# City of Ozark, Alabama

## FINANCIAL STATEMENTS

**September 30, 2022**

# Table of Contents


| | Page |
|---|---|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis | 5 |
| **FINANCIAL STATEMENTS** | |
| **Basic Financial Statements** | |
| Government-wide Financial Statements | |
| Statement of Net Position | 17 |
| Statement of Activities | 19 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 21 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 22 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 23 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 25 |
| Budgetary Comparison Schedule – General Fund | 26 |
| Budgetary Comparison Schedule – ARPA Fund | 28 |
| Statement of Net Position – Proprietary Funds | 29 |
| Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds | 30 |
| Statement of Cash Flows – Proprietary Funds | 31 |
| Notes to Financial Statements | 33 |
| **Required Supplementary Information** | |
| Schedule of Changes in Net Pension Liability | 71 |
| Schedule of Employer Contributions | 72 |
| Schedule of Changes in OPEB Liability | 73 |
| Notes to Required Supplementary Information | 74 |
| **Other Supplementary Information** | |
| Combining and Individual Financial Statements | |
| Balance Sheet – Nonmajor Governmental Funds | 76 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds | 77 |
| Balance Sheet – Nonmajor Special Revenue Funds | 78 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds | 79 |
| Schedules of Bond Amortization Requirements | 80 |

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* ..... 82

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance ..... 87

Schedule of Findings and Questioned Costs..... 90

Schedule of Expenditures of Federal Awards..... 94

Notes to the Schedule of Expenditures of Federal Awards..... 96

Corrective Action Plan..... 98

Summary Schedule of Prior Year Audit Findings..... 100

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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members of 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, 2022, 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and ARPA Fund 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, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Board of Education, are 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 Auditors' 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.

***Auditors' 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 auditors' 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), schedule of changes in net pension liability (page 71), schedule of employer contributions (page 72), and schedule of changes in OPEB liability (page 73) 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.

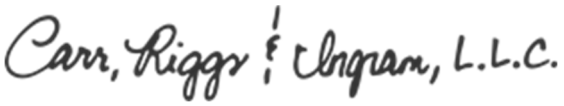
***Supplementary Information***

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, schedules of bond amortization requirements, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, schedules of bond amortization requirements, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2023, 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, LLC

Enterprise, Alabama
April 25, 2023

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, 2022. 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, 2022 was $27,066,458. This represents an increase of $1,867,624 from the net position of September 30, 2021. The combined unrestricted (deficit) decreased $1,769,831, the governmental activities deficit decreased $1,585,787, and the business-type deficit decreased $184,044.

- The revenues at September 30, 2022 from governmental activities were $22,915,805 and revenues from business-type activities were $1,770,444, for a combined total of $24,686,249. This is an overall increase in revenues from prior year of $545,705.

From the Fund Financial Statements

- The governmental funds reported revenues of $22,839,367 for fiscal year 2022, an increase of $2,459,106 over $20,380,261 reported last year. The majority of the increases were in intergovernmental revenues and taxes.

- The General Fund reported a total fund balance of $8,046,518 at September 30, 2022. The spendable, unassigned portion of total fund balance was $7,772,220, the nonspendable portion was $256,841, and the restricted portion was $17,457. The net result of operations is an increase of $1,993,040. 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 50.85% percent of the total general fund operating expenditures of $15,282,645 (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 $2,547,108. Total fund balance as a percentage of the general operating expenditures is 52.65% percent.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

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

***Government-wide Financial Statements***

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

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

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

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

The Government-wide financial statements begin on page 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.

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 and ARPA Fund that are considered to be major funds. 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 page 21 of this report.

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

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

| *Years ended September 30,* | | **2022** | 2021 | Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|---|
| Number of patients transported | | **3,745** | 3,799 | (54) | -1.4% |
| **Seven year average:** | | | | | |
| Gross charge per trip | $ | 697 | | | |
| Net charge per trip | $ | 442 | | | |
| Cash collection per trip | $ | 324 | | | |
| Cash collection per trip as a percent of net charge per trip | | 73.5% | | | |
| **Average cost per transport:** | | | | | |
| FY2021-22 | $ | 346 | | | |
| FY2020-21 | $ | 294 | | | |
| FY2019-20 | $ | 319 | | | |
| FY2018-19 | $ | 247 | | | |
| FY2017-18 | $ | 259 | | | |
| FY2016-17 | $ | 270 | | | |
| FY2015-16 | $ | 276 | | | |

**Number of patients transported by payer type:**

| | **FY2021-22** | **% of total** | FY2020-21 | % of total |
|---|---|---|---|---|
| Medicare | **1,272** | **34.0%** | 1,471 | 38.7% |
| Medicaid | **550** | **14.7%** | 641 | 16.9% |
| Other Insurance | **1,620** | **43.3%** | 1,291 | 34.0% |
| Patient (no insurance) | **303** | **8.1%** | 396 | 10.4% |

The EMS program increased the net position by $109,626 in fiscal year 2022.

The basic proprietary fund financial statements can be found beginning on page 29 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 33 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 $24,707,299 for fiscal year 2022, as compared to $22,963,551 for fiscal year 2021.

| | Governmental Activities | | Business-type Activities | | Primary Government Total | |
|---|---|---|---|---|---|---|
| *September 30,* | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| **Assets** | | | | | | |
| Current and other assets | **$ 12,321,916** | $ 10,402,760 | **$ 1,469,765** | $ 1,163,870 | **$ 13,791,681** | $ 11,566,630 |
| Capital assets | **36,475,219** | 37,179,611 | **2,550,880** | 2,424,388 | **39,026,099** | 39,603,999 |
| Total assets | **48,797,135** | 47,582,371 | **4,020,645** | 3,588,258 | **52,817,780** | 51,170,629 |
| **Deferred outflows of resources** | **3,575,694** | 2,820,921 | **407,163** | 296,813 | **3,982,857** | 3,117,734 |
| **Liabilities** | | | | | | |
| Current liabilities | **3,611,454** | 4,183,307 | **59,059** | 45,625 | **3,670,513** | 4,228,932 |
| Long-term liabilities | **20,816,684** | 22,028,943 | **1,440,883** | 1,476,163 | **22,257,567** | 23,505,106 |
| Total liabilities | **24,428,138** | 26,212,250 | **1,499,942** | 1,521,788 | **25,928,080** | 27,734,038 |
| **Deferred inflows of resources** | **3,237,392** | 1,227,491 | **568,707** | 128,000 | **3,806,099** | 1,355,491 |
| **Net Position (Deficit)** | | | | | | |
| Net investment in capital assets | **28,046,664** | 27,866,711 | **2,364,220** | 2,424,388 | **30,410,884** | 30,291,099 |
| Restricted | **417,145** | 439,137 | **-** | - | **417,145** | 439,137 |
| Unrestricted (deficit) | **(3,756,510)** | (5,342,297) | **(5,061)** | (189,105) | **(3,761,571)** | (5,531,402) |
| Total net position | **$ 24,707,299** | $ 22,963,551 | **$ 2,359,159** | $ 2,235,283 | **$ 27,066,458** | $ 25,198,834 |

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

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations. The City, at September 30, 2022 and 2021, reported unrestricted deficits in governmental and business-type activities. The unrestricted deficit in governmental activities was the result of the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 68 eight years ago and GASB Statement No. 75 five years ago.

| *Years ended September 30,* | Governmental Activities 2022 | Governmental Activities 2021 | Business-type Activities 2022 | Business-type Activities 2021 | Primary Government Total 2022 | Primary Government Total 2021 |
|---|---|---|---|---|---|---|
| **Program Revenues:** | | | | | | |
| Charges for services | **$ 5,885,060** | $5,908,781 | **$ 1,654,631** | $1,501,406 | **$7,539,691** | $7,410,187 |
| Operating grants and contributions | **526,022** | 548,170 | **-** | - | **526,022** | 548,170 |
| Capital grants and contributions | **2,511,149** | 678,300 | **66,265** | - | **2,577,414** | 678,300 |
| **General Revenues:** | | | | | | |
| Property taxes | **825,731** | 804,815 | **-** | - | **825,731** | 804,815 |
| Sales tax | **10,095,223** | 9,542,475 | **-** | - | **10,095,223** | 9,542,475 |
| Motor fuel tax | **1,406,831** | 1,360,263 | **-** | - | **1,406,831** | 1,360,263 |
| Other taxes | **1,243,526** | 1,284,323 | **-** | - | **1,243,526** | 1,284,323 |
| Other | **422,263** | 2,440,056 | **49,548** | 71,955 | **471,811** | 2,512,011 |
| Total revenues | **22,915,805** | 22,567,183 | **1,770,444** | 1,573,361 | **24,686,249** | 24,140,544 |
| **Functions/Program Expenses:** | | | | | | |
| General government | **1,330,324** | 1,395,130 | **-** | - | **1,330,324** | 1,395,130 |
| Police | **3,454,833** | 3,069,609 | **-** | - | **3,454,833** | 3,069,609 |
| Fire | **3,007,900** | 2,638,113 | **1,534,122** | 1,318,345 | **4,542,022** | 3,956,458 |
| Street | **2,016,304** | 1,754,184 | **-** | - | **2,016,304** | 1,754,184 |
| Sanitation | **1,685,202** | 1,433,333 | **-** | - | **1,685,202** | 1,433,333 |
| Leisure services | **2,135,367** | 1,966,921 | **-** | - | **2,135,367** | 1,966,921 |
| Engineering and inspections | **243,349** | 174,088 | **-** | - | **243,349** | 174,088 |
| Vehicle maintenance | **361,095** | 271,924 | **-** | - | **361,095** | 271,924 |
| Airport | **996,091** | 897,512 | **-** | - | **996,091** | 897,512 |
| Judicial | **255,799** | 192,313 | **-** | - | **255,799** | 192,313 |
| Appropriations | **141,753** | 141,753 | **-** | - | **141,753** | 141,753 |
| Non-departmental | **1,245,432** | 317,123 | **-** | - | **1,245,432** | 317,123 |
| Economic development | **888,500** | 1,031,051 | **112,446** | 80,731 | **1,000,946** | 1,111,782 |
| Ozark technology center | **157,767** | 149,662 | **-** | - | **157,767** | 149,662 |
| Information technology | **203,559** | 186,350 | **-** | - | **203,559** | 186,350 |
| Education | **2,843,937** | 2,715,372 | **-** | - | **2,843,937** | 2,715,372 |
| Interest | **196,971** | 219,246 | **-** | - | **196,971** | 219,246 |
| Fees on long term debt | **8,079** | 105,826 | **-** | - | **8,079** | 105,826 |
| Amortization | **(205)** | 6,774 | **-** | - | **(205)** | 6,774 |
| Total functions/program expenses | **21,172,057** | 18,666,284 | **1,646,568** | 1,399,076 | **22,818,625** | 20,065,360 |
| Special items: donations of property | **-** | (1,828,619) | **-** | (219,518) | **-** | (2,048,137) |
| **Increase (Decrease) in Net Position** | **$ 1,743,748** | $2,072,280 | **$ 123,876** | $ (45,233) | **$1,867,624** | $2,027,047 |

## 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 $9,462,295, an increase of $2,357,168 in comparison with the prior year. Spendable, unassigned fund balances of $7,772,220 represents 82 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 $256,841, and the restricted amount is $1,433,234 to indicate that it was not available for new spending because it has already been committed to grants accounted for in the general and special revenue funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, spendable, unassigned fund balance of the General Fund was $7,772,220, the nonspendable portion was $256,841, and the restricted portion was $17,457. The net result of operations is an increase of $1,993,040. 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 50.85% percent of the total general fund operating expenditures of $15,282,645 (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 $2,547,108. Total fund balance as a percentage of the general operating expenditures is 52.65% percent.

| | Total Governmental Funds | | |
|---|---|---|---|
| *September 30,* | **2022** | 2021 | Change |
| **Assets** | | | |
| Cash and cash equivalents | **$ 10,346,434** | $ 8,403,214 | $ 1,943,220 |
| Receivables, net | **1,532,462** | 1,576,259 | (43,797) |
| Due from other funds | **217,708** | 182,474 | 35,234 |
| Other assets | **14,595** | 14,600 | (5) |
| Restricted cash and cash equivalents | **392,116** | 399,500 | (7,384) |
| Total assets | **$ 12,503,315** | $ 10,576,047 | $ 1,927,268 |

| *September 30,* | Total Governmental Funds **2022** | 2021 | Change |
|---|---|---|---|
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | | |
| Liabilities | | | |
| Accounts payable | **$ 599,099** | $ 1,095,985 | $ (496,886) |
| Due to other funds | **181,399** | 173,286 | 8,113 |
| Accrued payroll | **379,832** | 361,798 | 18,034 |
| Unearned revenue | **1,504,451** | 1,698,812 | (194,361) |
| Other accrued expenses | **229,353** | 141,039 | 88,314 |
| Total liabilities | **2,894,134** | 3,470,920 | (576,786) |
| Deferred inflows of resources | **146,886** | - | 146,886 |
| Fund balances | | | |
| Nonspendable | **256,841** | 302,291 | (45,450) |
| Restricted | **1,433,234** | 1,084,808 | 348,426 |
| Unassigned | **7,772,220** | 5,718,028 | 2,054,192 |
| Total fund balances | **9,462,295** | 7,105,127 | 2,357,168 |
| Total liabilities, deferred inflows of resources, and fund balances | **$ 12,503,315** | $ 10,576,047 | $ 1,927,268 |

Revenues for fiscal year 2022 from governmental funds were more than fiscal year 2021 revenues by $2,459,106. The majority of the increases were attributable to an increase in intergovernmental revenues and taxes.

Expenditures for fiscal year 2022 from governmental funds were more than fiscal year 2021 by $956,532. The majority of the increase was related to spending of ARPA funds.

| *Years ended September 30,* | Total Governmental Funds **2022** | 2021 | Change |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | **$ 15,026,495** | $ 14,370,459 | $ 656,036 |
| Licenses and permits | **1,641,046** | 1,656,580 | (15,534) |
| Intergovernmental | **3,115,767** | 1,207,814 | 1,907,953 |
| Charges for services | **2,189,050** | 2,139,794 | 49,256 |
| Fines and forfeitures | **490,076** | 594,576 | (104,500) |
| Investment earnings | **14,586** | 13,347 | 1,239 |
| Miscellaneous | **362,347** | 397,691 | (35,344) |
| Total revenues | **22,839,367** | 20,380,261 | 2,459,106 |

| *Years ended September 30,* | Total Governmental Funds **2022** | 2021 | Change |
|---|---|---|---|
| **Expenditures** | | | |
| General government | **$ 1,139,211** | $ 1,114,409 | $ 24,802 |
| Education | **2,843,935** | 2,715,408 | 128,527 |
| Vehicle maintenance | **347,934** | 266,385 | 81,549 |
| Police | **3,016,193** | 2,803,433 | 212,760 |
| Information technology | **181,984** | 163,174 | 18,810 |
| Fire | **2,585,597** | 2,355,607 | 229,990 |
| Airport | **476,684** | 387,274 | 89,410 |
| Sanitation | **1,510,594** | 1,318,668 | 191,926 |
| Street | **1,214,848** | 1,036,090 | 178,758 |
| Leisure services | **1,865,667** | 1,760,019 | 105,648 |
| Appropriations | **141,753** | 141,753 | - |
| Judicial | **246,990** | 189,119 | 57,871 |
| Economic development | **759,987** | 907,568 | (147,581) |
| Engineering and inspections | **229,254** | 171,156 | 58,098 |
| Ozark technology center | **124,085** | 121,861 | 2,224 |
| Non-departmental | **1,234,430** | 317,087 | 917,343 |
| Debt service | **1,089,190** | 1,153,156 | (63,966) |
| Capital outlay | **1,493,252** | 2,622,889 | (1,129,637) |
| Total expenditures | **20,501,588** | 19,545,056 | 956,532 |
| Excess (deficiency) of revenues over expenditures | **2,337,779** | 835,205 | 1,502,574 |
| **Other Financing Sources (Uses)** | | | |
| Transfers in (out), net | **(49,500)** | - | (49,500) |
| Proceeds from issuance of debt | **-** | 4,863,390 | (4,863,390) |
| Payment to refunded bond escrow agent | **-** | (3,802,362) | 3,802,362 |
| Loss recoveries | **17,444** | 52,248 | (34,804) |
| Proceeds from sale of capital assets | **51,445** | 51,627 | (182) |
| Total other financing sources (uses) | **19,389** | 1,164,903 | (1,145,514) |
| Excess (deficiency) of revenues and other sources over expenditures | **2,357,168** | 2,000,108 | 357,060 |
| Fund balances - beginning | **7,105,127** | 5,105,019 | 2,000,108 |
| Fund balances - ending | **$ 9,462,295** | $ 7,105,127 | $ 2,357,168 |

## GENERAL FUND BUDGETARY HIGHLIGHTS

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

General Fund revenues came in above budgeted amounts by $2,441,834. Tax revenues were higher by $1,911,685.

General Fund operating expenditures were under the final amended budget by $160,552. This reflects operating estimated expenditures coming in under budget due to continued efforts by departments to manage expenses.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

The City's investment in capital assets for governmental activities as of September 30, 2022 amounts to $36,475,219 (net of accumulated depreciation). The City's investment in capital assets for business-type activities as of September 30, 2022 amounts to $2,550,880 (net of accumulated depreciation). This investment in capital assets includes land; improvements and infrastructure; buildings; equipment; and construction in progress. Additional information on the City's capital assets can be found in Note 2 of this report.

**Capital Assets (net of depreciation)**

| | Governmental Activities | | Business-type Activities | | Primary Government Total | |
|---|---|---|---|---|---|---|
| | **9/30/2022** | 9/30/2021 | **9/30/2022** | 9/30/2021 | **9/30/2022** | 9/30/2021 |
| Land | **$ 5,862,945** | $5,809,745 | **$ 573,045** | $ 573,045 | **$ 6,435,990** | $6,382,790 |
| Construction in progress | **119,095** | 769,260 | **16,800** | - | **135,895** | 769,260 |
| Improvements and infrastructure | **19,522,287** | 19,033,657 | **117,311** | - | **19,639,598** | 19,033,657 |
| Buildings | **7,902,895** | 8,184,083 | **1,477,945** | 1,433,733 | **9,380,840** | 9,617,816 |
| Equipment | **3,067,997** | 3,382,865 | **365,779** | 417,612 | **3,433,776** | 3,800,477 |
| Total | **$36,475,219** | $37,179,610 | **$2,550,880** | $2,424,390 | **$ 39,026,099** | $39,604,000 |

***Long-Term Debt***

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

| | Governmental Activities | | Business-type Activities | | Primary Government Total | |
|---|---|---|---|---|---|---|
| | **9/30/2022** | 9/30/2021 | **9/30/2022** | 9/30/2021 | **9/30/2022** | 9/30/2021 |
| Notes payable and other | **$ 765,351** | $ 915,467 | **$ -** | $ - | **$ 765,351** | $ 915,467 |
| Bonds payable, net | **7,420,597** | 8,038,455 | **-** | - | **7,420,597** | 8,038,455 |
| Compensated absences | **280,168** | 275,097 | **31,354** | 24,731 | **311,522** | 299,828 |
| Net pension liability | **5,195,513** | 5,464,325 | **353,990** | 390,646 | **5,549,503** | 5,854,971 |
| Total OPEB liability | **7,736,859** | 7,775,333 | **1,055,539** | 1,060,786 | **8,792,398** | 8,836,119 |
| Total | **$ 21,398,488** | $22,468,677 | **$ 1,440,883** | $ 1,476,163 | **$ 22,839,371** | $ 23,944,840 |

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Mayor and City Council considered many factors when developing the fiscal year 2022-23 budget. A budget of $17.7 million was adopted for the General Fund, $4.7 million in Special Revenue Funds, and $2.0 million in Enterprise Funds on July 19, 2022.

- 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 2022 and expects to meet that level of participation for 2023. The estimated savings in health insurance premiums is approximately $19,000. The City did receive a health rate increase of 6.4 percent for calendar year 2023.

- The 2022-23 budget does include a step increase adjustment of approximately 2.5% for all qualifying employees.

- The City projected slight increases in revenues in sales and use tax. The City did not pass any ordinances increasing any taxes.

- Dale County unemployment rate for September 2022 was 2.5 percent, and the rate for September 2021 was 2.8 percent.

**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

| *September 30, 2022* | Primary Government Governmental Activities | Business-type Activities | Total | Component Unit Board of Education |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 10,346,434 | $ 997,482 | $ 11,343,916 | $ 20,286,682 |
| Investments | - | - | - | 44,521 |
| Receivables, net | 1,490,491 | 321,932 | 1,812,423 | 7,006,970 |
| Leases receivable | 41,971 | 186,660 | 228,631 | - |
| Prepaid items | 13,378 | - | 13,378 | - |
| Internal balances | 36,309 | (36,309) | - | - |
| Inventories | 1,217 | - | 1,217 | 75,014 |
| Restricted assets | | | | |
| Cash and cash equivalents | 392,116 | - | 392,116 | - |
| Capital assets | | | | |
| Non-depreciable | 5,982,040 | 589,845 | 6,571,885 | 10,054,247 |
| Depreciable, net | 30,493,179 | 1,961,035 | 32,454,214 | 20,484,536 |
| Total assets | 48,797,135 | 4,020,645 | 52,817,780 | 57,951,970 |
| **Deferred Outflows of Resources** | | | | |
| Deferred outflows on refunding | 74,308 | - | 74,308 | - |
| Deferred outflows related to pension | 1,732,888 | 223,147 | 1,956,035 | 4,387,679 |
| Deferred outflows related to OPEB | 1,768,498 | 184,016 | 1,952,514 | 4,459,456 |
| Total deferred outflows of resources | 3,575,694 | 407,163 | 3,982,857 | 8,847,135 |

(Continued)

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

| *September 30, 2022* | Primary Government Governmental Activities | Business-type Activities | Total | Component Unit Board of Education |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Accounts payable | 599,099 | 16,268 | 615,367 | 101 |
| Accrued liabilities | 609,185 | 42,791 | 651,976 | 1,825,401 |
| Unearned revenue | 1,504,451 | - | 1,504,451 | 18,679 |
| Non-current liabilities | | | | |
| Due within one year | | | | |
| Notes payable | 131,598 | - | 131,598 | 283,800 |
| Direct - vehicle and equipment financing arrangements | 157,121 | - | 157,121 | - |
| Bonds payable | 610,000 | - | 610,000 | 196,304 |
| Due in more than one year | | | | |
| Compensated absences | 280,168 | 31,354 | 311,522 | - |
| Notes payable | 185,317 | - | 185,317 | 1,135,620 |
| Direct - vehicle and equipment financing arrangements | 608,230 | - | 608,230 | - |
| Bonds payable | 6,810,597 | - | 6,810,597 | 26,108,557 |
| Other postemployment benefits | 7,736,859 | 1,055,539 | 8,792,398 | 9,405,667 |
| Net pension liability | 5,195,513 | 353,990 | 5,549,503 | 15,472,000 |
| Total liabilities | 24,428,138 | 1,499,942 | 25,928,080 | 54,446,129 |
| **Deferred Inflows of Resources** | | | | |
| Deferred inflows related to leases | 41,971 | 186,660 | 228,631 | - |
| Deferred inflows of settlement revenue | 104,915 | - | 104,915 | - |
| Deferred inflows of property tax revenue | - | - | - | 1,911,797 |
| Deferred inflows related to pension | 1,436,416 | 182,377 | 1,618,793 | 4,906,000 |
| Deferred inflows related to OPEB | 1,654,090 | 199,670 | 1,853,760 | 9,054,972 |
| Total deferred inflows of resources | 3,237,392 | 568,707 | 3,806,099 | 15,872,769 |
| **Net Position (Deficit)** | | | | |
| Net investment in capital assets capital assets | 28,046,664 | 2,364,220 | 30,410,884 | 2,814,502 |
| Restricted for | | | | |
| Capital projects | 17,457 | - | 17,457 | - |
| Debt service | 399,649 | - | 399,649 | - |
| Education | 39 | - | 39 | - |
| Unrestricted (deficit) | (3,756,510) | (5,061) | (3,761,571) | (6,334,295) |
| Total net position (deficit) | $ 24,707,299 | $ 2,359,159 | $ 27,066,458 | $ (3,519,793) |

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

# City of Ozark, Alabama
## Statement of Activities

*For the year ended September 30, 2022*

| Functions/Programs | Expenses | Program Revenues: Charges for Services and Fines | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| Primary Government | | | | |
| Governmental activities | | | | |
| General government | $ 1,330,324 | $ 1,817,111 | $ 125,100 | $ 2,220,252 |
| Police | 3,454,833 | 234,477 | 49,776 | - |
| Fire | 3,007,900 | 50 | - | - |
| Street | 2,016,304 | - | - | 260,446 |
| Sanitation | 1,685,202 | 1,530,002 | - | - |
| Leisure services | 2,135,367 | 267,048 | 78,759 | - |
| Engineering and inspections | 243,349 | - | - | - |
| Vehicle maintenance | 361,095 | - | 90,348 | - |
| Airport | 996,091 | 424,150 | - | 30,451 |
| Judicial | 255,799 | - | - | - |
| Appropriations | 141,753 | - | - | - |
| Non-departmental | 1,245,432 | - | - | - |
| Economic development | 888,500 | - | 182,039 | - |
| Ozark technology center | 157,767 | - | - | - |
| Information technology | 203,559 | - | - | - |
| Education | 2,843,937 | 1,612,222 | - | - |
| Interest | 196,971 | - | - | - |
| Fees on long term debt | 8,079 | - | - | - |
| Amortization (accretion) | (205) | - | - | - |
| Total governmental activities | 21,172,057 | 5,885,060 | 526,022 | 2,511,149 |
| Business-type activities | | | | |
| Emergency medical services | 1,534,122 | 1,527,935 | - | 66,265 |
| Ozark Square Shopping Center | 112,446 | 126,696 | - | - |
| Total business-type activities | 1,646,568 | 1,654,631 | - | 66,265 |
| Total primary government | $ 22,818,625 | $ 7,539,691 | $ 526,022 | $ 2,577,414 |
| Component Unit | | | | |
| Ozark City Board of Education | $ 26,250,523 | $ 2,687,243 | $ 20,683,538 | $ 3,031,296 |

*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 |
| $ 2,832,139 | $ - | $ 2,832,139 | $ - |
| (3,170,580) | - | (3,170,580) | - |
| (3,007,850) | - | (3,007,850) | - |
| (1,755,858) | - | (1,755,858) | - |
| (155,200) | - | (155,200) | - |
| (1,789,560) | - | (1,789,560) | - |
| (243,349) | - | (243,349) | - |
| (270,747) | - | (270,747) | - |
| (541,490) | - | (541,490) | - |
| (255,799) | - | (255,799) | - |
| (141,753) | - | (141,753) | - |
| (1,245,432) | - | (1,245,432) | - |
| (706,461) | - | (706,461) | - |
| (157,767) | - | (157,767) | - |
| (203,559) | - | (203,559) | - |
| (1,231,715) | - | (1,231,715) | - |
| (196,971) | - | (196,971) | - |
| (8,079) | - | (8,079) | - |
| 205 | - | 205 | - |
| (12,249,826) | - | (12,249,826) | - |
| - | 60,078 | 60,078 | - |
| - | 14,250 | 14,250 | - |
| - | 74,328 | 74,328 | - |
| (12,249,826) | 74,328 | (12,175,498) | - |
| - | - | - | 151,554 |

(Continued)

*For the year ended September 30, 2022*

| | |
|---|---|
| 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 | |
| Transfers in (out), net | |
| Net position, beginning of year | |
| Net position, end of year | |

| | Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|---|
| | Primary Government | | | Component Unit |
| | Governmental Activities | Business-type Activities | Total | Board of Education |
| | 825,731 | - | 825,731 | 1,905,032 |
| | - | - | - | 803,706 |
| | 1,406,831 | - | 1,406,831 | - |
| | 10,095,223 | - | 10,095,223 | 2,668,734 |
| | 131,822 | - | 131,822 | - |
| | 197,476 | - | 197,476 | - |
| | 205,454 | - | 205,454 | - |
| | 244,853 | - | 244,853 | - |
| | 595,743 | - | 595,743 | 9,191 |
| | 14,587 | 48 | 14,635 | 449,709 |
| | (49,500) | 49,500 | - | - |
| | 22,963,551 | 2,235,283 | 25,198,834 | (10,100,946) |
| | $ 24,707,299 | $ 2,359,159 | $ 27,066,458 | $ (3,519,793) |

# City of Ozark, Alabama
## Balance Sheet – Governmental Funds

| *September 30, 2022* | General | ARPA | Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 7,857,574 | $ 1,504,040 | $ 984,820 | $ 10,346,434 |
| Restricted cash and cash equivalents | 17,457 | - | 374,659 | 392,116 |
| Accounts receivable | 1,360,721 | - | 129,770 | 1,490,491 |
| Leases receivable | 41,971 | - | - | 41,971 |
| Due from other funds | 147,887 | - | 69,821 | 217,708 |
| Inventories | 1,217 | - | - | 1,217 |
| Prepaid items | 13,378 | - | - | 13,378 |
| Total assets | $ 9,440,205 | $ 1,504,040 | $ 1,559,070 | $ 12,503,315 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | | |
| Liabilities | | | | |
| Accounts payable | $ 459,506 | $ 1,500 | $ 138,093 | $ 599,099 |
| Accrued payroll and related liabilities | 379,832 | - | - | 379,832 |
| Due to other funds | 175,396 | - | 6,003 | 181,399 |
| Other accrued expenses | 229,353 | - | - | 229,353 |
| Unearned revenue | 2,714 | 1,501,737 | - | 1,504,451 |
| Total liabilities | 1,246,801 | 1,503,237 | 144,096 | 2,894,134 |
| Deferred inflows of resources | | | | |
| Deferred inflows of settlement revenue | 104,915 | - | - | 104,915 |
| Deferred inflows related to leases | 41,971 | - | - | 41,971 |
| Total deferred inflows of resources | 146,886 | - | - | 146,886 |
| Fund balances | | | | |
| Nonspendable | 256,841 | - | - | 256,841 |
| Restricted | 17,457 | 803 | 1,414,974 | 1,433,234 |
| Unassigned | 7,772,220 | - | - | 7,772,220 |
| Total fund balances | 8,046,518 | 803 | 1,414,974 | 9,462,295 |
| Total liabilities, deferred inflows of resources and fund balances | $ 9,440,205 | $ 1,504,040 | $ 1,559,070 | $ 12,503,315 |

*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, 2022*

| | | |
|---|---|---|
| Total fund balances - governmental funds | | $ 9,462,295 |
| 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 | 82,626,028 | |
| Less accumulated depreciation | (46,150,809) | 36,475,219 |
| 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. | | 1,768,498 |
| 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. | | 1,732,888 |
| 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. | | 74,308 |
| 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. | | (1,436,416) |
| Deferred inflow of resources related to OPEB earnings are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting. | | (1,654,090) |
| 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 | (5,195,513) | |
| Bonds payable | (7,420,597) | |
| Direct - vehicle and equipment financing arrangements | (765,351) | |
| Notes payable | (316,915) | |
| Compensated absences | (280,168) | |
| Other postemployment benefits | (7,736,859) | (21,715,403) |
| Net position of governmental activities | | $ 24,707,299 |

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

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

| *For the year ended September 30, 2022* | General | ARPA | Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 13,122,773 | $ - | $ 1,903,722 | $ 15,026,495 |
| Licenses and permits | 1,641,046 | - | - | 1,641,046 |
| Intergovernmental | 998,163 | 1,893,968 | 223,636 | 3,115,767 |
| Charges for services | 2,189,050 | - | - | 2,189,050 |
| Fines and forfeitures | 490,076 | - | - | 490,076 |
| Interest and other | 12,643 | 751 | 1,192 | 14,586 |
| Miscellaneous revenue | 357,134 | - | 5,213 | 362,347 |
| Total revenues | 18,810,885 | 1,894,719 | 2,133,763 | 22,839,367 |
| **Expenditures** | | | | |
| General government | 1,139,182 | - | 29 | 1,139,211 |
| Education | 1,231,713 | - | 1,612,222 | 2,843,935 |
| Vehicle maintenance | 296,081 | - | 51,853 | 347,934 |
| Police | 3,016,193 | - | - | 3,016,193 |
| Information technology | 181,984 | - | - | 181,984 |
| Fire | 2,585,597 | - | - | 2,585,597 |
| Airport | 476,684 | - | - | 476,684 |
| Sanitation | 1,510,594 | - | - | 1,510,594 |
| Street | 1,193,180 | - | 21,668 | 1,214,848 |
| Leisure services | 1,865,667 | - | - | 1,865,667 |
| Appropriations | 141,753 | - | - | 141,753 |
| Judicial | 212,539 | - | 34,451 | 246,990 |
| Economic development | 759,987 | - | - | 759,987 |
| Engineering and inspections | 229,254 | - | - | 229,254 |
| Ozark technology center | 124,085 | - | - | 124,085 |
| Non-departmental | 318,152 | 916,278 | - | 1,234,430 |
| Capital outlay | 784,672 | 428,767 | 279,813 | 1,493,252 |
| Debt service | | | | |
| Principal | - | - | 884,140 | 884,140 |
| Interest | - | - | 196,971 | 196,971 |
| Fiscal agent fees | - | - | 8,079 | 8,079 |
| Total expenditures | 16,067,317 | 1,345,045 | 3,089,226 | 20,501,588 |
| Excess (deficiency) of revenues over (under) expenditures | 2,743,568 | 549,674 | (955,463) | 2,337,779 |

(Continued)

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

| *For the year ended September 30, 2022* | General | ARPA | Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Other Financing Sources (Uses)** | | | | |
| Transfers in (out) | (819,417) | (548,923) | 1,318,840 | (49,500) |
| Loss recoveries | 17,444 | - | - | 17,444 |
| Proceeds from sale of capital assets | 51,445 | - | - | 51,445 |
| Net other financing sources (uses) | (750,528) | (548,923) | 1,318,840 | 19,389 |
| Net change in fund balances | 1,993,040 | 751 | 363,377 | 2,357,168 |
| Fund balances, beginning of year | 6,053,478 | 52 | 1,051,597 | 7,105,127 |
| Fund balances, end of year | $ 8,046,518 | $ 803 | $ 1,414,974 | $ 9,462,295 |

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

## City of Ozark, Alabama
## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

| *For the year ended September 30,* | | 2022 |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 2,357,168 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period. | | (761,441) |
| 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. | | (2,500) |
| In the statement of activities, donations of capital assets are reported, whereas in the governmental funds, additions or disposals of capital assets are not reported. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed by donation and acquisition value at date of donation. | | 59,550 |
| Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | 884,140 |
| Additional interest expense due to deferred charges on refunding and issuance discounts. | | 205 |
| 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. | | (5,071) |
| 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. | | (485,517) |
| 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. | | (302,786) |
| Change in net position of governmental activities | $ | 1,743,748 |

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

## City of Ozark, Alabama
## Budgetary Comparison Schedule – General Fund

| *For the year ended September 30, 2022* | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 11,170,997 | $ 11,211,088 | $ 13,122,773 | $ 1,911,685 |
| Licenses and permits | 1,622,414 | 1,622,414 | 1,641,046 | 18,632 |
| Intergovernmental | 301,907 | 968,672 | 998,163 | 29,491 |
| Charges for services | 2,077,715 | 2,199,371 | 2,189,050 | (10,321) |
| Fines and forfeitures | 8,000 | 8,000 | 490,076 | 482,076 |
| Interest and other | 20,000 | 20,000 | 12,643 | (7,357) |
| Miscellaneous revenue | 263,533 | 339,506 | 357,134 | 17,628 |
| Total revenues | 15,464,566 | 16,369,051 | 18,810,885 | 2,441,834 |
| **Expenditures** | | | | |
| General government | 936,970 | 958,291 | 1,139,182 | (180,891) |
| Education | 1,072,055 | 1,072,055 | 1,231,713 | (159,658) |
| Vehicle maintenance | 275,753 | 289,027 | 296,081 | (7,054) |
| Police | 2,880,857 | 3,010,247 | 3,016,193 | (5,946) |
| Information technology | 166,828 | 184,880 | 181,984 | 2,896 |
| Fire | 2,641,970 | 2,755,778 | 2,585,597 | 170,181 |
| Airport | 373,031 | 508,402 | 476,684 | 31,718 |
| Sanitation | 1,304,757 | 1,358,695 | 1,510,594 | (151,899) |
| Street | 982,494 | 1,065,352 | 1,193,180 | (127,828) |
| Leisure services | 1,602,318 | 1,781,344 | 1,865,667 | (84,323) |
| Appropriations | 141,753 | 141,753 | 141,753 | - |
| Judicial | 190,445 | 200,372 | 212,539 | (12,167) |
| Economic development | 678,777 | 709,092 | 759,987 | (50,895) |
| Engineering and inspections | 242,482 | 196,233 | 229,254 | (33,021) |
| Ozark technology center | 124,561 | 127,973 | 124,085 | 3,888 |
| Non-departmental | 303,430 | 360,090 | 318,152 | 41,938 |
| Capital outlay | 1,039,295 | 1,508,285 | 784,672 | 723,613 |
| Total expenditures | 14,957,776 | 16,227,869 | 16,067,317 | 160,552 |
| Excess (deficiency) of revenues over (under) expenditures | 506,790 | 141,182 | 2,743,568 | 2,602,386 |

(Continued)

| *For the year ended September 30, 2022* | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Other Financing Sources (Uses)** | | | | |
| Transfers in (out) | (566,790) | (72,564) | (819,417) | (746,853) |
| Loss recoveries | 20,000 | 32,082 | 17,444 | (14,638) |
| Proceeds from sale of capital assets | 40,000 | 40,000 | 51,445 | 11,445 |
| Net other financing sources (uses) | (506,790) | (482) | (750,528) | (750,046) |
| Net change in fund balance | - | 140,700 | 1,993,040 | 1,852,340 |
| Fund balance, beginning of year | 6,053,478 | 6,053,478 | 6,053,478 | - |
| Fund balance, end of year | $ 6,053,478 | $ 6,194,178 | $ 8,046,518 | $ 1,852,340 |

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
## Budgetary Comparison Schedule – ARPA Fund

| *For the year ended September 30, 2022* | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Intergovernmental | $ - | $ 1,699,607 | $ 1,893,968 | $ 194,361 |
| Interest and other | - | - | 751 | 751 |
| Total revenues | - | 1,699,607 | 1,894,719 | 195,112 |
| **Expenditures** | | | | |
| Non-departmental | - | 1,199,607 | 916,278 | 283,329 |
| Capital outlay | - | 500,000 | 428,767 | 71,233 |
| Total expenditures | - | 1,699,607 | 1,345,045 | 354,562 |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 549,674 | 549,674 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in (out) | - | - | (548,923) | (548,923) |
| Net change in fund balance | - | - | 751 | 751 |
| Fund balance, beginning of year | 52 | 52 | 52 | - |
| Fund balance, end of year | $ 52 | $ 52 | $ 803 | $ 751 |

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
## Statement of Net Position - Proprietary Funds

| *September 30, 2022* | Business-type Activities - Enterprise Funds<br>Emergency Medical Services | Ozark Square Shopping Center | Total |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | $ 762,918 | $ 234,564 | $ 997,482 |
| Accounts receivable, net | 320,934 | 998 | 321,932 |
| Leases receivable | - | 186,660 | 186,660 |
| Total current assets | 1,083,852 | 422,222 | 1,506,074 |
| Noncurrent assets | | | |
| Capital assets | | | |
| Land | - | 573,045 | 573,045 |
| Construction in progress | - | 16,800 | 16,800 |
| Building | - | 2,130,961 | 2,130,961 |
| Improvements and infrastructure | - | 118,249 | 118,249 |
| Equipment | 937,471 | 12,003 | 949,474 |
| Less accumulated depreciation | (583,563) | (654,086) | (1,237,649) |
| Total capital assets, net | 353,908 | 2,196,972 | 2,550,880 |
| Total assets | 1,437,760 | 2,619,194 | 4,056,954 |
| **Deferred Outflows of Resources** | | | |
| Deferred outflows related to pension | 223,147 | - | 223,147 |
| Deferred outflows related to OPEB | 184,016 | - | 184,016 |
| Total deferred outflows of resources | 407,163 | - | 407,163 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Accounts payable | 16,268 | - | 16,268 |
| Accrued payroll and related liabilities | 42,791 | - | 42,791 |
| Due to other funds | 36,309 | - | 36,309 |
| Total current liabilities | 95,368 | - | 95,368 |
| Noncurrent liabilities | | | |
| Compensated absences | 31,354 | - | 31,354 |
| Total OPEB liability | 1,055,539 | - | 1,055,539 |
| Net pension liability | 353,990 | - | 353,990 |
| Total noncurrent liabilities | 1,440,883 | - | 1,440,883 |
| Total liabilities | 1,536,251 | - | 1,536,251 |
| **Deferred Inflows of Resources** | | | |
| Deferred inflows related to leases | - | 186,660 | 186,660 |
| Deferred inflows related to pension | 182,377 | - | 182,377 |
| Deferred inflows related to OPEB | 199,670 | - | 199,670 |
| Total deferred inflows of resources | 382,047 | 186,660 | 568,707 |
| **Net Position (Deficit)** | | | |
| Net investment in capital assets | 353,908 | 2,010,312 | 2,364,220 |
| Unrestricted | (427,283) | 422,222 | (5,061) |
| Total net position (deficit) | $ (73,375) | $ 2,432,534 | $ 2,359,159 |

*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

| *For the year ended September 30, 2022* | Business-type Activities - Enterprise Funds<br>Emergency Medical Services | Ozark Square Shopping Center | Total |
|---|---|---|---|
| **Operating Revenues** | | | |
| Charges for services, net of provision for bad debts of $198,664 | $ 1,527,935 | $ - | $ 1,527,935 |
| Rental income | - | 126,696 | 126,696 |
| Total operating revenues | 1,527,935 | 126,696 | 1,654,631 |
| **Operating Expenses** | | | |
| Salaries, wages and employee benefits | 1,146,282 | - | 1,146,282 |
| Contractual, materials, and supplies | 161,898 | 2,850 | 164,748 |
| Utilities | 3,733 | 7,510 | 11,243 |
| Legal | 6,810 | 90 | 6,900 |
| Insurance claims and expense | 5,515 | 8,450 | 13,965 |
| Depreciation | 113,204 | 62,761 | 175,965 |
| Repairs and maintenance | 96,680 | 30,785 | 127,465 |
| Total operating expenses | 1,534,122 | 112,446 | 1,646,568 |
| Operating income (loss) | (6,187) | 14,250 | 8,063 |
| **Nonoperating Revenues (Expenses)** | | | |
| Miscellaneous revenues | 66,265 | - | 66,265 |
| Interest income | 48 | - | 48 |
| Total nonoperating revenues (expenses) | 66,313 | - | 66,313 |
| **Income (Loss) Before Contributions and Transfers** | 60,126 | 14,250 | 74,376 |
| Transfers in | 49,500 | - | 49,500 |
| Change in net position (deficit) | 109,626 | 14,250 | 123,876 |
| Net position (deficit), beginning of year | (183,001) | 2,418,284 | 2,235,283 |
| Net position (deficit), end of year | $ (73,375) | $ 2,432,534 | $ 2,359,159 |

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

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

| *For the year ended September 30, 2022* | Business-type Activities - Enterprise Funds<br>Emergency Medical Services | Ozark Square Shopping Center | Total |
|---|---|---|---|
| **Operating Activities** | | | |
| Cash received from customers for sales and services | $ 1,498,067 | $ 126,385 | $ 1,624,452 |
| Cash payments to employees | (1,032,419) | - | (1,032,419) |
| Cash payments to suppliers for goods and services | (266,650) | (49,685) | (316,335) |
| Net cash provided by (used in) operating activities | 198,998 | 76,700 | 275,698 |
| **Noncapital Financing Activities** | | | |
| Receipts from local grants | 66,265 | - | 66,265 |
| Cash transfers in from other funds | 49,500 | - | 49,500 |
| Advances from other funds | 12,822 | - | 12,822 |
| Net cash provided by (used in) noncapital financing activities | 128,587 | - | 128,587 |
| **Capital and Related Financing Activities** | | | |
| Acquisition of capital assets | (49,500) | (252,955) | (302,455) |
| **Investing Activities** | | | |
| Investment income | 48 | - | 48 |
| Net increase (decrease) in cash and cash equivalents | 278,133 | (176,255) | 101,878 |
| Cash and cash equivalents, beginning of year | 484,785 | 410,819 | 895,604 |
| Cash and cash equivalents, end of year | $ 762,918 | $ 234,564 | $ 997,482 |

(Continued)

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

| *For the year ended September 30, 2022* | Business-type Activities - Enterprise Funds<br>Emergency Medical Services | Ozark Square Shopping Center | Total |
|---|---|---|---|
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities** | | | |
| Operating income (loss) | $ (6,187) | $ 14,250 | $ 8,063 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | |
| Depreciation | 113,204 | 62,761 | 175,965 |
| Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources | | | |
| (Increase) decrease in assets and deferred outflows of resources | | | |
| Accounts receivable | (44,168) | (311) | (44,479) |
| Leases receivable | - | (186,660) | (186,660) |
| Due from other funds | 14,300 | - | 14,300 |
| Deferred outflows related to pension | (73,871) | - | (73,871) |
| Deferred outflows related to OPEB | (36,479) | - | (36,479) |
| Increase (decrease) in liabilities and deferred inflows of resources | | | |
| Accounts payable | 7,986 | - | 7,986 |
| Accrued payroll and related liabilities | 5,446 | - | 5,446 |
| Compensated absences | 6,623 | - | 6,623 |
| Total OPEB liability | (5,247) | - | (5,247) |
| Net pension liability | (36,656) | - | (36,656) |
| Deferred inflows related to leases | - | 186,660 | 186,660 |
| Deferred inflows related to pension | 148,215 | - | 148,215 |
| Deferred inflows related to OPEB | 105,832 | - | 105,832 |
| Total adjustments | 205,185 | 62,450 | 267,635 |
| Net cash provided by (used in) operating activities | $ 198,998 | $ 76,700 | $ 275,698 |

*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 mils 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 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 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

***Government-wide Financial Statements***

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

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

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

***Fund Financial Statements***

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

The City reports the following major governmental funds:

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

The *ARPA Fund* is used to account for funds received and expended under American Rescue Plan Act (ARPA) initiatives.

The City reports the following major enterprise funds:

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Financial Statements (continued)***

Additionally, the City reports the following fund types:

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

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

***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.

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

*Cash and Cash Equivalents*

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

*Receivables*

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

Leases receivable - The City's leases receivable 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.

*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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Interfund Activities and Transactions (continued)*

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

*Inventories and Prepaid Items*

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

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

*Restricted Assets*

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

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

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

*Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of one year.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Capital Assets (continued)*

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

| Capital asset classes | Lives |
|---|---|
| Buildings | 20 - 50 |
| Equipment (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 pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pension will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. The deferred outflows related to OPEB result from claims payments made related to the total OPEB liability (TOL) subsequent to the measurement date, in accordance with GASB Statement No. 75.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Compensated Absences*

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

*Long-Term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

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

*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 Postemployment Benefits (OPEB) Liability*

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*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).

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

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

*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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

***Revenues and Expenditures/Expenses***

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

*Property taxes* – 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.

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

***Use of Estimates***

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

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 25, 2023, 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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements***

In June 2017, the GASB issued Statement No. 87, *Leases* (GASB 87). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additional information about the changes to the financial statements related to the implementation of this Statement can be found in Note 2.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The Statement is being applied prospectively, therefore, there were no significant impacts of implementing this Statement.

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

government performs the duties that a governing board typically would perform. 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:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

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

GASB Statement No. 100, *Accounting Changes and Error Corrections*, This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

(SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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.

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

**Note 2: DETAILED NOTES ON ALL FUNDS**

***Deposits and Investments***

As of September 30, 2022, the City's bank balances were entirely covered by federal depository insurance (FDIC) and the Security for Alabama Funds Enhancement ("SAFE") Program.

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

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

*Interest rate risk* – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. As of September 30, 2022, the City does not have any investments.

*Credit risk* – Section I50: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. As of September 30, 2022, the City does not have any investments in debt securities.

*Concentration risk* – Section I50: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments. No such reportable concentrations of investments as of September 30, 2022.

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Accounts Receivable***

The City deems all governmental fund amounts collectible therefore an allowance for doubtful accounts is not necessary. All account receivables are shown net of allowances for uncollectible accounts for enterprise funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2022, were as follows:

| | Accounts Receivable | Note Receivable Utilities Board | Allowance for Uncollectible | Net |
|---|---|---|---|---|
| Governmental Funds | | | | |
| General Fund | $ 1,154,783 | $ 205,938 | $ - | $ 1,360,721 |
| Special Ad Valorem I | 19,711 | - | - | 19,711 |
| Special Ad Valorem II | 19,711 | - | - | 19,711 |
| CDBG | 90,348 | - | - | 90,348 |
| Enterprise Funds | | | | |
| Emergency Medical Services | 11,498,004 | - | (11,177,070) | 320,934 |
| Ozark Square Shopping Center | 998 | - | - | 998 |
| Total | $ 12,783,555 | $ 205,938 | $ (11,177,070) | $ 1,812,423 |

***Capital Assets***

The following is a summary of changes in capital assets during the year ended September 30, 2022:

| *For the year ended September 30, 2022* | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets, not being depreciated | | | | |
| Land | $ 5,809,745 | $ 55,000 | $ (1,800) | $ 5,862,945 |
| Construction-in-progress | 769,260 | 119,095 | (769,260) | 119,095 |
| Capital assets, not being depreciated | 6,579,005 | 174,095 | (771,060) | 5,982,040 |
| Capital assets, being depreciated | | | | |
| Buildings | 15,842,358 | 56,660 | - | 15,899,018 |
| Improvements and infrastructure | 48,594,062 | 1,743,738 | - | 50,337,800 |
| Equipment | 10,219,930 | 347,577 | (160,337) | 10,407,170 |
| Capital assets, being depreciated | 74,656,350 | 2,147,975 | (160,337) | 76,643,988 |
| Less accumulated depreciation for | | | | |
| Buildings | (7,658,275) | (337,848) | - | (7,996,123) |
| Improvements and infrastructure | (29,560,405) | (1,255,108) | - | (30,815,513) |
| Equipment | (6,837,065) | (661,745) | 159,637 | (7,339,173) |
| Total accumulated depreciation | (44,055,745) | (2,254,701) | 159,637 | (46,150,809) |
| Total capital assets being depreciated, net | 30,600,605 | (106,726) | (700) | 30,493,179 |
| Governmental activities capital assets, net | $37,179,610 | $ 67,369 | $ (771,760) | $ 36,475,219 |

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Capital Assets (continued)***

Construction in progress includes three ongoing projects at September 30, 2022; the additional costs to complete were not significant.

| *For the year ended September 30, 2022* | Balance | Increases | Decreases | Balance |
|---|---|---|---|---|
| **Business-type Activities** | | | | |
| Capital assets, not being depreciated | | | | |
| Land | $ 573,045 | $ - | $ - | $ 573,045 |
| Construction-in-progress | - | 16,800 | - | 16,800 |
| Capital assets, not being depreciated | 573,045 | 16,800 | - | 589,845 |
| Capital assets, being depreciated | | | | |
| Buildings | 2,025,058 | 105,903 | - | 2,130,961 |
| Improvements and infrastructure | - | 118,249 | - | 118,249 |
| Equipment | 887,971 | 61,503 | - | 949,474 |
| Capital assets, being depreciated | 2,913,029 | 285,655 | - | 3,198,684 |
| Less accumulated depreciation for | | | | |
| Buildings | (591,326) | (61,690) | - | (653,016) |
| Improvements and infrastructure | - | (938) | - | (938) |
| Equipment | (470,358) | (113,337) | - | (583,695) |
| Total accumulated depreciation | (1,061,684) | (175,965) | - | (1,237,649) |
| Total capital assets being depreciated, net | 1,851,345 | 109,690 | - | 1,961,035 |
| Business-type activities capital assets, net | $ 2,424,390 | $ 126,490 | $ - | $ 2,550,880 |

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Capital Assets (continued)***

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

| *For the year ended September 30,* | 2022 |
|---|---|
| Governmental activities | |
| General government | $ 141,598 |
| Police | 186,935 |
| Fire | 217,996 |
| Street | 719,441 |
| Sanitation | 117,689 |
| Leisure services | 194,500 |
| Engineering and inspections | 924 |
| Vehicle maintenance | 1,867 |
| Airport | 517,155 |
| Judicial | 232 |
| Economic development | 118,588 |
| Ozark technology center | 23,847 |
| Information technology | 13,929 |
| Total depreciation expense - governmental activities | $ 2,254,701 |
| Business-type activities | |
| Emergency medical services | $ 113,204 |
| Ozark Square Shopping Center | 62,761 |
| Total depreciation expense - business-type activities | $ 175,965 |

***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 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (continued)***

*Bonds Payable (continued)*

The total amount amortized for the year ended September 30, 2022 is $3,337. The remaining amount to be amortized as of September 30, 2022 is $40,050. 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, 2022 is $11,394. Remaining original issue discount to be amortized in future periods is $135,527.

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, 2022 is $9,316. The remaining amount to be amortized as of September 30, 2022 is $34,258. 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, 2022 is $2,144. Remaining original issue premium to be amortized in future periods is $6,429.

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, 2022 is $2,741. Remaining original issue premium to be amortized in future periods is $21,924.

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (continued)***

*Bonds Payable (continued)*

The following is a summary of governmental activities bonds payable:

| *Year ending September 30,* | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 610,000 | $ 151,424 | $ 761,424 |
| 2024 | 630,000 | 135,824 | 765,824 |
| 2025 | 650,000 | 119,574 | 769,574 |
| 2026 | 660,000 | 106,394 | 766,394 |
| 2027 | 625,000 | 93,412 | 718,412 |
| 2028–2032 | 3,115,000 | 264,660 | 3,379,660 |
| 2033–2034 | 980,000 | 19,700 | 999,700 |
| Total | 7,270,000 | 890,988 | 8,160,988 |
| Current portion | (610,000) | (151,424) | (761,424) |
| Payable after one year | $ 6,660,000 | $ 739,564 | $ 7,399,564 |

*Note payable*

Included in long-term liabilities is a note from direct borrowing due to a local bank. The note is due in monthly installments through February 2025 with an interest rate of 1.95%.

The following is a summary of the note payable for the year ended September 30, 2022:

| *Year ending September 30,* | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 131,598 | $ 5,074 | $ 136,672 |
| 2024 | 134,217 | 2,456 | 136,673 |
| 2025 | 51,100 | 225 | 51,325 |
| Total | 316,915 | 7,755 | 324,670 |
| Current portion | (131,598) | (5,074) | (136,672) |
| Payable after one year | $ 185,317 | $ 2,681 | $ 187,998 |

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (continued)***

*Direct – Vehicle and Equipment Financing Arrangements*

The City has entered into financing agreements for the acquisition of a freightliner with knuckleboom loader, 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:

| *Year ending September 30,* | Principal | Interest Expense | Total |
|---|---|---|---|
| 2023 | $ 157,121 | $ 20,040 | $ 177,161 |
| 2024 | 224,555 | 16,737 | 241,292 |
| 2025 | 23,653 | 11,551 | 35,204 |
| 2026 | 24,395 | 10,809 | 35,204 |
| 2027 | 25,160 | 10,044 | 35,204 |
| 2028-2032 | 133,914 | 42,105 | 176,019 |
| 2033-2037 | 156,278 | 19,740 | 176,018 |
| 2038-2041 | 20,275 | 1,017 | 21,292 |
| Total | $ 765,351 | $ 132,043 | $ 897,394 |

***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.

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

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

*Capital Outlay Pool Warrants (continued)*

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

| Year | Interest Rate | Principal | Interest, Net of Subsidy | Total |
|---|---|---|---|---|
| 2023 | 5.15% | $ 983,715 | $ 94,918 | $ 1,078,633 |
| 2024 | 5.15% | 983,715 | 94,918 | 1,078,633 |
| 2025 | 5.15% | 983,715 | 94,918 | 1,078,633 |
| 2026 | 5.15% | 983,715 | 94,918 | 1,078,633 |
| 2027 | 5.15% | 983,715 | 94,918 | 1,078,633 |
| | | $ 4,918,575 | $ 474,590 | $ 5,393,165 |

The BOE issued a second Capital Outlay Pool Warrant, Series 2011-QZAB in the principal amount of $730,000 dated June 2, 2011. The warrant matures on May 1, 2026 and bears interest at 4.60%. This warrant is not a general obligation of the BOE. This warrant is a limited obligation of the BOE payable solely from and secured by pledged revenues of PSF Capital Purchase Funds allocated and distributed by the BOE pursuant to Section 16-13-234 and proceeds pledged and allocable to the BOE of the sales and use taxes levied by the City pursuant to Ordinance No. 2007-8 and Ordinance No. 2010-AA. Payment of principal and sinking fund deposits on this warrant shall be transferred from the pledged revenues to the Debt Service Fund for the 2011 Pool Bonds. Semi-annual interest payments are due November 1 and May 1 of each year. Annual principal payments are made to a sinking fund annually on May 1.

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

| Year | Interest Rate | Principal | Interest, Net of Subsidy | Total |
|---|---|---|---|---|
| 2023 | 4.60% | $ 36,750 | $ 16,790 | $ 53,540 |
| 2024 | 4.60% | 36,750 | 16,790 | 53,540 |
| 2025 | 4.60% | 36,750 | 16,790 | 53,540 |
| 2026 | 4.60% | 36,750 | 16,790 | 53,540 |
| | | $ 147,000 | $ 67,160 | $ 214,160 |

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Changes In Long-Term Liabilities***

Long-term liability activity for the year ended September 30, 2022, 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 | $ 1,900,000 | $ - | $ (165,000) | $ 1,735,000 | $ 170,000 |
| General Obligation Warrants, Series 2017 | 2,215,000 | - | (430,000) | 1,785,000 | 430,000 |
| General Obligation Warrants, Series 2021 | 3,760,000 | - | (10,000) | 3,750,000 | 10,000 |
| Less unamortized premium (discount) | 163,455 | - | (12,858) | 150,597 | - |
| Total bonds payable | 8,038,455 | - | (617,858) | 7,420,597 | 610,000 |
| Notes payable from direct borrowings | 445,939 | - | (129,024) | 316,915 | 131,598 |
| Direct - vehicle and equipment financing arrangements | 915,467 | - | (150,116) | 765,351 | 157,121 |
| Compensated absences | 275,097 | 5,071 | - | 280,168 | - |
| Governmental activities long-term liabilities | $ 9,674,958 | $ 5,071 | $ (896,998) | $ 8,783,031 | $ 898,719 |

Long-term liability activity for the year ended September 30, 2022, was as follows for business-type activities:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Business-type activities | | | | | |
| Compensated absences | $ 24,731 | $ 6,623 | $ - | $ 31,354 | $ - |

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.

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Changes In Long-Term Liabilities (continued)***

Long-term liability activity for the year ended September 30, 2022, was as follows for the component unit:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Component unit | | | | | |
| Notes payable from direct borrowings | $ 1,695,966 | $ - | $ (276,546) | $ 1,419,420 | $ 283,800 |
| Bonds payable | 26,177,971 | - | (166,416) | 26,011,555 | 174,843 |
| Bond premium | 314,768 | - | (21,462) | 293,306 | 21,461 |
| Component unit long-term liabilities | $ 28,188,705 | $ - | $ (464,424) | $ 27,724,281 | $ 480,104 |

***Pledged Revenues***

The City has general obligation warrants outstanding at September 30, 2022, for which revenues of the City have been pledged for repayment. Revenues pledged to repay these obligations are as follows:

| | Amount Issued | Future Principal and Interest | Current Pledged Revenue | Current Year Principal and Interest | Current Percentage of Revenue |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| General Obligation Warrants, Series 2016 | | | | | |
| Maturity: 2031 | | | | | |
| Interest rate: 1.40% - 4.00% | $ 2,695,000 | $ 1,949,728 | $ 379,037 | $ 216,614 | 57.1% |
| 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 8) as defined in the bond indenture. | | | | | |

The City has also adopted Ordinance 2007-8 and Resolution 2010-AA, which pledge 12.5% (½ cent of its 4 cent tax) of the net proceeds of the gross receipts license tax levied by the City to the BOE related to the Capital Outlay Pool Warrant, Series 2011 described earlier in this note. The amount pledged and remitted to the BOE during the year ended September 30, 2022 totaled $1,612,224.

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Leases Receivable***

For the year ended September 30, 2022, the financial statements include the adoption of GASB 87. GASB 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessor is required to recognize a lease receivable and a deferred inflow of resources. Using transitional practical expedients as outlined in GASB 87, the City implemented the accounting guidance effective October 1, 2021, and utilized facts and circumstances as of that date with regard to remaining lease terms. A summary of the City's arrangements, where the City is the lessor, is as follows:

The City entered into a contract for a facility (building, structure, etc.) type lease October 1, 2018, and the remaining lease term is 25 months as of the effective date of GASB 87 implementation. The lessee does not have the option to purchase the facility at the end of the lease term. The annual interest rate on the lease is 0% and monthly payments are $1,333.33. For the year ended September 30, 2022, lease revenue of $16,000 has been recognized.

The City entered into a contract for a facility (building, structure, etc.) type lease July 7, 2021, and the remaining lease term is 25 months as of the effective date of GASB 87 implementation. The lessee does have the option to purchase the facility for $500,000 at the end of the lease term. It is not reasonably certain the option will be exercised. The annual interest rate on the lease is 0% and monthly payments are $500.00. For the year ended September 30, 2022, lease revenue of $6,000 has been recognized.

The City entered into a contract for a facility (building, structure, etc.) type lease June 18, 2019, and the remaining lease term is 32 months as of the effective date of GASB 87 implementation. The lessee does not have the option to purchase the facility at the end of the lease term. The annual interest rate on the lease is 0% and monthly payments are $706.88. For the year ended September 30, 2022, lease revenue of $8,482 has been recognized.

The City entered into a contract for a facility (building, structure, etc.) type lease June 1, 2019, and the remaining lease term is 32 months as of the effective date of GASB 87 implementation. The lessee does not have the option to purchase the facility at the end of the lease term. The annual interest rate on the lease is 0% and monthly payments are $5,833. For the year ended September 30, 2022, lease revenue of $69,996 has been recognized.

The City entered into a contract for a facility (building, structure, etc.) type lease January 1, 2020, and the remaining lease term is 40 months as of the effective date of GASB 87 implementation. The lessee does not have the option to purchase the facility at the end of the lease term. The annual interest rate on the lease is 0% and monthly payments are $2,500. For the year ended September 30, 2022, lease revenue of $30,000 has been recognized.

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Leases Receivable (continued)***

A summary of future payments is as follows:

| | Governmental Activities | | |
|---|---|---|---|
| *Fiscal Year Ending September 30,* | Principal Payments | Interest Payments | Total Payments |
| 2023 | $ 30,483 | $ - | $ 30,483 |
| 2024 | 11,488 | - | 11,488 |
| Total | $ 41,971 | $ - | $ 41,971 |

| | Business-Type Activities | | |
|---|---|---|---|
| *Fiscal Year Ending September 30,* | Principal Payments | Interest Payments | Total Payments |
| 2023 | $ 99,996 | $ - | $ 99,996 |
| 2024 | 76,664 | - | $ 76,664 |
| 2025 | 10,000 | - | 10,000 |
| Total | $ 186,660 | $ - | $ 186,660 |

***Interfund Receivables, Payables And Transfers***

| | Transfers | | |
|---|---|---|---|
| Operating Transfers | In | Out | Net |
| Major Funds | | | |
| General Fund | $ 602,643 | $ (1,422,060) | $ (819,417) |
| ARPA | - | (548,923) | (548,923) |
| EMS | 49,500 | - | 49,500 |
| Nonmajor Funds | | | |
| Street | 640,851 | (294,370) | 346,481 |
| CDBG | 61,702 | (49,500) | 12,202 |
| Municipal Court / Judicial Admin | 27,729 | - | 27,729 |
| Alabama Trust Fund Improvements | - | (141,038) | (141,038) |
| Corrections | 62,367 | (69,668) | (7,301) |
| Debt Service | 1,080,767 | - | 1,080,767 |
| Total | $ 2,525,559 | $ (2,525,559) | $ - |

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

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Net Investment In Capital Assets***

The elements of this calculation are as follows:

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| Capital assets (net) | $ 36,475,219 | $ 2,550,880 | $ 39,026,099 |
| Outstanding debt and deferred outflows and inflows related to capital assets | (8,428,555) | (186,660) | (8,615,215) |
| Net investment in capital assets | $ 28,046,664 | $ 2,364,220 | $ 30,410,884 |

**Note 3: DEFERRED COMPENSATION PLAN**

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

**Note 4: RETIREMENT PLAN**

***Description of Plan***

The 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.

**Note 4: RETIREMENT PLAN (CONTINUED)**

***Description of Plan (continued)***

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 full time employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
   d. One full time employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
   e. One full time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
   f. One full time 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.

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.

**Note 4: RETIREMENT PLAN (Continued)**

***Plan Membership and Benefits (continued)***

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 590 employers adopted Act 2019-132.

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 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, membership consisted of:

| *Plan Membership* | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 29,727 |
| Terminated employees entitled to but not yet receiving benefits | 2,130 |
| Terminated employees not entitled to a benefit | 16,415 |
| Active members | 56,184 |
| Post-DROP participants who are still in active service | 54 |
| Total | 104,510 |

***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.

**Note 4: RETIREMENT PLAN (Continued)**

***Contributions (continued)***

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 firefighters and law enforcement officers 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, 2022, 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 10.21% of pensionable payroll for Tier 1 employees and 8.48% of pensionable payroll for Tier 2 employees.

The City's contractually required contribution rate for the year ended September 30, 2022 was 10.58% of pensionable pay for Tier 1 employees, and 8.85% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2019, 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 $512,712 for the year ended September 30, 2022.

**Note 4: RETIREMENT PLAN (Continued)**

***Net Pension Liability, Significant Assumptions, and Discount Rate***

The City's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2020 rolled forward to September 30, 2021 using standard roll-forward techniques as shown in the following table:

| | Expected | Actual Before Act 2019-132 | Actual After Act 2019-132 | Actual After 2020 Experience Study |
|---|---|---|---|---|
| (a) TPL as of September 30, 2020 | $ 22,062,164 | $ 22,535,319 | $ 22,827,224 | $ 23,694,463 |
| (b) Discount rate | 7.70% | 7.70% | 7.70% | 7.45% |
| (c) Entry age normal cost for the period October 1, 2020 - September 30, 2021 | 439,042 | 439,042 | 526,188 | 585,372 |
| (d) Transfers among employers | - | (341,586) | (341,586) | (341,586) |
| (e) Actual benefit payments and refunds for the period October 1, 2020 - September 30, 2021 | (1,748,237) | (1,748,237) | (1,748,237) | (1,748,237) |
| (f) TPL as of September 30, 2021 = [(a) x (1+(b))] + (c) + (d) + [(e) * (1 + 0.5*(b))] | $ 22,384,449 | $ 22,552,450 | $ 22,953,978 | $ 23,890,128 |
| (g) Difference between expected and actual: | | $ 168,001 | | |
| (h) Less liability transferred for immediate recognition: | | $ (341,586) | | |
| (i) Difference between expected and actual - experience (gain)/loss | | $ 509,587 | | |
| (j) Difference between actual TPL before and after Act 2019-132 - benefit change (gain)/loss | | | $ 401,528 | |
| (k) Difference between actual TPL before and after 2020 experience Study - assumption change (gain)/loss | | | | $ 936,150 |

The total pension liability as of September 30, 2021 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020. 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 |

**Note 4: 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, 2020 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.

**Note 4: RETIREMENT PLAN (Continued)**

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

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%

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, 2022, the City recognized pension expense of $851,839. At September 30, 2022, 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 | $ 478,926 | $ 283,325 |
| Changes of assumptions | 964,397 | - |
| Net difference between projected and actual earnings on plan investments | - | 1,335,468 |
| Employer contributions subsequent to the measurement date | 512,712 | - |
| Total | $ 1,956,035 | $ 1,618,793 |

**Note 4: RETIREMENT PLAN (Continued)**

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

$512,712 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, 2023. 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,* | |
|---|---|
| 2023 | $ 74,942 |
| 2024 | (25,908) |
| 2025 | (211,741) |
| 2026 | (248,192) |
| 2027 | 235,429 |
| Thereafter | - |
| Total | $ (175,470) |

***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, 2020 | $ 22,062,164 | $ 16,207,193 | $ 5,854,971 |
| Changes for the year: | | | |
| Service cost | 439,042 | - | 439,042 |
| Interest | 1,631,480 | - | 1,631,480 |
| Changes of benefit terms | 401,528 | - | 401,528 |
| Changes of assumptions | 936,150 | - | 936,150 |
| Differences between expected and actual experience | 509,587 | - | 509,587 |
| Contributions - employer | - | 434,502 | (434,502) |
| Contributions - employee | - | 336,165 | (336,165) |
| Net investment income | - | 3,452,588 | (3,452,588) |
| Benefit payments, including refunds of employee contributions | (1,748,237) | (1,748,237) | - |
| Administrative expense | - | - | - |
| Transfer among employers | (341,586) | (341,586) | - |
| Net changes | 1,827,964 | 2,133,432 | (305,468) |
| Balances at September 30, 2021 | $ 23,890,128 | $ 18,340,625 | $ 5,549,503 |

**Note 4: RETIREMENT PLAN (Continued)**

***Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate (continued)***

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 | $ 8,383,706 | $ 5,549,503 | $ 3,180,405 |

***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, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. 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 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

***Plan Description***

The City provides postretirement health care benefits (the "OPEB Plan") to all eligible employees, in accordance with Resolution 2006-T passed by the Council in August 2006. Presently retired employees and future retirees that were employed prior to May 16, 2006, that worked for the City for a minimum of fifteen (15) continuous years and have a combination of age at time of retirement plus years of continuous service which equals seventy-five (75) or more, shall be provided health insurance coverage and at the same rate of premium as regular employees to age sixty-five (65), at which time Medicare Supplemental coverage will be provided at an amount not to exceed the City's then current insurance carrier's premium for Medicare Supplemental coverage. All employees employed or returning to work after a break in service on or after May 16, 2006, that will work for the City for twenty-five (25) or more continuous years and being a minimum of fifty-five (55) years of age shall be provided the same health insurance coverage as regular employees based on a minimum contribution by the City of fifty percent (50%) for retirement at age fifty-five (55) and ten percent (10%) for each additional year of age upon retirement for a maximum of 100 percent at age sixty (60) through age sixty-four (64) until age sixty-five (65) at which time Medicare Supplemental coverage will be provided at an amount not to exceed the City's then current insurance carrier's premium for Medicare Supplemental coverage. The responsibility for the general administration and operation of the OPEB Plan is vested in the City. The OPEB plan does not issue stand-alone financial statements. The OPEB Plan is a single-employer defined benefit plan, with no associated trust.

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

***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, 2021, the valuation date, membership consisted of:

| | |
|---|---|
| Inactive members or beneficiaries currently receiving benefits | 51 |
| Inactive members entitled to but not yet receiving benefits | 0 |
| Active members | 150 |
| Total | 201 |

***Actuarial Assumptions and Other Inputs***

As of September 30, 2021, 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 | 2.21% |
| Measurement Date | 2.26% |
| Health Care Cost Trends | |
| Pre-Medicare Medical and Prescription Drug | 7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031 |
| Medicare Medical and Prescription Drug | 5.125% for 2021 decreasing to an ultimate rate of 4.50% by 2024 |
| 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.

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

***Actuarial Assumptions and Other Inputs (continued)***

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2021 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, 2021 valuation were based on a review of recent plan experience performed concurrently with the September 30, 2021 valuation.

***Changes in Total OPEB Liability***

At September 30, 2022, the City reported a TOL of $8,792,398. The information has been provided as of the September 30, 2021 measurement date.

| | |
|---|---|
| Total OPEB Liability as of September 30, 2020 | $ 8,836,119 |
| Changes for the year: | |
| Service cost at the end of the year* | 438,120 |
| Interest on TOL and cash flows | 191,932 |
| Change in benefit terms | 280,640 |
| Difference between expected and actual experience | (1,223,885) |
| Change of assumptions or other inputs | 573,985 |
| Net benefit payments | (304,513) |
| Other | - |
| Net changes | (43,721) |
| Total OPEB Liability as of September 30, 2021 | $ 8,792,398 |

*The service cost includes interest for the year.

Below is a summary of changes in benefit terms, assumptions, or other inputs since the prior measurement date:

*Changes to benefit terms:*
• The City has elected Act 2019-132. Tier II employees must retire under the same eligibility requirements as Tier I employees to receive OPEB benefits.

*Changes to assumptions or other inputs:*
• The decremental and salary increase assumptions have been updated based on the most recent AL ERS experience analysis.
• Change in discount rate
• Change in medical trend
• Change in dental trend

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

***Sensitivity of the Total OPEB Liability***

The following table represents the City's TOL calculated using the discount rate of 2.26%, as well as what the City's TOL would be if it were calculated using a discount rate that is one percentage point lower (1.26%) or one percentage point higher (3.26%) than the current rate:

| | 1% Decrease (1.26%) | Current Discount Rate (2.26%) | 1% Increase (3.26%) |
|---|---|---|---|
| Total OPEB Liability | $ 10,265,867 | $ 8,792,398 | $ 7,612,709 |

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 | $ 7,425,851 | $ 8,792,398 | $ 10,582,325 |

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

For the fiscal year ended September 30, 2022, the City recognized an OPEB expense of $846,931. 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 | $ 10,864 | $ 1,294,223 |
| Change of assumptions or other inputs | 1,652,541 | 559,537 |
| Benefit payments subsequent to the measurement date | 289,109 | - |
| Total | $ 1,952,514 | $ 1,853,760 |

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

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)***

$289,109 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, 2023. 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,* | |
|---|---|
| 2023 | $ (71,960) |
| 2024 | (71,960) |
| 2025 | (71,960) |
| 2026 | (28,813) |
| 2027 | 42,006 |
| Thereafter | 12,332 |
| Total | $ (190,355) |

**Note 6: RISK MANAGEMENT**

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

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

**Note 7: COMMITMENTS AND CONTINGENCIES**

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

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

The City has active construction projects as of September 30, 2022 with no significant remaining commitments with contractors.

**Note 8: TAX ABATEMENTS**

On November 19, 2013, the Council adopted a resolution to enter into an agreement to rebate no more than $2,200,000 of City diesel and gasoline tax to a commercial business to promote economic development. The agreement expires the sooner of 15 years from the date of opening or when rebates to the commercial business total $2,200,000. During the year ended September 30, 2022, rebates totaled $261,813, and there were no remaining available rebates under the agreement as of September 30, 2022, as the cumulative amount of rebates reached $2,200,000.

On June 3, 2014, the Council adopted a resolution to enter into an agreement with a commercial business to grant 50% of the collected local motor vehicle sales tax (up to $250,000) back to the commercial business. The agreement expires the sooner of December 2021 or when the motor vehicle sales tax grants remitted to the retail business total $250,000. During the year ended September 30, 2022, rebates totaled $11,229 and remaining available rebates under the agreement were approximately $44,452 as of September 30, 2022.

On September 22, 2014, the Council adopted a resolution to enter into an agreement with a retail business to grant 50% of the collected local sales tax (up to $1,000,000) back to the retail business.

The agreement expires the sooner of September 22, 2024 or when the sales tax grants remitted to the retail business total $1,000,000. During the year ended September 30, 2022, rebates totaled $47,126 and remaining available rebates under the agreement were approximately $653,355 as of September 30, 2022.

On March 19, 2019, the Council adopted resolutions to enter into agreements with two manufacturing companies to grant each 100% of all state and local noneducational property taxes and 100% of all construction related transaction taxes. The agreements shall extend for a period of ten years or through the date the project is placed in service.

On December 21, 2020, the Council adopted a resolution to enter into an agreement with a retail business to grant 50% of the collected local sales tax (up to $15,000) back to the retail business. The agreement expires the sooner of December 2023 or when the sales tax grants remitted to the retail business total $15,000. During the year ended September 30, 2022, rebates totaled $6,201 and remaining available rebates under the agreement were approximately $7,814 as of September 30, 2022.

On December 21, 2020, the Council adopted a resolution to enter into an agreement with a retail business to grant 50% of the collected local sales tax (up to $48,000) back to the retail business. The agreement expires the sooner of two years from the filing of the first sales tax remittances with the City or when the sales tax grants remitted to the retail business total $48,000. During the year ended September 30, 2022, no rebates were paid and remaining available rebates under the agreement were approximately $48,000 as of September 30, 2022.

On July 7, 2021, the Council adopted a resolution to enter into an agreement with a manufacturing company to provide cash incentives up to $498,000, including $200,000 related to repairs and $298,000 of County lodging taxes. The agreements shall extend for a period of two years from the date of the agreement, or through July 7, 2023. No taxes were abated under the agreements during the year ended September 30, 2022.

**Note 9: RELATED PARTY TRANSACTIONS**

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

On November 22, 2005, the City and the Utilities Board entered into a formal agreement in which the Utilities Board reimburses the City for use of a portion of the Municipal Complex to be applied to the 2002 Bond Issue. The Utilities Board agreed to be responsible for 18% of the bonded indebtedness created by the City to finance the construction of the Municipal Complex. Each party is designated certain areas of exclusive use, as well as areas of common use. Each party is responsible for the repair and maintenance of those certain areas assigned for exclusive use to each party.

Repair and maintenance for the roof or exterior walls is to be divided 82% to the City and 18% to the Utilities, the same as the Bond Issue. Included in receivables described in Note 2 is a note receivable due from the Utilities Board with a principal balance of $205,938 as of September 30, 2022. The note is due in monthly installments through February 2026 with interest ranging from 3.35% to 5%. During 2022, the City recorded principal and interest payments from the Utilities Board totaling $65,411. 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
## Required Supplementary Information
## Schedule of Changes in Net Pension Liability

| *As of and for the year ended September 30,* | **2021** | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | | | | |
| Service cost | **$ 439,042** | $ 456,406 | $ 467,852 | $ 484,217 | $ 469,964 | $ 474,328 | $ 444,431 | $ 486,720 |
| Interest | **1,631,480** | 1,593,836 | 1,582,682 | 1,561,886 | 1,510,378 | 1,408,146 | 1,386,963 | 1,334,762 |
| Changes of benefit terms | **401,528** | - | - | - | - | - | - | - |
| Difference between expected and actual experience | **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 | **(1,748,237)** | (1,688,002) | (1,436,389) | (1,497,733) | (1,216,202) | (1,411,749) | (1,372,821) | (965,131) |
| Transfers among employers | **(341,586)** | 163,269 | (100,412) | 25,742 | 1,824 | 161,456 | - | - |
| Net change in total pension liability | **1,827,964** | 518,992 | 270,671 | 370,265 | 805,382 | 1,789,158 | 284,253 | 856,351 |
| Total pension liability - beginning | **22,062,164** | 21,543,172 | 21,272,501 | 20,902,236 | 20,096,854 | 18,307,696 | 18,023,443 | 17,167,092 |
| Total pension liability - ending (a) | **23,890,128** | 22,062,164 | 21,543,172 | 21,272,501 | 20,902,236 | 20,096,854 | 18,307,696 | 18,023,443 |
| **Plan Fiduciary Net Position** | | | | | | | | |
| Contributions - employer | **434,502** | 446,663 | 549,631 | 446,010 | 459,888 | 467,660 | 457,419 | 463,937 |
| Contributions - member | **336,165** | 330,806 | 347,610 | 346,073 | 332,178 | 362,299 | 301,942 | 298,308 |
| Net investment income | **3,452,588** | 896,261 | 410,026 | 1,408,494 | 1,790,040 | 1,331,113 | 159,366 | 1,482,615 |
| Benefit payments, including refunds of member contributions | **(1,748,237)** | (1,688,002) | (1,436,389) | (1,497,733) | (1,216,202) | (1,411,749) | (1,372,821) | (965,131) |
| Transfers among employers | **(341,586)** | 163,269 | (100,412) | 25,742 | 1,824 | 161,456 | (9,909) | 13,776 |
| Net change in plan fiduciary net position | **2,133,432** | 148,997 | (229,534) | 728,586 | 1,367,728 | 910,779 | (464,003) | 1,293,505 |
| Plan fiduciary net position - beginning | **16,207,193** | 16,058,196 | 16,287,730 | 15,559,144 | 14,191,416 | 13,280,637 | 13,744,640 | 12,451,135 |
| Plan fiduciary net position - ending (b) | **18,340,625** | 16,207,193 | 16,058,196 | 16,287,730 | 15,559,144 | 14,191,416 | 13,280,637 | 13,744,640 |
| Net pension liability - ending (a) - (b) | **$ 5,549,503** | $ 5,854,971 | $ 5,484,976 | $ 4,984,771 | $ 5,343,092 | $ 5,905,438 | $ 5,027,059 | $ 4,278,803 |
| Plan fiduciary net position as a percentage of the total pension liability | **76.77%** | 73.46% | 74.54% | 76.57% | 74.44% | 70.62% | 72.54% | 76.26% |
| Covered payroll | **$ 6,033,703** | $ 6,073,132 | $ 5,615,180 | $ 6,068,177 | $ 6,148,668 | $ 5,885,886 | $ 5,609,577 | $ 5,749,664 |
| Net pension liability as a percentage of covered payroll | **91.98%** | 96.41% | 97.68% | 82.15% | 86.90% | 100.33% | 89.62% | 74.42% |

**Note to Schedule**

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

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

| *As of and for the year ended September 30,* | **2022** | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | **$ 439,042** | $ 456,406 | $ 467,852 | $ 484,217 | $ 469,964 | $ 474,328 | $ 444,431 | $ 486,720 |
| Contributions in relation to the actuarially determined contributions | **512,712** | 434,502 | 446,663 | 549,631 | 446,010 | 459,888 | 467,660 | 457,419 |
| Contribution deficiency (excess) | **$ (73,670)** | $ 21,904 | $ 21,189 | $ (65,414) | $ 23,954 | $ 14,440 | $ (23,229) | $ 29,301 |
| Covered payroll | **$ 6,370,137** | $ 6,033,703 | $ 6,073,132 | $ 5,615,180 | $ 6,068,177 | $ 6,148,668 | $ 5,885,886 | $ 5,609,577 |
| Contributions as a percentage of covered payroll | **8.05%** | 7.20% | 7.35% | 9.79% | 7.35% | 7.48% | 7.95% | 8.15% |

**Notes to Schedule**

**Note 1:** Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2019 actuarial valuation.

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

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

| *As of and for the year ended September 30,* | **2021** | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | |
| Service cost | **$ 438,120** | $ 378,502 | $ 285,100 | $ 323,144 | $ 369,979 |
| Interest | **191,932** | 209,419 | 284,230 | 250,841 | 215,486 |
| Changes of benefit term | **280,640** | - | - | - | - |
| Difference between expected and actual experience | **(1,223,885)** | (3,213) | (331,883) | 20,604 | (22,184) |
| Changes of assumptions or other inputs | **573,985** | 540,300 | 1,130,389 | (554,098) | (653,868) |
| Benefit payments | **(304,513)** | (321,479) | (267,274) | (267,274) | (208,661) |
| Net change in total OPEB liability | **(43,721)** | 803,529 | 1,100,562 | (226,783) | (299,248) |
| Total OPEB liability - beginning | **8,836,119** | 8,032,590 | 6,932,028 | 7,158,811 | 7,458,059 |
| Total OPEB liability - ending | **$ 8,792,398** | 8,836,119 | 8,032,590 | 6,932,028 | 7,158,811 |
| Covered payroll* | **$ 5,014,996** | $ 5,561,701 | $ 5,561,701 | $ 5,576,106 | $ 5,576,106 |
| Total OPEB liability as a percentage of covered payroll | **175.32%** | 158.87% | 144.43% | 124.32% | 128.38% |

*For years following the valuation date (when no new valuation if performed), covered payroll has been set equal to the covered payroll fom 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:

9/30/2017 - 3.57%
9/30/2018 - 4.18%
9/30/2019 - 2.66%
9/30/2020 - 2.21%
9/30/2021 - 2.26%

**Note 1: PLAN CHANGES IN BENEFIT TERMS**

*Pension*

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

*OPEB*

The City has elected Act 2019-132. Tier II employees must retire under the same eligibility requirements as Tier I employees to receive OPEB benefits.

**Note 2: CHANGES OF ASSUMPTIONS**

*Pension*

The discount rate used was 7.45%, as compared to 7.70% at the prior measurement date.

*OPEB*

The discount rate used was 2.26%, as compared to 2.21% at the prior measurement date. The decremental and salary increase assumptions have been updated based on the most recent AL ERS experience analysis. Since the prior measurement date, there was also a change in medical trend and dental trend.

**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 | 24 years |
| Asset valuation method | Five year smoothed market |
| Inflation | 2.75% |
| Salary increases | 3.25 - 5.00%, including inflation |
| Investment rate of return | 7.70%, net of pension plan investment expense, including inflation |

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

*OPEB*

| | |
|---|---|
| Inflation | 2.75% |
| Real wage growth | 0.25% |
| Wage inflation | 3.00% |
| Salary increases, including wage inflation | 3.25% - 5.00% |
| Municipal Bond Index Rate | |
| Prior Measurement Date | 2.66% |
| Measurement Date | 2.21% |
| Health Care Cost Trends | |
| Pre-Medicare Medical and Prescription Drug | 7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026 |
| Medicare Medical and Prescription Drug | 5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021 |
| Dental | 4.00% |

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

| *September 30, 2022* | Special Revenue Funds | Debt Service Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 959,830 | $ 24,990 | $ 984,820 |
| Accounts receivable, net | 129,770 | - | 129,770 |
| Due from other governments | 69,821 | - | 69,821 |
| Restricted cash and cash equivalents | - | 374,659 | 374,659 |
| Total assets | $ 1,159,421 | $ 399,649 | $ 1,559,070 |
| **Liabilities and Fund Balances** | | | |
| Liabilities | | | |
| Accounts payable | $ 138,093 | $ - | $ 138,093 |
| Due to other funds | 6,003 | - | 6,003 |
| Total liabilities | 144,096 | - | 144,096 |
| Fund balances | | | |
| Restricted | 1,015,325 | 399,649 | 1,414,974 |
| Total liabilities and fund balances | $ 1,159,421 | $ 399,649 | $ 1,559,070 |

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

| *For the year ended September 30, 2022* | Special Revenue Funds | Debt Service Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 1,903,722 | $ - | $ 1,903,722 |
| Intergovernmental | 223,636 | - | 223,636 |
| Interest and other | 390 | 802 | 1,192 |
| Miscellaneous revenue | 3,880 | 1,333 | 5,213 |
| Total revenues | 2,131,628 | 2,135 | 2,133,763 |
| **Expenditures** | | | |
| General government | 29 | - | 29 |
| Education | 1,612,222 | - | 1,612,222 |
| Vehicle maintenance | 51,853 | - | 51,853 |
| Street | 21,668 | - | 21,668 |
| Judicial | 34,451 | - | 34,451 |
| Debt service | | | |
| Principal | - | 884,140 | 884,140 |
| Interest | - | 196,971 | 196,971 |
| Fiscal agent fees | - | 8,079 | 8,079 |
| Capital outlay | 279,813 | - | 279,813 |
| Total expenditures | 2,000,036 | 1,089,190 | 3,089,226 |
| Excess (deficiency) of revenues over (under) expenditures | 131,592 | (1,087,055) | (955,463) |
| **Other Financing Sources (Uses)** | | | |
| Transfers in (out) | 238,073 | 1,080,767 | 1,318,840 |
| Net change in fund balances | 369,665 | (6,288) | 363,377 |
| Fund balances, beginning of year | 645,660 | 405,937 | 1,051,597 |
| Fund balances, end of year | $ 1,015,325 | $ 399,649 | $ 1,414,974 |

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

| *September 30, 2022* | Bond | Four Cent Gas Tax | Ten Cent Gas Tax | Special Ad Valorem Fund I | Special Ad Valorem Fund II | UDAG | Special FEMA |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | $ 31,085 | $ 123,772 | $ 107,975 | $ 24 | $ 17 | $ 23,119 | $ 6,483 |
| Accounts receivable, net | - | - | - | 19,711 | 19,711 | - | - |
| Due from other funds | - | - | - | - | - | - | - |
| Total assets | $ 31,085 | $ 123,772 | $ 107,975 | $ 19,735 | $ 19,728 | $ 23,119 | $ 6,483 |
| **Liabilities and Fund Balances** | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | $ - | $ 8,323 | $ - | $ 19,711 | $ 19,711 | $ - | $ - |
| Due to other funds | - | - | - | - | - | - | - |
| Total liabilities | - | 8,323 | - | 19,711 | 19,711 | - | - |
| Fund Balances | | | | | | | |
| Restricted | 31,085 | 115,449 | 107,975 | 24 | 17 | 23,119 | 6,483 |
| Total liabilities and fund balances | $ 31,085 | $ 123,772 | $ 107,975 | $ 19,735 | $ 19,728 | $ 23,119 | $ 6,483 |

| Revenue Funds | | | | | | | | Total Nonmajor Special Revenue Funds |
|---|---|---|---|---|---|---|---|---|
| Wiregrass Violent Crime | Department of Justice | Street | Municipal Court/ Judicial Admin | CDBG | Alabama Trust Fund Improvements | Corrections | |
| $ 3,871 | $ 4,227 | $ 435,530 | $ 82,997 | $ 10,158 | $ 17,967 | $ 112,605 | $ 959,830 |
| - | - | - | - | 90,348 | - | - | 129,770 |
| - | - | 61,733 | 2,413 | - | - | 5,675 | 69,821 |
| $ 3,871 | $ 4,227 | $ 497,263 | $ 85,410 | $ 100,506 | $ 17,967 | $ 118,280 | $ 1,159,421 |
| $ - | $ - | $ - | $ - | $ 90,348 | $ - | $ - | $ 138,093 |
| - | - | - | 6,003 | - | - | - | 6,003 |
| - | - | - | 6,003 | 90,348 | - | - | 144,096 |
| 3,871 | 4,227 | 497,263 | 79,407 | 10,158 | 17,967 | 118,280 | 1,015,325 |
| $ 3,871 | $ 4,227 | $ 497,263 | $ 85,410 | $ 100,506 | $ 17,967 | $ 118,280 | $ 1,159,421 |

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

| *Year ended September 30, 2022* | Bond | Four Cent Gas Tax | Ten Cent Gas Tax | Special Ad Valorem Fund I | Special Ad Valorem Fund II | UDAG | Special FEMA |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| Taxes | $ - | $ 57,568 | $ 115,578 | $ 806,111 | $ 806,111 | $ - | $ - |
| Intergovernmental | - | - | - | - | - | - | - |
| Interest and other | - | 76 | - | - | - | - | 5 |
| Miscellaneous revenue | - | - | - | - | - | 3,880 | - |
| Total revenues | - | 57,644 | 115,578 | 806,111 | 806,111 | 3,880 | 5 |
| **Expenditures** | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Education | - | - | - | 806,111 | 806,111 | - | - |
| Vehicle maintenance | - | - | - | - | - | - | - |
| Street | - | 21,639 | - | - | - | - | 29 |
| Judicial | - | - | - | - | - | - | - |
| Capital outlay | - | - | 157,702 | - | - | - | - |
| Total expenditures | - | 21,639 | 157,702 | 806,111 | 806,111 | - | 29 |
| Excess (deficiency) of revenues over expenditures | - | 36,005 | (42,124) | - | - | 3,880 | (24) |
| **Other Financing Sources (Uses)** | | | | | | | |
| Transfers in (out) | - | - | - | - | - | - | - |
| Net change in fund balances | - | 36,005 | (42,124) | - | - | 3,880 | (24) |
| Fund balances, beginning of year | 31,085 | 79,444 | 150,099 | 24 | 17 | 19,239 | 6,507 |
| Fund balances, end of year | $ 31,085 | $ 115,449 | $ 107,975 | $ 24 | $ 17 | $ 23,119 | $ 6,483 |

| Revenue Funds | | | | | | | | Total Nonmajor Special Revenue Funds |
|---|---|---|---|---|---|---|---|---|
| Wiregrass Violent Crime | Department of Justice | Street | Municipal Court/ Judicial Admin | CDBG | Alabama Trust Fund Improvements | Corrections | | |
| $ - | $ - | $ 118,354 | $ - | $ - | $ - | $ - | $ | 1,903,722 |
| - | - | - | - | 90,348 | 133,288 | - | | 223,636 |
| - | - | - | 101 | 14 | 45 | 149 | | 390 |
| - | - | - | - | - | - | - | | 3,880 |
| - | - | 118,354 | 101 | 90,362 | 133,333 | 149 | | 2,131,628 |
| - | - | - | - | 29 | - | - | | 29 |
| - | - | - | - | - | - | - | | 1,612,222 |
| - | - | - | - | 51,853 | - | - | | 51,853 |
| - | - | - | - | - | - | - | | 21,668 |
| - | - | - | 30,670 | - | - | 3,781 | | 34,451 |
| - | - | 77,765 | - | 44,346 | - | - | | 279,813 |
| - | - | 77,765 | 30,670 | 96,228 | - | 3,781 | | 2,000,036 |
| - | - | 40,589 | (30,569) | (5,866) | 133,333 | (3,632) | | 131,592 |
| - | - | 346,481 | 27,729 | 12,202 | (141,038) | (7,301) | | 238,073 |
| - | - | 387,070 | (2,840) | 6,336 | (7,705) | (10,933) | | 369,665 |
| 3,871 | 4,227 | 110,193 | 82,247 | 3,822 | 25,672 | 129,213 | | 645,660 |
| $ 3,871 | $ 4,227 | $ 497,263 | $ 79,407 | $ 10,158 | $ 17,967 | $ 118,280 | $ | 1,015,325 |

$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 |
|---|---|---|---|---|
| 9/30/2023 | 1.00% | $ 10,000 | $ 74,550 | $ 84,550 |
| 9/30/2024 | 1.00% | 10,000 | 74,450 | 84,450 |
| 9/30/2025 | 1.00% | 10,000 | 74,350 | 84,350 |
| 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 | | $ 3,750,000 | $ 602,200 | $ 4,352,200 |

$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

| Ending | Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 9/30/2023 | 2.00% | $ 430,000 | $ 31,860 | $ 461,860 |
| 9/30/2024 | 2.00% | 440,000 | 23,160 | 463,160 |
| 9/30/2025 | 2.00% | 455,000 | 14,210 | 469,210 |
| 9/30/2026 | 2.10% | 460,000 | 4,830 | 464,830 |
| Total | | $ 1,785,000 | $ 74,060 | $ 1,859,060 |

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 |
|---|---|---|---|---|
| 9/30/2023 | 4.00% | $ 170,000 | $ 45,014 | $ 215,014 |
| 9/30/2024 | 4.00% | 180,000 | 38,214 | 218,214 |
| 9/30/2025 | 2.00% | 185,000 | 31,013 | 216,013 |
| 9/30/2026 | 2.00% | 190,000 | 27,314 | 217,314 |
| 9/30/2027 | 2.13% | 195,000 | 23,512 | 218,512 |
| 9/30/2028 | 2.25% | 200,000 | 19,370 | 219,370 |
| 9/30/2029 | 2.35% | 200,000 | 14,870 | 214,870 |
| 9/30/2030 | 2.40% | 205,000 | 10,170 | 215,170 |
| 9/30/2031 | 2.50% | 210,000 | 5,251 | 215,251 |
| Total | | $ 1,735,000 | $ 214,728 | $ 1,949,728 |

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ozark, Alabama, as of and for the year ended September 30, 2022, 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 April 25, 2023. 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 of Ozark, Alabama's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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 2022-001 to be a material weakness.

**2022-001** Financial Reporting (Repeat of Finding 2021-001)

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 Finance 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 2022-002, 2022-003, and 2022-004 to be significant deficiencies.

**2022-002** Capital Assets (Repeat of Finding 2021-002)

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 reconcilation of capital asset account balances to the depreciation schedule, and consider additional training for personnel responsible for preparation of the depreciation schedule.

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

**2022-003** Due to and From Accounts (Repeat of Finding 2021-003)

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 Finance Officer will implement a formal financial close process to include timely monitoring of due to and from accounts.

**2022-004** Grant Accounting and Administration (Repeat finding of 2021-004)

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 Finance Officer will implement a formal, centralized, grant administration process.

**Report on Compliance and Other Matters**

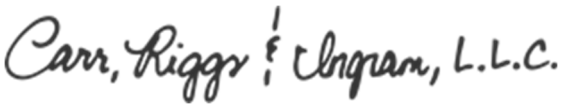
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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.

Enterprise, Alabama
April 25, 2023

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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Ozark, Alabama's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended September 30, 2022. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

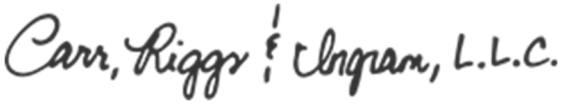
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-005 to be a material weakness.

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama
April 25, 2023

**Section I – Summary of Auditors' Results**

***Financial Statements***

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

***Federal Awards***

| | |
|---|---|
| 1. Type of auditors' report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | Yes |
| 4. Identification of major programs | |

| Assistance Listing Number | Federal Program |
|---|---|
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds |

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

**Section II – Financial Statement Findings**

**2022-001** Financial Reporting (Repeat of Finding 2021-001)

**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 Finance Officer will implement a formal financial close process.

**2022-002** Capital Assets (Repeat of Finding 2021-002)

**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 reconcilation of capital asset account balances to the depreciation schedule, and consider additional training for personnel responsible for preparation of the depreciation schedule.

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

**2022-003** Due to and From Accounts (Repeat of Finding 2021-003)

**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 Finance Officer will implement a formal financial close process to include timely monitoring of due to and from accounts.

**2022-004** Grant Accounting and Administration (Repeat finding of 2021-004)

**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 Finance Officer will implement a formal, centralized, grant administration process.

**Section III – Federal Award Findings and Questioned Costs**

**Item 2022-005 – Suspension and Debarment**
**Coronavirus State and Local Fiscal Recovery Funds – ALN # 21.027**
**U.S. Department of Treasury**
**Passed through the State of Alabama**
**Federal Award Year - 2022**

**Criteria –** 2 CFR 200.303 requires the non-Federal entity to "(a) establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal statutes, regulations, and the terms and conditions of the Federal award." Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

**Condition –** Adequate controls were not in place to provide for proper review of covered transactions for suspension and debarment. Covered transactions, over $25,000 paid with grant funding were not reviewed for suspension and debarment.

**Cause –** The City lacked sufficient controls to ensure evidence of compliance with suspension and debarment.

**Questioned Costs** – Not determinable

**Effect –** Failure to properly verify that a potential vendor has not been suspended or debarred could result in unallowable expenditures and disallowed costs.

**Recommendation –** We recommend that controls should be put into place to better monitor and document the compliance of vendors for suspension and debarment.

**Management's Response –** The City will implement additional controls to ensure there is evidence of review of covered transactions over $25,000 for suspension and debarment prior to payment. City's Financial Officer will be responsible for the corrective action and anticipates completion of corrective action will be taken before September 30, 2023.

**SECTION IV: PRIOR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No matters were reported.

# City of Ozark, Alabama
# Schedule of Expenditures of Federal Awards
# September 30, 2022

| Federal Agency Pass-through Grantor Program Title | AL Number | Contract/ Grant Number | Expenditures | Payments to Subrecipients |
|---|---|---|---|---|
| **United States Department of Agriculture** | | | | |
| Passed through Alabama Department of Education | | | | |
| Summer Food Service Program for Children* | 10.559 | | $ 66,599 | $ - |
| **United States Department of Transportation** | | | | |
| Passed through Alabama Department of Transportation | | | | |
| COVID-19 Airport Improvement Program | 20.106 | COVID-19 3-01-0056-022-2021 | 13,000 | - |
| COVID-19 Airport Improvement Program | 20.106 | COVID-19 3-01-0056-023-2022 | 32,000 | - |
| Airport Improvement Program | 20.106 | 3-01-0056-024-2022 | 30,451 | - |
| Subtotal ALN 20.106 | | | 75,451 | |
| Highway Planning and Construction** | 20.205 | TAPOA-TA21(932) | 260,446 | - |
| Passed through Southeast Alabama Highway Safety Office, Enterprise State Community College State and Community Highway Safety*** | 20.600 | 21-FP-PT-002 | 47,446 | - |
| Total United States Department of Transportation | | | 383,343 | - |
| **United States Department of the Treasury** | | | | |
| Direct program | | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | N/A | 1,893,968 | - |

(Continued)

# City of Ozark, Alabama
## Schedule of Expenditures of Federal Awards (Continued)
## September 30, 2022

| Federal Agency Pass-through Grantor Program Title | AL Number | Contract/ Grant Number | Expenditures | Payments to Subrecipients |
|---|---|---|---|---|
| **United States Department of Homeland Security** | | | | |
| Passed through Alabama Emergency Management Agency | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | N/A | 17,996 | - |
| **United States Department of the Housing and Urban Development** | | | | |
| Passed through Alabama Department of Economic and Community Affairs | | | | |
| Community Development Block Grant | 14.228 | LR-CE-PR-20-026 | 36,995 | - |
| Passed through Alabama Department of Economic and Community Affairs, Dale County Commission | | | | |
| COVID-19 Community Development Block Grant | 14.228 | | 90,348 | - |
| Total United States Department of Housing and Urban Development Subtotal | ALN 14.228 | | 127,343 | - |
| Total Expenditures of Federal Awards | | | $ 2,489,249 | $ - |

* Child Nutrition Cluster
** Highway Planning and Construction Cluster
***Highway Safety Cluster

**Note 1: BASIS OF PRESENTATION**

The SEFA summarizes the federal expenditures of the City of Ozark, (the City) under programs of the federal government for the year ended September 30, 2022. The amounts reported as federal expenditures were obtained from the City's general ledger. Because the SEFA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position and changes in net position of the City.

For purposes of the SEFA, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. The City has obtained Assistance Listing (AL) numbers to ensure that all programs have been identified in the SEFA. AL numbers have been appropriately listed by applicable programs. Federal programs with different AL numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. Three clusters are identified in the SEFA is the following:

**Child Nutrition Cluster** – Includes awards that assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential child care institutions and summer recreation programs; and encourages the domestic consumption of nutritious agricultural commodities.

**Highway Planning and Construction Cluster** – Includes awards that assist states, tribal governments and Federal land management agencies in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing, rehabilitating and preserving the National Highway System, including Interstate highways and other Federal-aid highways, provide aid for report of Federal-aid highways following disasters, foster safe highway design and improve bridge conditions, to support community-level transportation infrastructure and to provide for other special purposes.

**Highway Safety Cluster** – Includes awards that assist cities in providing a coordinated national highway safety program to reduce traffic accidents, death, injuries and property damage.

**Note 2: INDIRECT COST RATE**

The City has elected not to use the 10% de minimums indirect cost rate for the fiscal year ended September 30, 2022.

**Note 3: RELATIONSHIP OF THE SEFA TO FINANCIAL REPORTS**

The amounts reflected in the financial reports submitted to the awarding Federal, State and/or pass-through agencies and the SEFA may differ. Some of the factors that may account for any difference include the following:

- The City's fiscal year end may differ from the program's year end.
- Accruals recognized in the SEFA, because of year-end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the City's financial statements and as expenditures in the program financial reports.

**Note 4: BASIS OF ACCOUNTING**

This Schedule was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of the City's federal grants.

**Note 5: CONTINGENCIES**

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, management does not believe that such disallowance, if any, would have a material effect on the financial position of the City. As of September 30, 2022, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

**Note 6: NONCASH ASSISTANCE**

The City did not receive any federal noncash assistance for the fiscal year ended September 30, 2022.

**Note 7: SUBRECIPIENTS**

The City did not provide federal funds to subrecipients for the fiscal year ending September 30, 2022.

**Note 8: LOANS AND LOAN GUARNTEES**

The City did not have any loans or loan guarantee programs required to be reported on the schedule for the fiscal year ended September 30, 2022.

**Note 9: FEDERALLY FUNDED INSURANCE**

The City did not have any federally funded insurance required to be reported on the SEFA for the fiscal year ending September 30, 2022.

**Financial Statement Findings**

**Item 2022-01 – Financial Reporting (Repeat of Finding 2021-001)**

**Contact person:** Chris Peters, City of Ozark Finance Officer

**Management Response:** The City's Finance Officer will implement a formal financial close process. A checklist will be created and evidence of who completed each item and date completed will be documented. City's Financial Officer will be responsible for the corrective action and anticipates completion of corrective action will be taken before September 30, 2023.

**Item 2022-002 Capital Assets (Repeat of Finding 2021-002)**

**Contact person:** Chris Peters, City of Ozark Finance Officer

**Management Response:** The City's Finance Officer will implement a formal financial close process to include rollforward and reconciliation of capital assets and related depreciation. Evidence of who completed the rollforward and reconciliation and date completed will be documented. City's Financial Officer will be responsible for the corrective action and anticipates completion of corrective action will be taken before September 30, 2023.

**Item 2022-003 Due to and From Accounts (Repeat of Finding 2021-003)**

**Contact person:** Chris Peters, City of Ozark Finance Officer

Management Response: The City's Finance Officer will implement a formal financial close process to include timely monitoring of due to and from accounts. Evidence of who completed the reconciliation of due to and from accounts and date completed will be documented. City's Financial Officer will be responsible for the corrective action and anticipates completion of corrective action will be taken before September 30, 2023.

**Item 2022-004 Grant Accounting and Administration (Repeat finding of 2021-004)**

**Contact person:** Chris Peters, City of Ozark Finance Officer

**Management Response:** The City's Finance Officer will implement a formal, centralized, grant administration process. City's Financial Officer will be responsible for the corrective action and anticipates completion of corrective action will be taken before September 30, 2023.

**Single Audit Findings**

**Item 2022-005 – Suspension and Debarment**

**Contact person:** Chris Peters, City of Ozark Finance Officer

**Management's Response –** The City will implement additional controls to ensure there is evidence of review of covered transactions over $25,000 for suspension and debarment prior to payment. City's Financial Officer will be responsible for the corrective action and anticipates completion of corrective action will be taken before September 30, 2023.

# City of Ozark, Alabama
# Summary Schedule of Prior Year Audit Findings
# September 30, 2022

**Financial Statement Findings**

**2021-001** – Uncorrected

**2021-002** – Uncorrected

**2021-003** – Uncorrected

**2021-004** – Uncorrected

**Federal Award Findings**

None noted