833,641
Police	3,702,799	246,833	93,438	-
Fire	3,698,296	-	-	136,523
Street	2,154,516	-	-	457,057
Sanitation	1,850,403	1,581,825	-	-
Leisure services	2,237,907	336,454	111,600	-
Engineering and inspections	224,874	-	-	-
Vehicle maintenance	340,615	-	-	-
Airport	873,333	327,760	-	16,368
Judicial	264,154	-	-	-
Appropriations	145,103	-	-	-
Non-departmental	484,127	-	-	-
Economic development	704,083	-	266,068	-
Ozark technology center	155,676	-	-	-
Information technology	238,453	-	-	-
Education	3,596,825	2,224,958	-	-
Interest	172,086	-	-	-
Fees on long term debt	39,658	-	-	-
Amortization (accretion)	250,975	-	-	-
Total governmental activities	22,443,611	6,601,806	488,856	1,443,589
Business-type activities				
Emergency medical services	2,009,411	1,800,327	-	97,148
Ozark Square Shopping Center	98,689	125,196	-	-
Total business-type activities	2,108,100	1,925,523	-	97,148
Total primary government	\$ 24,551,711	\$ 8,527,329	\$ 488,856	\$ 1,540,737
Component Unit				
Ozark City Board of Education	\$ 30,830,364	\$ 442,460	\$ 22,236,009	\$ 2,627,845

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Board of Education
\$ 1,425,639	\$ -	\$ 1,425,639	\$ -
(3,362,528)	-	(3,362,528)	-
(3,561,773)	-	(3,561,773)	-
(1,697,459)	-	(1,697,459)	-
(268,578)	-	(268,578)	-
(1,789,853)	-	(1,789,853)	-
(224,874)	-	(224,874)	-
(340,615)	-	(340,615)	-
(529,205)	-	(529,205)	-
(264,154)	-	(264,154)	-
(145,103)	-	(145,103)	-
(484,127)	-	(484,127)	-
(438,015)	-	(438,015)	-
(155,676)	-	(155,676)	-
(238,453)	-	(238,453)	-
(1,371,867)	-	(1,371,867)	-
(172,086)	-	(172,086)	-
(39,658)	-	(39,658)	-
(250,975)	-	(250,975)	-
(13,909,360)	-	(13,909,360)	-
-	(111,936)	(111,936)	-
-	26,507	26,507	-
-	(85,429)	(85,429)	-
(13,909,360)	(85,429)	(13,994,789)	-
-	-	-	(5,524,050)

(Continued)

City of Ozark, Alabama
Statement of Activities (Continued)

For the year ended September 30, 2025

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

Restatement (see Note 2)

Net position, beginning of year, restated

Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Board of Education
1,088,285	-	1,088,285	2,655,705
-	-	-	1,109,874
1,462,599	-	1,462,599	-
11,171,580	-	11,171,580	3,373,572
197,474	-	197,474	-
219,738	-	219,738	-
168,055	-	168,055	-
192,919	-	192,919	-
609,970	-	609,970	9,538
21,015	55	21,070	844,466
405,733	846	406,579	989,938
103,807	-	103,807	-
15,641,175	901	15,642,076	8,983,093
1,731,815	(84,528)	1,647,287	3,459,043
30,212,989	3,316,872	33,529,861	5,830,369
(44,672)	-	(44,672)	-
30,168,317	3,316,872	33,485,189	5,830,369
\$ 31,900,132	\$ 3,232,344	\$ 35,132,476	\$ 9,289,412

City of Ozark, Alabama
Balance Sheet – Governmental Funds

<i>September 30, 2025</i>	General	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 8,431,759	\$ 1,343,036	\$ 9,774,795
Restricted cash and cash equivalents	32,278	375,086	407,364
Accounts receivable	1,839,775	47,504	1,887,279
Leases receivable	47,834	-	47,834
Due from other funds	129,016	75,608	204,624
Inventories	1,217	-	1,217
Prepaid items	1,010,938	-	1,010,938
Total assets	\$ 11,492,817	\$ 1,841,234	\$ 13,334,051
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 414,973	\$ 146,178	\$ 561,151
Accrued payroll and related liabilities	520,797	-	520,797
Due to other funds	75,608	-	75,608
Other accrued expenses	350,099	-	350,099
Unearned revenue	-	119,896	119,896
Total liabilities	1,361,477	266,074	1,627,551
Deferred inflows of resources			
Deferred inflows of settlement revenue	604,961	-	604,961
Deferred inflows related to leases	48,759	-	48,759
Total deferred inflows of resources	653,720	-	653,720
Fund balances			
Nonspendable			
Inventories and prepaids	1,012,159	-	1,012,159
Receivables	156,558	-	156,558
Restricted			
Public safety	-	152,515	152,515
Capital improvements	32,278	965,734	998,012
Debt service	-	381,217	381,217
Education	-	234	234
Federal programs	-	75,460	75,460
Unassigned	8,276,625	-	8,276,625
Total fund balances	9,477,620	1,575,160	11,052,780
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,492,817	\$ 1,841,234	\$ 13,334,051

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, 2025

Total fund balances - governmental funds		\$ 11,052,780
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 governmental funds.		
Governmental capital assets	\$ 94,654,775	
Less accumulated depreciation	<u>(51,859,043)</u>	42,795,732
Government-wide financial statements use the full accrual basis of accounting, which requires recognition of assets when they are acquired, regardless of when title is officially recorded. Prepaid expense is recorded at the fund level.		
		(997,458)
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.		
		1,326,194
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.		
		1,303,132
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.		
		36,349
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.		
		(1,098,360)
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.		
		(2,435,389)
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 governmental funds.		
Net pension liability	\$ (6,031,267)	
Bonds payable	(5,792,023)	
Direct - vehicle and equipment financing arrangements	(360,708)	
Lease liabilities	(795,637)	
Subscription liabilities	(180,083)	
Compensated absences	(358,242)	
Other postemployment benefits	(6,564,888)	(20,082,848)
<hr/>		
Net position of governmental activities		\$ 31,900,132
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The accompanying notes are an integral part of these financial statements.

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

<i>For the year ended</i> <i>September 30, 2025</i>	General	(Formerly Major) ARPA	Nonmajor Funds	Total Governmental Funds
Revenues				
Taxes	\$ 14,375,195	\$ -	\$ 2,538,224	\$ 16,913,419
Licenses and permits	1,919,598	-	-	1,919,598
Intergovernmental	1,157,072	-	728,196	1,885,268
Charges for services	2,220,139	-	-	2,220,139
Fines and forfeitures	389,217	-	-	389,217
Interest and other	4,025	-	16,981	21,006
Miscellaneous revenue	679,349	-	923	680,272
Total revenues	20,744,595	-	3,284,324	24,028,919
Expenditures				
General government	1,137,860	-	-	1,137,860
Education	1,371,867	-	2,224,958	3,596,825
Vehicle maintenance	349,333	-	-	349,333
Police	3,583,975	-	-	3,583,975
Information technology	223,883	-	-	223,883
Fire	3,596,529	-	136,139	3,732,668
Airport	271,661	-	-	271,661
Sanitation	1,749,286	-	-	1,749,286
Street	1,415,457	-	99,799	1,515,256
Leisure services	1,851,064	-	-	1,851,064
Appropriations	145,103	-	-	145,103
Judicial	226,321	-	42,953	269,274
Economic development	584,575	-	-	584,575
Engineering and inspections	223,291	-	-	223,291
Ozark technology center	133,680	-	-	133,680
Non-departmental	347,980	-	-	347,980
Capital outlay	2,889,238	-	1,192,885	4,082,123
Debt service				
Principal	197,795	-	673,657	871,452
Interest	-	-	131,123	131,123
Fiscal agent fees	-	-	6,996	6,996
Total expenditures	20,298,898	-	4,508,510	24,807,408
Excess (deficiency) of revenues over (under) expenditures	445,697	-	(1,224,186)	(778,489)

(Continued)

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 (Continued)

<i>For the year ended</i> <i>September 30, 2025</i>	General	(Formerly Major) ARPA	Nonmajor Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Transfers in	14,700	-	1,594,759	1,609,459
Transfers out	(1,156,668)	-	(452,791)	(1,609,459)
Proceeds from issuance of lease liabilities	300,000	-	-	300,000
Loss recoveries	22,393	-	-	22,393
Proceeds from sale of capital assets	157,459	-	-	157,459
Net other financing sources (uses)	(662,116)	-	1,141,968	479,852
Net change in fund balances	(216,419)	-	(82,218)	(298,637)
Fund balances, beginning of year	9,738,711	1,929	1,655,449	11,396,089
Restatements and adjustments	(44,672)	(1,929)	1,929	(44,672)
Fund balances, beginning of year, restated and adjusted	9,694,039	-	1,657,378	11,351,417
Fund balances, end of year	\$ 9,477,620	\$ -	\$ 1,575,160	\$ 11,052,780

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

<i>For the year ended September 30,</i>	2025
Net change in fund balances - total governmental funds	\$ (298,637)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays, including right of use lease and subscription payments, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation or amortization expense. This is the amount by which capital outlay exceeds depreciation and amortization in the current period.	1,312,457
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.	(33,181)
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.	(300,000)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	838,790
Additional interest or amortization expense due to deferred charges on refunding and issuance premiums/discounts.	205
Interest expense related to subscription liabilities is not reported in governmental funds until due.	(40,963)
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.	(26,714)
Other postemployment benefits obligation expense 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.	24,886
Net pension liability expense reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in the governmental funds.	254,972
Change in net position of governmental activities	\$ 1,731,815

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

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

<i>September 30, 2025</i>	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	Union Central Shopping Center	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,235,422	\$ 387,523	\$ 1,622,945
Accounts receivable, net	284,260	-	284,260
Leases receivable	-	280,052	280,052
Total current assets	1,519,682	667,575	2,187,257
Noncurrent assets			
Capital assets			
Land	-	698,045	698,045
Building	115,438	2,160,407	2,275,845
Improvements and infrastructure	-	330,423	330,423
Equipment	1,422,089	12,003	1,434,092
Less accumulated depreciation	(842,918)	(882,843)	(1,725,761)
Total capital assets, net	694,609	2,318,035	3,012,644
Total assets	2,214,291	2,985,610	5,199,901
Deferred Outflows of Resources			
Deferred outflows related to pension	163,742	-	163,742
Deferred outflows related to OPEB	150,518	-	150,518
Total deferred outflows of resources	314,260	-	314,260
Liabilities			
Current liabilities			
Accounts payable	4,067	1,000	5,067
Accrued payroll and related liabilities	53,984	-	53,984
Due to other funds	129,016	-	129,016
Total current liabilities	187,067	1,000	188,067
Noncurrent liabilities			
Compensated absences	22,525	-	22,525
Total OPEB liability	939,631	-	939,631
Net pension liability	436,647	-	436,647
Total noncurrent liabilities	1,398,803	-	1,398,803
Total liabilities	1,585,870	1,000	1,586,870
Deferred Inflows of Resources			
Deferred inflows related to leases	-	280,052	280,052
Deferred inflows related to pension	148,943	-	148,943
Deferred inflows related to OPEB	265,952	-	265,952
Total deferred inflows of resources	414,895	280,052	694,947
Net Position (Deficit)			
Net investment in capital assets	694,609	2,037,983	2,732,592
Unrestricted	(166,823)	666,575	499,752
Total net position	\$ 527,786	\$ 2,704,558	\$ 3,232,344

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, 2025</i>	Business-type Activities - Enterprise Funds		Total
	Emergency Medical Services	Union Central Shopping Center	
Operating Revenues			
Charges for services, net of provision for bad debts of \$546,263	\$ 1,800,327	\$ -	\$ 1,800,327
Rental income	-	125,196	125,196
Total operating revenues	1,800,327	125,196	1,925,523
Operating Expenses			
Salaries, wages and employee benefits	1,481,492	-	1,481,492
Contractual, materials, and supplies	244,387	118	244,505
Utilities	21,555	4,684	26,239
Insurance claims and expense	11,154	14,052	25,206
Depreciation	131,822	78,265	210,087
Repairs and maintenance	119,001	1,570	120,571
Total operating expenses	2,009,411	98,689	2,108,100
Operating income (loss)	(209,084)	26,507	(182,577)
Nonoperating Revenues (Expenses)			
Miscellaneous revenues	97,148	846	97,994
Interest income	55	-	55
Total nonoperating revenues (expenses)	97,203	846	98,049
Change in net position (deficit)	(111,881)	27,353	(84,528)
Net position, beginning of year	639,667	2,677,205	3,316,872
Net position, end of year	\$ 527,786	\$ 2,704,558	\$ 3,232,344

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

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

<i>For the year ended September 30, 2025</i>	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	Union Central Shopping Center	Total
Operating Activities			
Cash received from customers for sales and services	\$ 2,166,836	\$ 125,196	\$ 2,292,032
Cash payments to employees	(1,524,112)	-	(1,524,112)
Cash payments to suppliers for goods and services	(418,735)	(20,424)	(439,159)
Net cash provided by (used in) operating activities	223,989	104,772	328,761
Noncapital Financing Activities			
Receipts from local grants	97,148	-	97,148
Other miscellaneous receipts	-	846	846
Advances from other funds	27,652	-	27,652
Net cash provided by (used in) noncapital financing activities	124,800	846	125,646
Capital and Related Financing Activities			
Acquisition of capital assets	(150,753)	-	(150,753)
Investing Activities			
Investment income	55	-	55
Net increase (decrease) in cash and cash equivalents	198,091	105,618	303,709
Cash and cash equivalents, beginning of year	1,037,331	281,905	1,319,236
Cash and cash equivalents, end of year	\$ 1,235,422	\$ 387,523	\$ 1,622,945

(Continued)

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

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

<i>For the year ended September 30, 2025</i>	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	Union Central Shopping Center	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ (209,084)	\$ 26,507	\$ (182,577)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	131,822	78,265	210,087
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources			
(Increase) decrease in assets and deferred outflows of resources			
Accounts receivable	365,987	-	365,987
Leases receivable	-	(105,196)	(105,196)
Due from other funds	522	-	522
Deferred outflows related to pension	67,172	-	67,172
Deferred outflows related to OPEB	2,064	-	2,064
Increase (decrease) in liabilities and deferred inflows of resources			
Accounts payable	(22,638)	-	(22,638)
Accrued payroll and related liabilities	(5,605)	-	(5,605)
Compensated absences	(9,428)	-	(9,428)
Total OPEB liability	58,516	-	58,516
Net pension liability	(191,220)	-	(191,220)
Deferred inflows related to leases	-	105,196	105,196
Deferred inflows related to pension	98,831	-	98,831
Deferred inflows related to OPEB	(62,950)	-	(62,950)
Total adjustments	433,073	78,265	511,338
Net cash provided by (used in) operating activities	\$ 223,989	\$ 104,772	\$ 328,761

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.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and enterprise 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 and timing requirements imposed by the provider have been met.

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 (within 60 days of year end). 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 (within 60 days of year end). 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. The BOE is considered to be a major component unit, and it is 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.

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 funds are aggregated and reported as nonmajor funds (the City currently does not report any nonmajor enterprise funds). Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

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 City reports the following major enterprise funds:

The *Union Central Shopping Center* accounts for charges to tenants for rent.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (continued)

Additionally, the City reports the following nonmajor 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.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets were adopted on a basis consistent with GAAP for all funds. 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.

Appropriations in all budgeted funds lapse at the end of the fiscal year. The City does not utilize encumbrance accounting.

Excess of Expenditures over Appropriations

For the year ended September 30, 2025, expenditures exceeded appropriations in the General Fund and the overages were funded by additional revenues, transfers between funds, and existing fund balance.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

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 and Payables

Allowance for doubtful accounts – The City considered all governmental fund receivables at year end to be collectible and as such, no allowance for doubtful accounts 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. Accounts receivable for EMS have been reported net of the allowances. Accounts receivable for EMS for all payer types in excess of 180 days are reserved at 100%, amounts turned over to a collection agency are reserved 100%, and accounts receivable for EMS related to patient payers less than 180 days are reserved at an amount equal to the current fiscal year's patient payer collection rate.

Lease receivables - The City's lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables and Payables (continued)

Unearned revenue – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 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.

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 (including vehicles)	5 - 20
Improvements and infrastructure	7 - 40

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 pension as calculated in accordance with GASB Codification Section (GASBC) 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance
(continued)***

Deferred Outflows/Inflows of Resources (continued)

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 four (4) 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 GASBC 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 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 related to leases are associated with amounts owed to the City, as lessor, by entities leasing the City's capital assets. The deferred inflows related to settlement revenue are associated with amounts to be received by the City under settled opioid settlements.

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. Both unused vacation benefits and unused sick leave are eligible to be used while still employed by the City. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements to the extent that the leave is attributable to employees' services already rendered and is more likely than not to be used and paid for while employed or paid for at the end of employment. For the purpose of measuring the liability, the City assumes that leave is used on a last-in-first-out (LIFO) basis, with leave earned during the current year used before leave accumulated in prior years. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Long-Term Obligations

In the government-wide financial statements and proprietary 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 GASBC Section I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are expensed during the current period. The face amount of debt issued and repayments are reported as other financing sources (uses). Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance
(continued)***

Pension

The Employees' Retirement System of Alabama (the "Plan" or "ERS") 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 Annual Comprehensive Financial Report.

Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the total OPEB liability, deferred outflows/inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position, and additions to/deductions from fiduciary net position 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 Net Position and Fund Balance

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).

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Categories and Classification of Net Position and Fund Balance (continued)

The provisions of GASBC Section 1800, *Classification and Terminology*, 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.

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. The governing Council has by resolution authorized the chief financial officer to assign fund balance. The Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. 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 – Annually, the City receives funding from the Dale County Revenue Commissioner related to taxes collected on the assessed value of real and personal property. Taxes are recognized as revenues in the year for which there is an enforceable claim. Millage rates for property taxes are levied at the first regular meeting of the Dale County Commission in February of each year. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the Dale County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

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 Union Central 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 for EMS, 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, May 13, 2026, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. There were no significant impacts of implementing this Statement.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide essential information about risks related to a government’s vulnerabilities due to certain concentrations (a lack of diversification related to an aspect of a significant revenue source or expense) or constraints (limitations imposed externally or by formal action of a government’s highest level of decision-making authority). A government is required to disclose information about such risks if a concentration or constraint (1) is known to the government before the financial statements are available to be issued, (2) makes the government vulnerable to the risk of a substantial impact, and (3) an event or events associated with the concentration or constraint that could cause the substantial impact has occurred, begun to occur, or is more likely than not to begin to occur within 12 months of the date the financial statements are available to be issued. There were no significant impacts of implementing this Statement.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting blueprint to enhance its effectiveness in providing essential information and to address certain application issues. The Statement requires changes to management's discussion and analysis to make it easier to read and understand and to focus on explaining the reasons why balances and results of operation have changed. The Statement also provides more explicit definitions of operating and nonoperating revenues and expenses and changes the presentation of nonoperating revenues and expenses in the proprietary funds statement of revenues, expenses, and changes in fund net position. The new standards also (1) combine extraordinary items and special items into a single category, unusual or infrequent items, and clarify how they should be reported; (2) limits the reporting of major component unit information to the face of the government-wide financial statements, if it does not reduce their readability, or in combining financial statements following the fund financial statements; and (3) requires that budgetary comparisons be presented as required supplementary information, eliminating the option to present them as basic financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. In addition to existing requirements regarding the level of detail with which notes to financial statements should disclose intangible right-to-use lease and subscription-based information technology arrangements (SBITA) assets, the Statement requires that (1) intangible right-to-use assets recognized by government operators in a public-public partnership should be disclosed by major class of underlying asset; (2) other types of intangible assets should be disclosed by major class; and (3) right-to-use assets should be disclosed separately from owned assets of the same type. The Statement also establishes that capital assets held for sale are those a government has decided to sell and whose sale within a year of the financial statement date is probable. Capital assets held for sale should be disclosed together with other capital assets of the same class. Governments also should disclose in notes the historical cost and accumulated depreciation (or amortization) of capital assets held for sale, as well as the carrying amount of debt for which they are pledged as collateral, by major class of asset for governmental and business-type activities. There were no significant impacts of implementing this Statement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

Note 2: CHANGE WITHIN THE FINANCIAL REPORTING ENTITY AND ERROR CORRECTION

The City's fiscal year 2025 financial statements incorporate a change within the financial reporting entity as compared to previously issued financial statements and reflect the correction of an error in previously issued financial statements. GASB Statement No. 100, *Accounting Changes and Error Corrections*, requires disclosure of their nature and effect on amounts reported in the financial statements.

The ARPA Fund, a special revenue fund, was presented as a major fund in a separate column in the City's fiscal year 2024 governmental fund financial statements. However, in fiscal year 2025, the fund no longer met the quantitative thresholds that require major fund presentation. The City consequently reclassified the fund as nonmajor and presented it in the aggregate nonmajor fund column.

City of Ozark, Alabama
Notes to Financial Statements

Note 2: CHANGE WITHIN THE FINANCIAL REPORTING ENTITY AND ERROR CORRECTION (Continued)

The City discovered during the year that lease receivables in the General Fund were overstated at the end of fiscal year 2024 by \$44,672.

The following table summarizes the restatements and adjustments to the City’s beginning fund balance (deficit) and net position as a result of the change within the financial reporting entity and error correction:

	Governmental - Fund Financial Statements		
	General	ARPA	Nonmajor
9/30/24 fund balance, as previously reported	\$ 9,738,711	\$ 1,929	\$ 1,655,449
Change from major to nonmajor presentation	-	(1,929)	1,929
Error correction	(44,672)	-	-
9/30/25 fund balance, as adjusted	\$ 9,694,039	\$ -	\$ 1,657,378

	Government-Wide Financial Statements	
	Governmental Activities	Total
9/30/24 net position, as previously reported	\$ 30,212,989	33,529,861
Error correction	(44,672)	(44,672)
9/30/25 fund balance, as adjusted	\$ 30,168,317	\$ 33,485,189

Note 3: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2025, 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.

City of Ozark, Alabama
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

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, 2025, the City does not have any investments.

Credit risk – Section 150: *Investments* of the GASBC 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, 2025, the City does not have any investments in debt securities.

Concentration risk – Section 150: *Investments* of the GASBC requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. No such reportable concentrations of investments as of September 30, 2025.

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 doubtful accounts for enterprise funds. The accounts receivable and allowance for doubtful accounts at September 30, 2025, were as follows:

	Accounts Receivable	Note Receivable Utilities Board	Allowance for Doubtful Accounts	Net
Governmental Funds				
General Fund	\$ 1,812,754	\$ 27,021	\$ -	\$ 1,839,775
Special Ad Valorem I	23,752	-	-	23,752
Special Ad Valorem II	23,752	-	-	23,752
Enterprise Funds				
Emergency Medical Services	598,332	-	(314,072)	284,260
Total	\$ 2,458,590	\$ 27,021	\$ (314,072)	\$ 2,171,539

City of Ozark, Alabama
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

The following is a summary of changes in capital assets:

<i>For the year ended September 30, 2025</i>	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated or amortized				
Land	\$ 5,776,473	\$ 621,677	\$ (33,357)	\$ 6,364,793
Construction-in-progress	906,445	2,723,845	(906,446)	2,723,844
Capital assets, not being depreciated or amortized	6,682,918	3,345,522	(939,803)	9,088,637
Capital assets, being depreciated and amortized				
Buildings	16,323,898	133,350	-	16,457,248
Improvements and infrastructure	54,319,966	1,112,693	-	55,432,659
Equipment	11,618,926	1,232,956	(386,127)	12,465,755
Subscription assets	-	217,462	-	217,462
Right-to-use assets	501,752	491,262	-	993,014
Capital assets, being depreciated and amortized	82,764,542	3,187,723	(386,127)	85,566,138
Less accumulated depreciation and amortization for				
Buildings	(8,688,515)	(355,932)	-	(9,044,447)
Improvements and infrastructure	(33,517,885)	(1,458,642)	-	(34,976,527)
Equipment	(7,197,525)	(703,912)	386,127	(7,515,310)
Subscription assets	-	(43,492)	-	(43,492)
Right-to-use assets	(71,579)	(207,688)	-	(279,267)
Total accumulated depreciation and amortization	(49,475,504)	(2,769,666)	386,127	(51,859,043)
Total capital assets being depreciated and amortized, net	33,289,038	418,057	-	33,707,095
Governmental activities capital assets, net	\$39,971,956	\$ 3,763,579	\$ (939,803)	\$42,795,732

City of Ozark, Alabama
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

<i>For the year ended September 30, 2025</i>	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Land	\$ 698,045	\$ -	\$ -	\$ 698,045
Capital assets, not being depreciated	698,045	-	-	698,045
Capital assets, being depreciated				
Buildings	2,275,845	-	-	2,275,845
Improvements and infrastructure	330,423	-	-	330,423
Equipment	1,375,472	150,753	(92,133)	1,434,092
Capital assets, being depreciated	3,981,740	150,753	(92,133)	4,040,360
Less accumulated depreciation for				
Buildings	(782,787)	(62,898)	-	(845,685)
Improvements and infrastructure	(24,388)	(17,453)	-	(41,841)
Equipment	(800,632)	(129,736)	92,133	(838,235)
Total accumulated depreciation	(1,607,807)	(210,087)	92,133	(1,725,761)
Total capital assets being depreciated, net	2,373,933	(59,334)	-	2,314,599
Business-type activities capital assets, net	\$ 3,071,978	\$ (59,334)	\$ -	\$ 3,012,644

City of Ozark, Alabama
Notes to Financial Statements

Note 3: 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, 2025</i>	<i>2025</i>
<hr/>	
Governmental activities	
General government	\$ 185,351
Police	173,244
Fire	193,213
Street	926,118
Sanitation	119,678
Leisure services	396,965
Engineering and inspections	4,147
Vehicle maintenance	1,064
Airport	605,148
Judicial	232
Economic development	123,673
Ozark technology center	25,485
Information technology	15,348
<hr/>	
Total depreciation and amortization expense - governmental activities	\$ 2,769,666
<hr/>	
Business-type activities	
Emergency medical services	\$ 131,822
Ozark Square Shopping Center	78,265
<hr/>	
Total depreciation expense - business-type activities	\$ 210,087
<hr/>	

Long-Term Debt and Liabilities

Bonds Payable

On March 23, 2021, the City issued its Series 2021 General Obligation Warrants in the amount of \$3,760,000 with an interest rate that varies from year to year and ranges from 1% - 2%. Proceeds were used to redeem \$3,785,000 of outstanding Series 2014 bonds. As a result, the 2014 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 remaining principal balance was paid in April 2021. The net present value of the cash flows savings resulted in an economic gain of \$346,798 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 3: 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, 2025 is \$3,337. The remaining amount to be amortized as of September 30, 2025 is \$30,039. The Series 2021 bonds are reported net of original issue premium. Original issue premium in the amount of \$152,468 is also being amortized over the life of the bonds and is reported as a component of interest expense. Amortization related to the Series 2021 bonds for the year ended September 30, 2025 is \$11,294. Remaining original issue discount to be amortized in future periods is \$101,645.

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, 2025 is \$9,316. The remaining amount to be amortized as of September 30, 2025 is \$6,310. 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, 2025 is \$2,144. Remaining original issue premium to be amortized in future periods is \$0.

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, 2025 is \$2,741. Remaining original issue premium to be amortized in future periods is \$13,701.

On March 27, 2025, the City issued the Series 2025-1 General Obligation Bond in the amount of \$300,000. Proceeds were used to purchase land for future economic development.

City of Ozark, Alabama
Notes to Financial Statements

Note 3: 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:

<i>For the years ending September 30,</i>	Principal	Interest	Total
2026	\$ 710,000	\$ 106,394	\$ 816,394
2027	675,000	93,412	768,412
2028	690,000	80,570	770,570
2029	700,000	67,170	767,170
2030	715,000	53,370	768,370
2031-2034	2,190,000	90,251	2,280,251
Total	5,680,000	491,167	6,171,167
Current portion	(710,000)	(106,394)	(816,394)
Payable after one year	\$ 4,970,000	\$ 384,773	\$ 5,354,773

Direct – Vehicle and Equipment Financing Arrangements

The City has entered into financing agreements for the acquisition of a garbage truck, a freightliner streetsweeper, and the construction of a ten unit T Hangar. Title transfers at the end of the term and therefore, these arrangements have been recorded at the present value of the future minimum payments as of the date of inception.

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

<i>For the years ending September 30,</i>	Principal	Interest Expense	Total
2026	\$ 24,395	\$ 10,809	\$ 35,204
2027	25,160	10,044	35,204
2028	25,923	9,281	35,204
2029	26,762	8,442	35,204
2030	27,602	7,602	35,204
2031-2035	151,531	24,487	176,018
2036-2040	79,335	3,006	82,341
Total	\$ 360,708	\$ 73,671	\$ 434,379

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

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 made comprising a portion of the pledged revenues and the PSF Capital Purchase Funds in an aggregate amount equal to the principal or sinking fund deposits due on this warrant. 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.

The schedule of the annual 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
2026	5.15%	\$ 983,715	\$ 94,918	\$ 1,078,633
2027	5.15%	983,715	94,918	1,078,633
		<u>\$ 1,967,430</u>	<u>\$ 189,836</u>	<u>\$ 2,157,266</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 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
2026	4.60%	\$ 36,750	\$ 16,790	\$ 53,540

City of Ozark, Alabama
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Changes In Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2025, was as follows for governmental activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General Obligation					
Warrants, Series 2016	\$ 1,385,000	\$ -	\$ (185,000)	\$ 1,200,000	\$ 190,000
General Obligation					
Warrants, Series 2017	915,000	-	(455,000)	460,000	460,000
General Obligation					
Warrants, Series 2021	3,730,000	-	(10,000)	3,720,000	10,000
General Obligation 2025	-	300,000	-	300,000	50,000
Less unamortized premium (discount)	124,881	-	(12,858)	112,023	-
Total bonds payable	6,154,881	300,000	(662,858)	5,792,023	710,000
Notes payable from direct borrowings					
Direct - vehicle and equipment financing arrangements	51,100	-	(51,100)	-	-
Lease liabilities	384,361	-	(23,653)	360,708	24,395
Subscription liabilities	501,752	491,262	(197,377)	795,637	211,040
Compensated absences	-	217,462	(37,379)	180,083	40,223
	331,528	26,714 *	-	358,242	-
Governmental activities long-term liabilities	\$ 7,423,622	\$ 1,035,438	\$ (972,367)	\$ 7,486,693	\$ 985,658

*Net of reductions

Long-term liability activity for the year ended September 30, 2025, was as follows for business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 31,953	\$ -	\$ (9,428) ^	\$ 22,525	\$ -

^Net of additions

City of Ozark, Alabama
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Changes In Long-Term Liabilities (continued)

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.

Long-term liability activity for the year ended September 30, 2025, was as follows for the component unit:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component unit					
Notes payable from direct borrowings	\$ 1,446,166	\$ -	\$ (249,848)	\$ 1,196,318	\$ 224,888
Lease liabilities	-	256,611	(15,533)	241,078	47,883
Bonds payable	25,653,444	-	(192,397)	25,461,047	202,228
Bond premium	250,382	-	(21,460)	228,922	-
Component unit long-term liabilities	\$ 27,349,992	\$ 256,611	\$ (479,238)	\$ 27,127,365	\$ 474,999

Pledged Revenues

The City has general obligation warrants outstanding at September 30, 2025, for which revenues of the City have been pledged for repayment. Revenues pledged to repay these obligations are as follows:

	Future 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 \$ 1,300,487 \$ 717,636 \$ 216,014 30.1%

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 9) 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, 2025 totaled \$1,348,867.

City of Ozark, Alabama
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Leases – Lessee

The City has entered into lease agreements to obtain the right-to-use various street equipment and body cameras for the police department. Principal payments made for the street equipment and body cameras for the fiscal year ended September 30, 2025 totaled \$197,377. The leases have terms that range from 3 to 5 years and interest rates that range from 5.78 percent to 5.96 percent. Annual payment amounts on the individual agreements range from \$31,248 to \$82,900.

The City recognized right-to-use assets related to the agreements in the amount of \$993,014 with related amortization of \$279,267 in fiscal year 2025. The lease liabilities as of September 30, 2025 totaled \$795,637.

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

<i>For the years ending September 30,</i>	Governmental Activities		
	Principal Payments	Interest Expense	Total
2026	\$ 211,040	\$ 46,463	\$ 257,503
2027	225,577	34,161	259,738
2028	173,339	20,827	194,166
2029	185,681	6,596	192,277
Total	\$ 795,637	\$ 108,047	\$ 903,684

Leases – Lessor

The City accounts for leases in accordance with GASBC Section L20, *Leases*. The City's operations, where the City is the lessor, consist of agreements for use of land and buildings. The agreements are made up of various non-cancelable agreements for land and buildings, which expire between the years 2025 and 2029. The City recognized no lease revenue principal for governmental activities and \$69,996 of lease revenue principal for business-type activities for the year ended September 30, 2025.

A summary of future payments is as follows:

<i>For the years ending September 30,</i>	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2026	\$ 16,000	\$ -	\$ 16,000
2027	16,000	-	16,000
2028	16,000	-	16,000
Total	\$ 48,000	\$ -	\$ 48,000

Business-type Activities

City of Ozark, Alabama
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Leases – Lessor (continued)

<i>For the years ending September 30,</i>	Business-type Activities		
	Principal Payments	Interest Payments	Total Payments
2026	\$ 95,196	\$ -	\$ 95,196
2027	95,196	-	95,196
2028	80,496	-	80,496
2029	46,664	-	46,664
Total	\$ 317,552	\$ -	\$ 317,552

Regulated Leases

The City's operations include certain lease agreements that are classified as regulated leases under paragraph 42 of GASB Statement No. 87, *Leases*. These agreements consist of facility agreements that directly or substantially relate to aircraft storage and maintenance service agreements, which expire between the years 2027 and 2065. Under these agreements, no specific capital assets have preferential or exclusive use to a counterparty. For these agreements, leases rates cannot exceed a reasonable amount and the City cannot deny potential lessees the right to enter into leases if facilities are available, provided that the potential lessee's use of the facilities complies with use restrictions. The City recognizes the revenues from these lease agreements each year based on the payment provisions of each lease contract. The City recognized \$58,800 of lease revenue principal for governmental activities for the year ended September 30, 2025.

The following is a schedule summarizing minimum future revenues from regulated lease agreements as of September 30:

<i>For the years ending September 30,</i>	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2026	\$ 58,800	\$ -	\$ 58,800
2027	58,800	-	58,800
2028	54,600	-	54,600
2029	34,700	-	34,700
Total	\$ 206,900	\$ -	\$ 206,900

City of Ozark, Alabama
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Subscription-Based Information Technology Arrangements

The City has one software arrangement that requires recognition under GASBC Section 580, *Subscription-Based Information Technology Arrangements* (SBITAs). The City recognizes a subscription liability and an intangible right-to-use subscription asset for the body camera software. The arrangement is a five-year agreement, initiated in fiscal year 2025. There are no options to purchase. The City has imputed an interest rate of 5.78% to determine the present value of the intangible right-to-use asset and subscription liability. There are no residual value guarantees in the agreement.

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

<i>For the years ending September 30,</i>	Governmental Activities		
	Principal Payments	Interest Expense	Total
2026	\$ 40,223	\$ 10,414	\$ 50,637
2027	43,266	5,082	48,348
2028	46,510	5,583	52,093
2029	50,084	2,895	52,979
Total	\$ 180,083	\$ 23,974	\$ 204,057

Interfund Receivables, Payables And Transfers

Due to				
General Fund	\$ -	\$ (73,294)	\$ (129,016)	\$ (202,310)
Nonmajor Governmental Funds	75,608	(2,314)	-	73,294
EMS	129,016	-	-	129,016
Total	\$ 204,624	\$ (75,608)	\$ (129,016)	\$ -

Amounts due to the general fund represent reimbursements for administrative services incurred by the general government. The amount due to the nonmajor governmental funds consists of allocations of grants initially recorded in the general fund.

City of Ozark, Alabama
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables And Transfers (continued)

Operating Transfers	Transfers		Net
	In	Out	
Major Funds			
General Fund	\$ 14,700	\$ (1,156,668)	\$ (1,141,968)
Nonmajor Funds			
Street	717,634	(253,438)	464,196
CDBG	41,685	-	41,685
Municipal Court / Judicial Admin	11,216	-	11,216
Alabama Trust Fund Improvements	-	(146,053)	(146,053)
Corrections	29,068	(53,300)	(24,232)
Debt Service	795,156	-	795,156
Total	\$ 1,609,459	\$ (1,609,459)	\$ -

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)	\$ 42,795,732	\$ 3,012,644	\$ 45,808,376
Outstanding debt and deferred outflows and inflows related to capital assets	(7,092,102)	(280,052)	(7,372,154)
Net investment in capital assets	\$ 35,703,630	\$ 2,732,592	\$ 38,436,222

Note 4: 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 5: RETIREMENT PLAN

Description of Plan

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide 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 15 trustees. Act 390 of the Legislature of 2021 will create two additional representatives to the ERS Board of Control effective October 1, 2021. 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 15 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) Eight 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. One vested active employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - d. One vested active employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One vested active employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

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.

Note 5: RETIREMENT PLAN (Continued)

Plan Membership and Benefits (continued)

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Act 351 of the Legislature of 2022 provides that any Tier 2 member who withdraw from service after the completion of at least 30 years of service is entitled to an annual retirement benefit.

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.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 628 employers adopted Act 2019-132 as of September 30, 2024. Act 2019-132 was amended by Act 348 of the Legislature of 2022. Act 2022-348 amended Act 2019-132 by removing the date limitation for any local participating employer to submit its resolution electing to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members. Act 2022-348 also amended Act 2019-132 by removing the date limitation for a local participating employer to petition the ERS Board of Control for a reconsideration if the ERS Board of Control denied its election to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS serves approximately 890 local participating employers. The ERS membership includes approximately 117,309 participants. As of September 30, 2024, membership consisted of:

Retirees and beneficiaries currently receiving benefits	32,477
Terminated employees entitled to but not yet receiving benefits	2,425
Terminated employees not entitled to a benefit	22,097
Active members	60,279
Post-DROP participants who are still in active service	31
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Total	117,309

Note 5: RETIREMENT PLAN (Continued)

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by a statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

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 preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2025, the City's active employee contribution rate was 5% of covered employee payroll for normal Tier 1 employees and 7.5% of covered employee payroll for normal Tier 2 employees, and the City's average contribution rate to fund the normal and accrued liability costs was 13.15% of pensionable payroll for Tier 1 employees and 11.15% of pensionable payroll for Tier 2 employees.

The City's contractually required contribution rate for the year ended September 30, 2025 was 13.52% of pensionable pay for Tier 1 employees, and 11.52% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2022, 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 pension plan from the City were \$869,774 for the year ended September 30, 2025.

City of Ozark, Alabama
Notes to Financial Statements

Note 5: RETIREMENT PLAN (Continued)

Net Pension Liability, Significant Assumptions, and Discount Rate

The City's net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2023 rolled forward to September 30, 2024 using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) TPL as of September 30, 2023	\$ 24,525,519	\$ 24,598,275	\$ 24,598,275
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry age normal cost for the period October 1, 2023 - September 30, 2024	645,077	645,077	645,077
(d) Transfers among employers	-	(306,363)	(306,363)
(e) Actual benefit payments and refunds for the period October 1, 2023 - September 30, 2024	(1,801,327)	(1,801,327)	(1,801,327)
(f) TPL as of September 30, 2024 = [(a) x (1+(b))] + (c) + (d) + [(e) * (1 + 0.5*(b))]	\$ 25,129,321	\$ 24,901,134	\$ 24,901,134
(g) Difference between expected and actual:		\$ (228,187)	
(h) Less liability transferred for immediate recognition:		\$ (306,363)	
(i) Difference between expected and actual - experience (gain)/loss		\$ 78,176	
(j) Difference between actual TPL before and after plan changes - benefit change (gain)/loss			\$ -

The total pension liability as of September 30, 2024 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2023. The key actuarial assumptions are summarized as follows:

Inflation	2.50%
Projected salary increases	3.25% - 6.00% for State and Local Employees and 4.00% - 7.75% for State Police, including inflation
Investment rate of return#	7.45%, including inflation
#Net of pension plan investment expense	

City of Ozark, Alabama
Notes to Financial Statements

Note 5: RETIREMENT PLAN (Continued)

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

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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	15.0%	2.8%
US large stocks	32.0%	8.0%
US mid stocks	9.0%	10.0%
US small stocks	4.0%	11.0%
Int'l developed mkt stocks	12.0%	9.5%
Int'l emerging mkt stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real estate	10.0%	6.5%
Cash	5.0%	1.5%
Total	100.00%	

* Includes assumed rate of inflation of 2.00%

City of Ozark, Alabama
Notes to Financial Statements

Note 5: RETIREMENT PLAN (Continued)

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

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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, 2025, the City recognized pension expense of \$649,200. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pension of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 283,460	\$ 61,852
Changes of assumptions	313,640	-
Net difference between projected and actual earnings on plan investments	-	1,185,451
Employer contributions subsequent to the measurement date	869,774	-
Total	\$ 1,466,874	\$ 1,247,303

\$869,774 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, 2026. 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,

2026	\$ (84,344)
2027	400,611
2028	(558,483)
2029	(409,519)
2030	1,532
Total	\$ (650,203)

City of Ozark, Alabama
Notes to Financial Statements

Note 5: RETIREMENT PLAN (Continued)

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2023	\$ 24,525,519	\$ 15,932,941	\$ 8,592,578
Changes for the year:			
Service cost	645,077	-	645,077
Interest	1,760,052	-	1,760,052
Differences between expected and actual experience	78,176	-	78,176
Contributions - employer	-	775,697	(775,697)
Contributions - employee	-	550,155	(550,155)
Net investment income	-	3,282,117	(3,282,117)
Benefit payments, including refunds of employee contributions	(1,801,327)	(1,801,327)	-
Transfer among employers	(306,363)	(306,363)	-
Net changes	375,615	2,500,279	(2,124,664)
Balances at September 30, 2024	\$ 24,901,134	\$ 18,433,220	\$ 6,467,914

The following table presents the City's net pension liability calculated using the discount rate of 7.45%, 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 (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
City's net pension liability	\$ 9,382,084	\$ 6,467,914	\$ 4,026,711

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2023. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Note 6: 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, 2023, the valuation date, membership consisted of:

Inactive members or beneficiaries currently receiving benefits	48
Inactive members entitled to but not yet receiving benefits	0
Active members	155
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Total	203
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Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions and Other Inputs

As of September 30, 2023, the valuation date, the actuarial assumptions and other inputs applied include the following:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.25% - 6.00%
Municipal Bond Index Rate	
Prior Measurement Date	4.09%
Measurement Date	3.81%
Health Care Cost Trends	
Pre-Medicare Medical and Prescription Drug	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2033
Medicare Medical and Prescription Drug	5.125% for 2023 decreasing to an ultimate rate of 4.50% by 2026
Dental	3.50%

The City selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of September by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the Total OPEB Liability ("TOL").

Mortality rates were based on the Pub-2010 Public Mortality Plans Mortality Tables, with adjustments for AL ERS experience and generational mortality improvements using Scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2023 valuation were based on the actuarial experience study for the period October 1, 2015 – September 30, 2020, and were submitted to and adopted by the ERS Board of Control on September 14, 2021.

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, 2023 valuation were based on a review of recent plan experience performed concurrently with the September 30, 2023 valuation.

City of Ozark, Alabama
Notes to Financial Statements

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in Total OPEB Liability

At September 30, 2025, the City reported a TOL of \$7,504,519. The information has been provided as of the **September 30, 2024** measurement date.

Total OPEB Liability as of September 30, 2023	\$ 6,854,345
Changes for the year:	
Service cost at the end of the year*	389,362
Interest on TOL and cash flows	274,356
Difference between expected and actual experience	(15,370)
Change of assumptions or other inputs	297,518
Net benefit payments	(295,692)
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Net changes	650,174
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Total OPEB Liability as of September 30, 2024	\$ 7,504,519
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*The service cost includes interest for the year.

Since the prior measurement date, there have been no changes to benefit terms. Changes to assumptions or other inputs are comprised of a change in discount rate.

Sensitivity of the Total OPEB Liability

The following table represents the City's TOL calculated using the discount rate of 3.81%, as well as what the City's TOL would be if it were calculated using a discount rate that is one percentage point lower (2.81%) or one percentage point higher (4.81%) than the current rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
Total OPEB Liability	\$ 8,731,066	\$ 7,504,519	\$ 6,519,035

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	\$ 6,308,019	\$ 7,504,519	\$ 9,071,249

City of Ozark, Alabama
Notes to Financial Statements

Note 6: POSTEMPLOYMENT 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, 2025, the City recognized an OPEB expense of \$271,849. 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	\$ 3,559	\$ 1,301,952
Change of assumptions or other inputs	1,176,549	1,399,389
Benefit payments subsequent to the measurement date	296,604	-
Total	\$ 1,476,712	\$ 2,701,341

\$296,604 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending September 30,

2025	\$ (351,222)
2026	(280,403)
2027	(285,634)
2028	(346,852)
2029	(257,332)
Thereafter	210
Total	\$ (1,521,233)

Note 7: 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 8: COMMITMENTS AND CONTINGENCIES

The City is a defendant in various, routine lawsuits which have arisen in the normal course of business. Total damages for lawsuits currently outstanding are material; however, the City's experience is that such lawsuits are typically settled for amounts substantially less than the damages initially claimed. In addition, most claims are covered by insurance.

The City records liabilities resulting from claims and legal actions only when they become fixed or reasonably determinable in amount. In the opinion of City management and upon their consultation with legal counsel, as of September 30, 2025, there are no significant amounts fixed and determinable. Accordingly, no significant liabilities are recorded at September 30, 2025 to the accompanying financial statements related to these matters. While the ultimate resolution of the lawsuits cannot be reasonably predicted, and favorable outcomes cannot be guaranteed, City management does not believe these matters will have a significant adverse effect on the City's overall financial position or its ability to carry out its 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). As of September 30, 2025, the City has recorded a liability in the amount of \$132,506 related to such circumstances. Additional amounts, 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, 2025. At year-end, the City's significant commitments with contractors relate to land clearing. The additional costs remaining under the contract are approximately \$139,900 and have been completed as of the date of these financial statements.

Note 9: TAX ABATEMENTS

In March 2019 and November 2024, 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.

In May 2024, the Council adopted a resolution to enter into an agreement with a retail business to grant up to \$700,000 in collected local sales tax back to the retail business. The agreement expires the sooner of November 2035 or when the sales tax grants remitted to the retail business total \$700,000. During the year ended September 30, 2025, no rebates were paid and remaining available rebates under the agreement were approximately \$700,000 as of September 30, 2025. Within the same agreement, an incentive grant was entered into related to improvements made to the commercial property. Equal payments will be made over a ten year period, in November of each year, through November 2033, up to \$250,000. During the year ended September 30, 2025, \$25,000 was paid and remaining available incentive payments were approximately \$225,000.

In October 2024, the Council adopted a resolution to enter into an agreement with a retail business to grant up to \$62,000 in collected local sales tax back to the retail business. The agreement expires the sooner of October 2027 or when the sales tax grants remitted to the retail business total \$62,000. During the year ended September 30, 2025, \$33,390 in rebates were paid and remaining available rebates under the agreement were approximately \$28,610 as of September 30, 2025.

Note 10: 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 3 is a note receivable due from the Utilities Board with a principal balance of \$27,021 as of September 30, 2025. The note is due in monthly installments through February 2026 with interest ranging from 3.35% to 5%. During 2025, the City recorded principal and interest payments from the Utilities Board totaling \$65,743. 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.

City of Ozark, Alabama
Budgetary Comparison Schedule – General Fund

<i>For the year ended September 30, 2025</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 13,917,500	\$ 13,917,500	\$ 14,375,195	\$ 457,695
Licenses and permits	1,765,850	1,765,850	1,919,598	153,748
Intergovernmental	433,500	1,009,580	1,157,072	147,492
Charges for services	2,149,500	2,155,600	2,220,139	64,539
Fines and forfeitures	450,000	450,000	389,217	(60,783)
Interest and other	20,020	20,020	4,025	(15,995)
Miscellaneous revenue	307,700	466,655	679,349	212,694
Total revenues	19,044,070	19,785,205	20,744,595	959,390
Expenditures				
General government	1,248,300	1,248,300	1,137,860	110,440
Education	1,343,000	1,343,000	1,371,867	(28,867)
Vehicle maintenance	348,151	348,151	349,333	(1,182)
Police	3,310,543	3,375,568	3,583,975	(208,407)
Information technology	180,342	180,342	223,883	(43,541)
Fire	3,185,908	3,328,558	3,596,529	(267,971)
Airport	457,998	607,998	271,661	336,337
Sanitation	1,569,675	1,569,675	1,749,286	(179,611)
Street	1,170,600	1,170,600	1,415,457	(244,857)
Leisure services	1,810,595	1,834,895	1,851,064	(16,169)
Appropriations	145,103	145,103	145,103	-
Judicial	209,260	209,260	226,321	(17,061)
Economic development	490,700	492,950	584,575	(91,625)
Engineering and inspections	307,258	307,258	223,291	83,967
Ozark technology center	136,557	136,557	133,680	2,877
Non-departmental	485,700	491,700	347,980	143,720
Capital outlay	1,041,000	1,391,910	2,889,238	(1,497,328)
Debt service	-	-	197,795	(197,795)
Total expenditures	17,440,690	18,181,825	20,298,898	(2,117,073)
Excess (deficiency) of revenues over (under) expenditures	1,603,380	1,603,380	445,697	(1,157,683)

(Continued)

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

<i>For the year ended September 30, 2025</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses)				
Transfers in (out)	(1,623,380)	(1,623,380)	(1,141,968)	481,412
Proceeds from issuance of debt	-	-	300,000	300,000
Loss recoveries	10,000	10,000	22,393	12,393
Proceeds from sale of capital assets	10,000	10,000	157,459	147,459
Net other financing sources (uses)	(1,603,380)	(1,603,380)	(662,116)	941,264
Net change in fund balance	-	-	(216,419)	(216,419)
Fund balance, beginning of year	9,694,039	9,694,039	9,694,039	-
Fund balance, end of year	\$ 9,694,039	\$ 9,694,039	\$ 9,477,620	\$ (216,419)

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

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

<i>As of and for the year ended September 30,</i>	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 645,077	\$ 567,966	\$ 544,393	\$ 439,042	\$ 456,406	\$ 467,852	\$ 484,217	\$ 469,964	\$ 474,328	\$ 444,431
Interest	1,760,052	1,747,992	1,718,862	1,631,480	1,593,836	1,582,682	1,561,886	1,510,378	1,408,146	1,386,963
Changes of benefit terms	-	-	9,471	401,528	-	-	-	-	-	-
Difference between expected and actual experience	78,176	85,750	(40,513)	509,587	(6,517)	(243,062)	(316,905)	39,418	286,209	(174,320)
Changes of assumptions	-	-	-	936,150	-	-	113,058	-	870,768	-
Benefit payments, including refunds of member contributions	(1,801,327)	(1,762,202)	(1,636,308)	(1,748,237)	(1,688,002)	(1,436,389)	(1,497,733)	(1,216,202)	(1,411,749)	(1,372,821)
Transfers among employers	(306,363)	(458,063)	(141,957)	(341,586)	163,269	(100,412)	25,742	1,824	161,456	-
Net change in total pension liability	375,615	181,443	453,948	1,827,964	518,992	270,671	370,265	805,382	1,789,158	284,253
Total pension liability - beginning	24,525,519	24,344,076	23,890,128	22,062,164	21,543,172	21,272,501	20,902,236	20,096,854	18,307,696	18,023,443
Total pension liability - ending (a)	\$ 24,901,134	\$ 24,525,519	\$ 24,344,076	\$ 23,890,128	\$ 22,062,164	\$ 21,543,172	\$ 21,272,501	\$ 20,902,236	\$ 20,096,854	\$ 18,307,696
Plan Fiduciary Net Position										
Contributions - employer	775,697	627,585	517,707	434,502	446,663	549,631	446,010	459,888	467,660	457,419
Contributions - member	550,155	433,653	405,398	336,165	330,806	347,610	346,073	332,178	362,299	301,942
Net investment income	3,282,117	1,897,390	(2,290,887)	3,452,588	896,261	410,026	1,408,494	1,790,040	1,331,113	159,366
Benefit payments, including refunds of member contributions	(1,801,327)	(1,762,202)	(1,636,308)	(1,748,237)	(1,688,002)	(1,436,389)	(1,497,733)	(1,216,202)	(1,411,749)	(1,372,821)
Transfers among employers	(306,363)	(458,063)	(141,957)	(341,586)	163,269	(100,412)	25,742	1,824	161,456	(9,909)
Net change in plan fiduciary net position	2,500,279	738,363	(3,146,047)	2,133,432	148,997	(229,534)	728,586	1,367,728	910,779	(464,003)
Plan fiduciary net position - beginning	15,932,941	15,194,578	18,340,625	16,207,193	16,058,196	16,287,730	15,559,144	14,191,416	13,280,637	13,744,640
Plan fiduciary net position - ending (b)	18,433,220	15,932,941	15,194,578	18,340,625	16,207,193	16,058,196	16,287,730	15,559,144	14,191,416	13,280,637
Net pension liability - ending (a) - (b)	\$ 6,467,914	\$ 8,592,578	\$ 9,149,498	\$ 5,549,503	\$ 5,854,971	\$ 5,484,976	\$ 4,984,771	\$ 5,343,092	\$ 5,905,438	\$ 5,027,059
Plan fiduciary net position as a percentage of the total pension liability	74.03%	64.96%	62.42%	76.77%	73.46%	74.54%	76.57%	74.44%	70.62%	72.54%
Covered payroll	\$ 6,760,418	\$ 6,281,345	\$ 6,370,137	\$ 6,033,703	\$ 6,073,132	\$ 5,615,180	\$ 6,068,177	\$ 6,148,668	\$ 5,885,886	\$ 5,609,577
Net pension liability as a percentage of covered payroll	95.67%	136.80%	143.63%	91.98%	96.41%	97.68%	82.15%	86.90%	100.33%	89.62%

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

<i>As of and for the year ended September 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 645,077	\$ 567,966	\$ 544,393	\$ 439,042	\$ 456,406	\$ 467,852	\$ 484,217	\$ 469,964	\$ 474,328	\$ 444,431
Contributions in relation to the actuarially determined contributions	869,774	775,697	627,585	517,707	434,502	446,663	549,631	446,010	459,888	467,660
Contribution deficiency (excess)	\$ (224,697)	\$ (207,731)	\$ (83,192)	\$ (78,665)	\$ 21,904	\$ 21,189	\$ (65,414)	\$ 23,954	\$ 14,440	\$ (23,229)
Covered payroll	\$ 7,520,872	\$ 6,760,418	\$ 6,281,345	\$ 6,370,137	\$ 6,033,703	\$ 6,073,132	\$ 5,615,180	\$ 6,068,177	\$ 6,148,668	\$ 5,885,886
Contributions as a percentage of covered payroll	11.56%	11.47%	9.99%	8.13%	7.20%	7.35%	9.79%	7.35%	7.48%	7.95%

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 2025 were based on the September 30, 2022 actuarial valuation.

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

<i>As of and for the year ended September 30,</i>	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	\$ 389,362	\$ 370,923	\$ 579,966	\$ 438,120	\$ 378,502	\$ 285,100	\$ 323,144
Interest	274,356	282,520	195,460	191,932	209,419	284,230	250,841
Changes of benefit terms	-	-	-	280,640	-	-	-
Difference between expected and actual experience	(15,370)	(768,801)	(36,658)	(1,223,885)	(3,213)	(331,883)	20,604
Changes of assumptions or other inputs	297,518	91,483	(2,067,497)	573,985	540,300	1,130,389	(554,098)
Benefit payments	(295,692)	(296,340)	(289,109)	(304,513)	(321,479)	(267,274)	(267,274)
Net change in total OPEB liability	650,174	(320,215)	(1,617,838)	(43,721)	803,529	1,100,562	(226,783)
Total OPEB liability - beginning	6,854,345	7,174,560	8,792,398	8,836,119	8,032,590	6,932,028	7,158,811
Total OPEB liability - ending	\$ 7,504,519	\$ 6,854,345	\$ 7,174,560	\$ 8,792,398	\$ 8,836,119	\$ 8,032,590	\$ 6,932,028
Covered payroll*	\$ 5,834,684	\$ 5,834,684	\$ 5,014,996	\$ 5,014,996	\$ 5,561,701	\$ 5,561,701	\$ 5,576,106
Total OPEB liability as a percentage of covered payroll	128.62%	117.48%	143.06%	175.32%	158.87%	144.43%	124.32%

*For years following the valuation date (when no new valuation if performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

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:

9/30/2018 - 3.57%
9/30/2019 - 4.18%
9/30/2020 - 2.66%
9/30/2021 - 2.21%
9/30/2022 - 2.26%
9/30/2023 - 4.02%
9/30/2024 - 4.09%

City of Ozark, Alabama
Notes to Required Supplementary Information

Note 1: PLAN CHANGES IN BENEFIT TERMS

Pension

There have been no significant changes in benefit terms since the prior valuation.

OPEB

There have been no significant changes in benefit terms since the prior valuation.

Note 2: CHANGES OF ASSUMPTIONS

Pension

There have been no significant changes in assumptions since the prior valuation.

OPEB

The discount rate used was 4.09%, as compared to 4.02% at the prior measurement date.

Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Pension

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	22.3 years
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increases	3.25 - 6.00%, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

City of Ozark, Alabama
Notes to Required Supplementary Information

Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES (Continued)

OPEB

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.25% - 6.00%
Municipal Bond Index Rate	
Prior Measurement Date	4.09%
Measurement Date	3.81%
Health Care Cost Trends	
Pre-Medicare Medical and Prescription Drug	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2033
Medicare Medical and Prescription Drug	5.125% for 2023 decreasing to an ultimate rate of 4.50% by 2026
Dental	3.50%

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

<i>September 30, 2025</i>	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,336,905	\$ 6,131	\$ 1,343,036
Accounts receivable, net	47,504	-	47,504
Due from other governments	75,608	-	75,608
Restricted cash and cash equivalents	-	375,086	375,086
Total assets	\$ 1,460,017	\$ 381,217	\$ 1,841,234
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 146,178	\$ -	\$ 146,178
Unearned revenue	119,896	-	119,896
Total liabilities	266,074	-	266,074
Fund balances			
Restricted	1,193,943	381,217	1,575,160
Total liabilities and fund balances	\$ 1,460,017	\$ 381,217	\$ 1,841,234

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

<i>For the year ended September 30, 2025</i>	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 2,538,224	\$ -	\$ 2,538,224
Intergovernmental	728,196	-	728,196
Interest and other	2,560	14,421	16,981
Miscellaneous revenue	923	-	923
Total revenues	3,269,903	14,421	3,284,324
Expenditures			
Education	2,224,958	-	2,224,958
Fire	136,139	-	136,139
Street	99,799	-	99,799
Judicial	42,953	-	42,953
Debt service			
Principal	-	673,657	673,657
Interest	-	131,123	131,123
Fiscal agent fees	-	6,996	6,996
Capital outlay	1,192,885	-	1,192,885
Total expenditures	3,696,734	811,776	4,508,510
Excess (deficiency) of revenues over (under) expenditures	(426,831)	(797,355)	(1,224,186)
Other Financing Sources (Uses)			
Transfers in (out)	346,812	795,156	1,141,968
Net change in fund balances	(80,019)	(2,199)	(82,218)
Fund balances, beginning of year	1,273,962	383,416	1,657,378
Fund balances, end of year	\$ 1,193,943	\$ 381,217	\$ 1,575,160

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

Special

<i>September 30, 2025</i>	ARPA	Bond	Four Cent Gas Tax	Ten Cent Gas Tax	Special Ad Valorem Fund I	Special Ad Valorem Fund II	UDAG	FEMA
Assets								
Cash and cash equivalents	\$ 121,958	\$ 31,085	\$ 174,596	\$ 349,762	\$ 24	\$ 210	\$ 26,369	\$ 6,530
Accounts receivable, net	-	-	-	-	23,752	23,752	-	-
Due from other funds	-	-	-	-	-	-	-	-
Total assets	\$ 121,958	\$ 31,085	\$ 174,596	\$ 349,762	\$ 23,776	\$ 23,962	\$ 26,369	\$ 6,530
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 23,752	\$ 23,752	\$ -	\$ -
Unearned revenue	119,896	-	-	-	-	-	-	-
Total liabilities	119,896	-	-	-	23,752	23,752	-	-
Fund Balances								
Restricted	2,062	31,085	174,596	349,762	24	210	26,369	6,530
Total liabilities and fund balances	\$ 121,958	\$ 31,085	\$ 174,596	\$ 349,762	\$ 23,776	\$ 23,962	\$ 26,369	\$ 6,530

Revenue Funds								Total
Wiregrass Violent Crime	Department of Justice	Street	Municipal Court/ Judicial Admin	CDBG	Alabama Trust Fund Improvements	Corrections		Nonmajor Special Revenue Funds
\$ 3,871	\$ 4,227	\$ 434,732	\$ 85,537	\$ 58,770	\$ 938	\$ 38,296		\$ 1,336,905
-	-	-	-	-	-	-		47,504
-	-	73,294	749	-	-	1,565		75,608
<u>\$ 3,871</u>	<u>\$ 4,227</u>	<u>\$ 508,026</u>	<u>\$ 86,286</u>	<u>\$ 58,770</u>	<u>\$ 938</u>	<u>\$ 39,861</u>		<u>\$ 1,460,017</u>
\$ -	\$ -	\$ 98,674	\$ -	\$ -	\$ -	\$ -		\$ 146,178
-	-	-	-	-	-	-		119,896
-	-	98,674	-	-	-	-		266,074
3,871	4,227	409,352	86,286	58,770	938	39,861		1,193,943
<u>\$ 3,871</u>	<u>\$ 4,227</u>	<u>\$ 508,026</u>	<u>\$ 86,286</u>	<u>\$ 58,770</u>	<u>\$ 938</u>	<u>\$ 39,861</u>		<u>\$ 1,460,017</u>

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

<i>Year ended September 30, 2025</i>	Special							
	ARPA	Bond	Four Cent Gas Tax	Ten Cent Gas Tax	Special Ad Valorem Fund I	Special Ad Valorem Fund II	UDAG	FEMA
Revenues								
Taxes	\$ -	\$ -	\$ 62,772	\$ 136,185	\$ 1,112,479	\$ 1,112,479	\$ -	\$ -
Intergovernmental	136,523	-	-	-	-	-	-	-
Interest and other	133	-	411	755	-	-	-	16
Miscellaneous revenue	-	-	-	-	-	123	800	-
Total revenues	136,656	-	63,183	136,940	1,112,479	1,112,602	800	16
Expenditures								
Education	-	-	-	-	1,112,479	1,112,479	-	-
Fire	136,139	-	-	-	-	-	-	-
Street	-	-	61,976	36,014	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Capital outlay	384	-	-	-	-	-	-	-
Total expenditures	136,523	-	61,976	36,014	1,112,479	1,112,479	-	-
Excess (deficiency) of revenues over expenditures	133	-	1,207	100,926	-	123	800	16
Other Financing Sources (Uses)								
Transfers in (out)	-	-	-	-	-	-	-	-
Net change in fund balances	133	-	1,207	100,926	-	123	800	16
Fund balances, beginning of year	1,929	31,085	173,389	248,836	24	87	25,569	6,514
Fund balances, end of year	\$ 2,062	\$ 31,085	\$ 174,596	\$ 349,762	\$ 24	\$ 210	\$ 26,369	\$ 6,530

Revenue Funds								Total
Wiregrass	Department	Street	Municipal	CDBG	Alabama	Corrections	Nonmajor	Special
Violent	of Justice		Court/ Judicial		Trust Fund		Revenue	Funds
Crime			Admin		Improvements			
\$ -	\$ -	\$ 114,309	\$ -	\$ -	\$ -	\$ -	\$ -	2,538,224
-	-	85,284	-	371,773	134,616	-	-	728,196
-	-	-	836	114	97	198	-	2,560
-	-	-	-	-	-	-	-	923
-	-	199,593	836	371,887	134,713	198	-	3,269,903
-	-	-	-	-	-	-	-	2,224,958
-	-	-	-	-	-	-	-	136,139
-	-	1,809	-	-	-	-	-	99,799
-	-	-	33,788	-	-	9,165	-	42,953
-	-	828,365	-	364,136	-	-	-	1,192,885
-	-	830,174	33,788	364,136	-	9,165	-	3,696,734
-	-	(630,581)	(32,952)	7,751	134,713	(8,967)	-	(426,831)
-	-	464,196	11,216	41,685	(146,053)	(24,232)	-	346,812
-	-	(166,385)	(21,736)	49,436	(11,340)	(33,199)	-	(80,019)
3,871	4,227	575,737	108,022	9,334	12,278	73,060	-	1,273,962
\$ 3,871	\$ 4,227	\$ 409,352	\$ 86,286	\$ 58,770	\$ 938	\$ 39,861	\$ -	\$ 1,193,943

City of Ozark, Alabama
Schedules of Bond Amortization Requirements

\$3,760,000 General Obligation Warrants, Series 2021, dated March 23, 2021 with interest payable on May 1 and September 1 of each year. Warrants mature on March 1, 2034.

Paying Agent: Regions Bank

Year Ending	Interest Rate	Principal	Interest	Total
9/30/2026	1.00%	\$ 10,000	\$ 74,250	\$ 84,250
9/30/2027	2.00%	430,000	69,900	499,900
9/30/2028	2.00%	440,000	61,200	501,200
9/30/2029	2.00%	450,000	52,300	502,300
9/30/2030	2.00%	460,000	43,200	503,200
9/30/2031	2.00%	470,000	33,900	503,900
9/30/2032	2.00%	480,000	24,400	504,400
9/30/2033	2.00%	485,000	14,750	499,750
9/30/2034	2.00%	495,000	4,950	499,950
Total		\$ 3,720,000	\$ 378,850	\$ 4,098,850

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

Paying Agent: Regions Bank

Year Ending	Interest Rate	Principal	Interest	Total
9/30/2026	2.10%	\$ 460,000	\$ 4,830	\$ 464,830

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
9/30/2026	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		\$ 1,200,000	\$ 100,487	\$ 1,300,487

300,000 General Obligation Bond, Series 2025-1, dated March 27, 2025 with interest payable January 3, 2021. Matures January 3, 2031.

Paying Agent: J. Peters

Year Ending	Principal	Interest	Total
9/30/2026	\$ 50,000	\$ -	\$ 50,000
9/30/2027	50,000	-	50,000
9/30/2028	50,000	-	50,000
9/30/2029	50,000	-	50,000
9/30/2030	50,000	-	50,000
9/30/2031	50,000	7,000	57,000
Total	\$ 300,000	\$ 7,000	\$ 307,000



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ozark, Alabama (the “City”), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise City of Ozark, State Alabama’s basic financial statements, and have issued our report thereon dated May 13, 2026. Our report includes a reference to other auditors who audited the financial statements of Ozark City Board of Education as described in our report on the City’s financial statements. This report does not include the results of the other auditor’s testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on 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 below, 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 below as item 2025-001 to be a material weakness.

2025-001 Financial Reporting (Repeat of Finding 2024-001)

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;..."

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

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 financial reporting.

Management Response: The City's Chief Financial Officer will implement a formal financial close process.

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 deficiencies described below as items 2025-002, 2025-003, and 2025-004 to be significant deficiencies.

2025-002 Capital Assets (Repeat of Finding 2024-002)

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;..."

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

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 depreciaiton 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 Chief Financial Officer will implement a formal financial close process to include rollforward and reconciliation of capital assets and related depreciation.

2025-003 Due to and From Accounts (Repeat of Finding 2024-003)

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;..."

Condition: The City did not reconcile and monitor due to and due from accounts throughout the year as balances were remaining from the prior year, amounts did not reconcile between funds, and accounts required adjustment or reclassification.

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

Management Response: The City's Chief Finianle Officer will implement a formal financial close process to include timely monitoring of due to and from accounts.

2025-004 Grant Accounting and Administration (Repeat finding of 2024-004)

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;...”

Condition: The City did not maintain a complete and accurate tracking of grant revenues, expenditures, and related compliance requirements.

Cause: Internal processes and controls, such as grant administration and reconciliation procedures, were not sufficient to provide accurate reporting and monitoring of grant accounting and compliance.

Effect: Multiple adjustments were made to properly record revenues and expenditures related to grants.

Recommendation: We recommend that management establish a formal grant administration process, including the timely preparation and review of grant revenues, expenditures, and compliance requirements.

Management Response: The City’s Chief Financial Officer will implement a formal, centralized, grant administration process.

Report on 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

Governmental Auditing Standards requires the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described above. 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 the responses.

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

May 13, 2026