

# City of Ozark, Alabama

## FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

For The Year Ended September 30, 2015



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## **INDEPENDENT AUDITORS' REPORT**

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ozark, Alabama, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Ozark City Board of Education, which is 100 percent of the assets, net position, and revenues of the discretely presented component unit.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ozark City Board of Education, which is 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Ozark City Board of Education, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

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 of Ozark, Alabama, as of September 30, 2015, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Special Ad Valorem Fund I, the Special Ad Valorem Fund II, and the Bond Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Notes 1 and 16 to the financial statements, the City of Ozark, Alabama adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, during the year ended September 30, 2015, which required a restatement of the 2014 financial statements. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-15), schedule of funding progress for the retiree health plan (page 64), schedule of changes in net pension liability (page 65), and schedule of employer contributions (page 66) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ozark, Alabama's basic financial statements. The combining and individual nonmajor fund financial statements and schedules of bond amortization requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedules of bond amortization requirements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2016, on our consideration of the City of Ozark, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama

March 30, 2016

## Management's Discussion and Analysis

The City of Ozark, Alabama's (the "City") Management's Discussion and Analysis ("MD&A") is a narrative overview of the financial activities of the City for the fiscal year beginning October 1, 2014, and ending September 30, 2015. We encourage readers to consider information presented here along with the City's financial statements, which follow this section. The intent of the MD&A is to provide a brief, objective, and easily readable analysis of the City's financial performance for the year and its financial position at fiscal year-end September 30, 2015.

### **Financial Highlights**

From the Government-Wide Financial Statements

- The City's combined governmental activities and business-type activities net position at September 30, 2015, was \$22,240,413. This represents an increase of \$869,106 from restated net position of September 30, 2014. The unrestricted deficit decreased by \$700,102 over prior year, the governmental activities decreased by \$823,482, and the business-type activities increased by \$123,380. The restated unrestricted deficit for September 30, 2014 was due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment to GASB Statement No. 27*, which established new accounting and financial reporting for governments that provide their employees with pension benefits. The Retirement System of Alabama (RSA) provided each participating employer of the Employees' Retirement System of Alabama (ERS) the accounting entries to include in the financial statements for this fiscal year and the restatement entries for fiscal year 2014.
- Revenues at September 30, 2015 from governmental activities were \$16,937,339 and revenues from business-type activities were \$1,235,539, for a combined total of \$18,172,878. This is an overall increase in revenues from prior year of \$591,445. The governmental activities capital grants and contributions increased \$212,024. The net increase resulted from increases of \$951,660 from airport improvement funding with federal and state grant funds; capital grants from ALDOT decreased by \$157,590; and FEMA assistance to firefighter grants decreased by \$582,046. Sales and use taxes increased by \$232,602 over prior year; and motor fuel taxes increased by \$132,575 (the majority of this increase is attributable to the opening of Love's Travel Stop and County Store on October 2, 2014). The business-type activities revenues increased \$57,448. The majority of the increase is comprised of a \$25,000 decrease in the operating grant from the Ozark Square Shopping Center for the Emergency Medical Services Fund, \$52,374 in improved collections on charges for services, and \$23,773 in other revenues in the Emergency Medical Services Fund. The Ozark Square Shopping Center's charges for services increased \$6,341 over prior year due to a rent increase for Family Dollar for nine months and a new Thai restaurant tenant for eight months.

From the Fund Financial Statements

- Revenues reported in the governmental funds were \$16,889,923 at September 30, 2015 and are \$611,442 more than governmental funds revenues of \$16,278,481 reported last year. The total tax revenues increased \$377,445 over prior year. Sales and use taxes increased \$232,062 and local option fuel tax increased \$132,575 due to opening of Love's Travel Stop and Country Store. The majority of intergovernmental revenue net increase of \$174,650

## Management's Discussion and Analysis

was attributable to the operating grants decrease of \$65,068 and the capital grants increase of \$212,024.

- The General Fund reported a total fund balance of \$2,449,225 at September 30, 2015. The spendable unassigned portion of total fund balance is \$1,103,779. The net result of operations is a decrease of \$5,942. As a measure of the General Fund's liquidity, it may be useful to compare both spendable unassigned fund balance and total fund balance to operating expenditures. Spendable unassigned fund balance represents 8.8 percent of the total general fund operating expenditures of \$12,545,993 (total expenditures less capital outlay). Total fund balance represents 19.5 percent of the total general fund operating expenditures. The GFOA's best practice target for the spendable unassigned fund balance is 2 months operating expenditures, which calculates to approximately \$2,091,000.

### ***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 and earned but unused vacation and sick leave).

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

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



### ***Fund Financial Statements***

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

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

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

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

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

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

**Proprietary Funds.** The City maintains two proprietary funds, one for the Ozark Square Shopping Center and one for the Fire Department's EMS Division. Both are enterprise funds. An enterprise fund is used to determine operating income, changes in net position, financial position, and cash flows. These funds are presented as part of the primary government in the government-wide financial statements in columns labeled "business-type activities". The City received the Ozark Square Shopping Center in a donation in December 2008 and there are currently four business tenants who rent retail space in the shopping center. The City plans to develop 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.

## Management's Discussion and Analysis

In May 2010, the City approved the Fire Department implementing the EMS Division to provide ambulance services to the City's residents and to replace the current ambulance service provider.

During the fifth year of operation, the EMS program transported 3,272 patients and prior year the total transports were 2,933, which reflects an increase of 339 transports or an increase of 11.6 percent. The five year average gross charge per trip was \$665, the five year average net charge per trip was \$419, and the five year average cash collection per trip was \$288. The five year average cash collected per trip is 68.7 percent of the average net charge per trip.

The EMS average cost per transport for each year of operation is: in 2014-15 \$307, in 2013-14 \$343, in 2012-13 \$375, in 2011-12 \$542, and in 2010-11 \$440. The majority of improvement in the cost per transport was the increased management of staffing the ambulances.

The numbers of patients transported by payment type are: Medicare patients 1,961 or 59.89 percent of total and in prior year Medicare transports were 1,746 and were 55.6 percent of total; Medicaid patients 449 or 13.7 percent of total and in prior year the Medicaid transports were 433 and were 14.8 percent of total; insurance patients 523 or 16.0 percent of total and in prior year insurance transports were 386 and were 13.2 percent of total; and direct patient payments (without insurance) 339 or 10.4 percent of total and in prior year patient transports were 368 and were 12.4 percent of total.

The EMS program increased its net position by \$139,466 in fiscal year 2015.

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 32 of this report.

### ***Government-Wide Financial Analysis***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, governmental activities assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$20,358,206 for fiscal year 2015, as compared to \$19,309,351 in fiscal year 2014 (restated).

## Management's Discussion and Analysis

### Net Position, End of Year

	Governmental Activities		Business-type Activities		Primary Government Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<b>Assets</b>						
Current and other assets	\$ 6,522,124	\$ 7,155,303	\$ 332,480	\$ 408,524	\$ 6,854,604	\$ 7,563,827
Capital assets	31,394,523	29,054,020	2,635,613	2,749,235	34,030,136	31,803,255
<b>Total assets</b>	<b>37,916,647</b>	<b>36,209,323</b>	<b>2,968,093</b>	<b>3,157,759</b>	<b>40,884,740</b>	<b>39,367,082</b>
Deferred outflows						
of resources	527,234	576,498	33,392	-	560,626	576,498
<b>Liabilities</b>						
Current liabilities	1,441,739	940,704	707,259	973,803	2,148,998	1,914,507
Long-term liabilities	14,346,399	14,657,344	373,885	122,000	14,720,284	14,779,344
<b>Total liabilities</b>	<b>15,788,138</b>	<b>15,598,048</b>	<b>1,081,144</b>	<b>1,095,803</b>	<b>16,869,282</b>	<b>16,693,851</b>
Deferred inflows						
of resources	2,297,537	1,878,422	38,134	-	2,335,671	1,878,422
<b>Net Position</b>						
Net investment in capital assets	22,745,600	22,483,727	2,635,613	2,691,982	25,381,213	25,175,709
Restricted	346,116	382,616	-	-	346,116	382,616
Unrestricted (deficit)	(2,733,510)	(3,556,992)	(753,406)	(630,026)	(3,486,916)	(4,187,018)
<b>Total net position</b>	<b>\$ 20,358,206</b>	<b>\$ 19,309,351</b>	<b>\$ 1,882,207</b>	<b>\$ 2,061,956</b>	<b>\$ 22,240,413</b>	<b>\$ 21,371,307</b>

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, 2015 and 2014 (restated), reported an unrestricted deficit in the governmental activities and an unrestricted deficit in the business-type activities. The governmental activities unrestricted deficit decreased by \$823,482, net investment in capital assets increased by \$261,873, and restricted net position decreased by \$36,500 over prior year. As noted previously, the City's governmental activities net position increased \$1,048,855 and the business-type activities decreased \$179,749, for a net increase in net position during fiscal year 2015 of \$869,106.

## Management's Discussion and Analysis

### Operating Results

<i>Years ended September 30,</i>	Governmental Activities		Business-type Activities		Primary Government Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<b>Program Revenues:</b>						
Charges for services	\$ 5,495,799	\$ 5,531,805	\$ 1,111,706	\$1,052,991	\$ 6,607,505	\$ 6,584,796
Operating grants and contributions	138,324	203,392	100,000	125,000	238,324	328,392
Capital grants and contributions	1,974,938	1,762,914	-	-	1,974,938	1,762,914
<b>General Revenues:</b>						
Property taxes	710,148	724,639	-	-	710,148	724,639
Sales tax	6,515,090	6,282,488	-	-	6,515,090	6,282,488
Motor fuel tax	494,723	362,148	-	-	494,723	362,148
Other taxes	988,945	916,437	-	-	988,945	916,437
Other	619,372	619,519	23,833	100	643,205	619,619
Total revenues	16,937,339	16,403,342	1,235,539	1,178,091	18,172,878	17,581,433
<b>Functions/Program Expenses:</b>						
General government	2,004,618	1,783,525	-	-	2,004,618	1,783,525
Police department	2,967,223	2,861,573	-	-	2,967,223	2,861,573
Fire department	2,631,299	2,617,121	998,149	1,002,119	3,629,448	3,619,240
Street	898,858	877,917	-	-	898,858	877,917
Sanitation	1,250,216	1,291,892	-	-	1,250,216	1,291,892
Leisure services	1,810,674	1,704,469	-	-	1,810,674	1,704,469
Engineering/inspections	127,522	120,374	-	-	127,522	120,374
Vehicle maintenance	196,293	231,826	-	-	196,293	231,826
Airport	80,002	65,541	-	-	80,002	65,541
Judicial	206,992	211,300	-	-	206,992	211,300
Appropriations	133,665	129,550	-	-	133,665	129,550
Education	2,270,800	2,236,375	-	-	2,270,800	2,236,375
Non-departmental	363,485	305,587	-	-	363,485	305,587
Economic development	648,312	471,966	190,818	193,967	839,130	665,933
Ozark technology center	56,519	54,707	-	-	56,519	54,707
Information technology	188,248	167,058	-	-	188,248	167,058
Interest and fees on long-term debt	264,500	323,472	963	3,021	265,463	326,493
Amortization	14,616	30,388	-	-	14,616	30,388
Total functions/program expenses	16,113,842	15,484,641	1,189,930	1,199,107	17,303,772	16,683,748
<b>Increase (Decrease) in Net Position</b>	<b>\$ 823,497</b>	<b>\$ 918,701</b>	<b>\$ 45,609</b>	<b>\$ (21,016)</b>	<b>\$ 869,106</b>	<b>\$ 897,685</b>

### 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.

## Management's Discussion and Analysis

As of the end of the current fiscal year, the City's governmental funds report combined ending fund balances of \$3,606,964, a decrease of \$1,021,635, in comparison with the prior year. Spendable unassigned fund balances of \$1,103,779 represents 30.6 percent of the ending total fund balances and are available to meet the City's short-term spending needs. The remainder of fund balance is nonspendable and restricted to indicate that it is 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 is \$1,103,779 while the total fund balance was \$2,449,225. The net result of General Fund operations is a decrease in the General Fund's fund balance of \$5,942. As a measure of the General Fund's liquidity, it may be useful to compare both spendable unassigned fund balance and total fund balance to total operating expenditures. Spendable unassigned fund balance represents 8.8 percent of total General Fund operating expenditures of \$12,545,993, while total fund balance represents 19.5 percent of that same amount. The recommended best practice target for the spendable unassigned fund balance should be no less than two months operating expenditures. Two months operating expenditures (expenditures less capital outlay) would be approximately \$2,091,000; the City is currently at \$597,107.

<i>September 30,</i>	<u>Total Governmental Funds</u>		<b>Change</b>
	<b>2015</b>	2014	
<b>Assets</b>			
Cash and cash equivalents	\$ 1,888,305	\$ 2,687,746	\$ (799,441)
Receivables, net	3,742,926	3,382,703	360,223
Due from other funds	744,353	927,500	(183,147)
Other assets	18,703	24,731	(6,028)
Restricted cash and cash equivalents	190,280	169,515	20,765
<b>Total assets</b>	<b>\$ 6,584,567</b>	<b>\$ 7,192,195</b>	<b>\$ (607,628)</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 661,122	\$ 233,916	\$ 427,206
Due to other funds	62,443	136,896	(74,453)
Accrued payroll	207,085	179,914	27,171
Other accrued expenses	106,554	134,448	(27,894)
<b>Total liabilities</b>	<b>1,037,204</b>	<b>685,174</b>	<b>352,030</b>

## Management's Discussion and Analysis

<i>September 30,</i>	<b>2015</b>	2014	<b>Change</b>
Deferred inflows of resources	<b>1,940,399</b>	1,878,422	61,977
Fund balances			
Nonspendable	<b>1,196,301</b>	1,423,160	(226,859)
Restricted	<b>1,306,884</b>	2,392,602	(1,085,718)
Unassigned	<b>1,103,779</b>	812,837	290,942
Total fund balances	<b>3,606,964</b>	4,628,599	(1,021,635)
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 6,584,567</b>	\$ 7,192,195	\$ (607,628)

<i>Years ended September 30,</i>	<b>Total Governmental Funds</b>		<b>Changes</b>
	<b>2015</b>	2014	
<b>Revenues</b>			
Taxes	<b>\$ 9,949,755</b>	\$ 9,572,310	\$ 377,445
Licenses and permits	<b>1,698,270</b>	1,607,764	90,506
Intergovernmental	<b>2,193,803</b>	2,019,153	174,650
Charges for services	<b>1,636,268</b>	1,639,727	(3,459)
Fines and forfeitures	<b>822,714</b>	870,422	(47,708)
Investment earnings	<b>24,567</b>	30,274	(5,707)
Miscellaneous	<b>564,546</b>	538,831	25,715
Total revenues	<b>16,889,923</b>	16,278,481	611,442
<b>Expenditures</b>			
General government	<b>1,212,361</b>	1,090,366	121,995
Education	<b>2,270,800</b>	2,236,375	34,425
Vehicle maintenance	<b>194,011</b>	233,562	(39,551)
Police department	<b>2,787,737</b>	2,835,546	(47,809)
Information technology	<b>165,718</b>	156,255	9,463
Fire department	<b>2,404,126</b>	2,589,289	(185,163)
Airport	<b>75,190</b>	67,650	7,540
Sanitation	<b>1,166,681</b>	1,232,017	(65,336)
Street	<b>853,043</b>	869,423	(16,380)
Leisure services	<b>1,603,132</b>	1,546,255	56,877
Appropriations	<b>133,665</b>	129,550	4,115
Judicial	<b>200,638</b>	209,627	(8,989)
Economic development	<b>574,411</b>	411,006	163,405
Engineering/inspections	<b>124,573</b>	126,981	(2,408)
Ozark technology center	<b>32,527</b>	29,948	2,579
Non-departmental	<b>363,453</b>	305,587	57,866
Debt service			
Principal	<b>322,565</b>	1,569,102	(1,246,537)
Interest, fees and issuance costs	<b>264,499</b>	313,885	(49,386)
Capital outlay	<b>3,895,505</b>	2,201,566	1,693,939
Total expenditures	<b>18,644,635</b>	18,153,990	490,645

## Management's Discussion and Analysis

<i>Years ended September 30,</i>	<u>Total Governmental Funds</u>		<b>Changes</b>
	<b>2015</b>	2014	
Excess (deficiency) of revenues over expenditures	<b>(1,754,712)</b>	(1,875,509)	120,797
<b>Other Financing Sources (Uses)</b>			
Transfers in (out), net			-
Net proceeds from long term debt	<b>665,502</b>	4,299,209	(3,633,707)
Payment to refunded bond escrow agent	-	(889,587)	889,587
Proceeds from sale of capital assets and loss recoveries	<b>67,575</b>	32,180	35,395
<b>Total other financing sources</b>	<b>733,077</b>	3,441,802	(2,708,725)
Excess revenues and other sources over expenditures and other (uses)	<b>(1,021,635)</b>	1,566,293	(2,587,928)
<b>Fund Balances - beginning</b>	<b>4,628,599</b>	3,062,306	1,566,293
<b>Fund Balances - ending</b>	<b>\$ 3,606,964</b>	\$ 4,628,599	\$ (1,021,635)

Revenues for FY 2015 from governmental funds were more than FY 2014 revenues by \$611,442. The majority of the increases came from tax collections of \$377,445, which came from sales and use taxes and local option fuel tax; intergovernmental funding for operating and capital projects increased \$174,650: the majority of increases were from increases in federal revenues for airport improvement funding of \$951,660, net decrease from FEMA assistance to firefighters grants of \$582,046, net increase in general government grants of \$156,989, net decrease in ATRIP funding on the Roy Parker Bridge replacement of \$648,751 and increase in downtown streetscape funding of canopies of \$301,344; licenses and permits of \$90,506: the majority of the increase is from Insurance premium tax of \$25,934 and the Southeast Alabama Gas District distribution of earnings of \$42,762; and miscellaneous of \$25,715. Primary decrease in revenues came in the category fines and forfeitures in the amount of \$47,708 and reflects a reduction in municipal court fines.

### **General Fund Budgetary Highlights**

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

General Fund revenues came in below budgeted amounts by \$783,882. This reduction is due to operating and/or capital grant projects that actual expenditures and the revenue collections may extend beyond a single fiscal year.

General Fund operating expenditures were under the final amended budget by \$944,922. This reflects operating and/or capital grant estimated expenditures on grants that generally occur across multiple fiscal years such as the airport improvement grants (aviation terminal and 017-2016 project), the CDBG Housing Revitalization and Noah Circle sidewalk project, and the Transportation

## Management's Discussion and Analysis

Alternative Project (TAP) for downtown ADA improvements. The unspent budget capacity for these projects will be rebudgeted in the next fiscal year.

### **Capital Assets**

The City's investment in capital assets for governmental activities as of September 30, 2015, amounts to \$31,394,523 (net of accumulated depreciation). The City's investment in capital assets for business-type activities as of September 30, 2015, amounts to \$2,635,613 (net of accumulated depreciation). This investment in capital assets includes land, improvements and infrastructure, buildings, equipment, and construction in progress. Additional information on the City's capital assets can be found in Note 7 of this report.

#### **Capital Assets (net of depreciation)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Primary Government Total</b>	
	<b>9/30/2015</b>	9/30/2014	<b>9/30/2015</b>	9/30/2014	<b>9/30/2015</b>	9/30/2014
Land	<b>\$ 5,400,558</b>	\$5,400,558	<b>\$ 573,045</b>	\$573,045	<b>\$ 5,973,603</b>	\$5,973,603
Construction in progress	<b>622,689</b>	1,281,941	-	-	<b>622,689</b>	1,281,941
Improvements/infrastructure	<b>15,156,225</b>	12,831,288	-	-	<b>15,156,225</b>	12,831,288
Buildings	<b>6,896,089</b>	7,165,319	<b>1,961,458</b>	2,013,789	<b>8,857,547</b>	9,179,108
Equipment	<b>2,539,247</b>	2,129,635	<b>101,110</b>	47,999	<b>2,640,357</b>	2,177,634
Property under capital lease	<b>779,715</b>	245,279	-	114,402	<b>779,715</b>	359,681
<b>Total</b>	<b>\$31,394,523</b>	\$29,054,020	<b>\$2,635,613</b>	\$2,749,235	<b>\$ 34,030,136</b>	\$31,803,255

### **Long-Term Debt**

The City Council on July 7, 2015, approved a 48-month financing with Commercial Bank of Ozark in the amount of \$665,502. With the loans proceeds, the City acquired one automated garbage truck for the Sanitation Department and 13 police vehicles for the Police Department.

The net pension liability reflects compliance with the implementation of two new GASB Statements: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. These Statements established new accounting and financial reporting for governments that provide their employees with pension benefits. The RSA provided each participating employer of the ERS with the accounting entries to include in the financial statements for fiscal year 2015 and the restatement entries for fiscal year 2014. Additional information on the City's long-term debt can be found in Note 9, beginning on page 48 of this report.



## Management's Discussion and Analysis

### Long-term Debt

	Governmental Activities		Business-type Activities		Primary Government Total	
	9/30/2015	Restated	9/30/2015	Restated	9/30/2015	Restated
		9/30/2014		9/30/2014		9/30/2014
Capital leases	\$ 762,306	\$ 174,369	\$ -	\$ 57,253	\$ 762,306	\$ 231,622
Bonds payable, net	7,886,617	8,126,356	-	-	7,886,617	8,126,356
Compensated absences	322,187	352,641	13,007	7,438	335,194	360,079
Net pension liability	4,060,769	4,466,011	218,034	249,946	4,278,803	4,715,957
Other postemployment benefit obligation	1,781,498	1,580,444	142,844	114,562	1,924,342	1,695,006
<b>Total</b>	<b>\$ 14,813,377</b>	<b>\$ 14,699,821</b>	<b>\$ 373,885</b>	<b>\$ 429,199</b>	<b>\$ 15,187,262</b>	<b>\$ 15,129,020</b>

### Significant Economic Factors

The Mayor and City Council considered many factors when developing the fiscal year 2015-16 budget. A budget of \$15.0 million was adopted for the General Fund, \$8.0 million in Special Revenue Funds and \$1.0 million in Enterprise Funds on September 1, 2015, for fiscal year 2015-16.

- 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 2015 and expects to meet that level of participation for 2016 and the estimated savings in health insurance premiums is approximately \$19,560. The City did receive a health rate increase of 7.8 percent for 2016.
- The 2015-16 budget does not include a cost of living or step increase adjustment. The City Council plans to revisit a cost of living adjustment or step increase after the first quarter of the new fiscal year.
- Estimated expenditures for Troy University of \$7,000 will be the second year of a five year commitment, and the City has budgeted one-third of the cost of a marketing study, which is \$10,000. The other two entities budgeting the remaining two-thirds of the cost of the study are Dale Medical Center and Ozark City Schools.
- The City projected slight increases in revenues in sales and use tax due to the future opening of a Ford car dealership in the fall of 2016 and full year operations of the following retail: Marvin's Building Supplies, Zaxby's, and Hibbett Sports.
- Dale County unemployment rate for September 2015 was 6.1 percent and the rate for September 2014 was 6.5 percent.

These factors were considered in preparing the City's budget for fiscal year 2015-16.

### ***Requests For Information***

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk/Chief 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, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Ozark City Board of Education
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 1,888,305	\$ 165,642	\$ 2,053,947	\$ 10,349,149
Receivables, net	3,742,926	166,838	3,909,764	1,464,470
Other assets	18,703	-	18,703	41,475
Due from other funds	681,910	-	681,910	-
<b>Total current assets</b>	<b>6,331,844</b>	<b>332,480</b>	<b>6,664,324</b>	<b>11,855,094</b>
Restricted cash and cash equivalents	190,280	-	190,280	-
Capital assets				
Capital assets, net of depreciation	25,371,276	2,062,568	27,433,844	26,281,529
Land and other nondepreciable capital assets	6,023,247	573,045	6,596,292	261,838
<b>Total capital assets</b>	<b>31,394,523</b>	<b>2,635,613</b>	<b>34,030,136</b>	<b>26,543,367</b>
<b>Total assets</b>	<b>37,916,647</b>	<b>2,968,093</b>	<b>40,884,740</b>	<b>38,398,461</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pension	424,028	33,392	457,420	1,564,824
Deferred charge on debt refunding	103,206	-	103,206	-
<b>Total deferred outflows of resources</b>	<b>527,234</b>	<b>33,392</b>	<b>560,626</b>	<b>1,564,824</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 38,443,881</b>	<b>\$ 3,001,485</b>	<b>\$ 41,445,366</b>	<b>39,963,285</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	661,122	6,301	667,423	14,041
Accrued payroll and other accrued expenses	313,639	19,048	332,687	1,443,461
Due to other funds	-	681,910	681,910	-
Unearned revenue	-	-	-	-
Notes payable	-	-	-	171,433
Amounts due under capital leases	182,239	-	182,239	-
Bonds payable	284,739	-	284,739	255,000
<b>Total current liabilities</b>	<b>1,441,739</b>	<b>707,259</b>	<b>2,148,998</b>	<b>1,883,935</b>

-Continued-

**City of Ozark, Alabama**  
**Statement of Net Position (Continued)**  
**September 30, 2015**

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Ozark City Board of Education
Noncurrent liabilities				
Notes payable	-	-	-	923,964
Amounts due under capital leases	580,067	-	580,067	-
Bonds payable, net	7,601,878	-	7,601,878	22,804,000
Compensated absences	322,187	13,007	335,194	-
Net pension liability	4,060,769	218,034	4,278,803	17,116,000
Other post-employment benefits obligation	1,781,498	142,844	1,924,342	-
<b>Total noncurrent liabilities</b>	<b>14,346,399</b>	<b>373,885</b>	<b>14,720,284</b>	<b>40,843,964</b>
<b>Total liabilities</b>	<b>15,788,138</b>	<b>1,081,144</b>	<b>16,869,282</b>	<b>42,727,899</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pension	357,138	38,134	395,272	1,283,000
Unearned property taxes and grant receipts	1,940,399	-	1,940,399	1,014,853
<b>Total deferred inflows of resources</b>	<b>2,297,537</b>	<b>38,134</b>	<b>2,335,671</b>	<b>2,297,853</b>
<b>Net Position (Deficit)</b>				
Net investment in capital assets	22,745,600	2,635,613	25,381,213	2,388,970
Restricted for:				
Capital outlay	149,145	-	149,145	-
Debt service	196,902	-	196,902	41,475
Education	69	-	69	-
Unrestricted (deficit)	(2,733,510)	(753,406)	(3,486,916)	(7,492,912)
<b>Total net position</b>	<b>20,358,206</b>	<b>1,882,207</b>	<b>22,240,413</b>	<b>(5,062,467)</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 38,443,881</b>	<b>\$ 3,001,485</b>	<b>\$ 41,445,366</b>	<b>39,963,285</b>

*See accompanying notes to the financial statements.*

**City of Ozark, Alabama**  
**Statement of Activities**  
**For the Year Ended September 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General government	\$ 2,004,618	\$ 2,106,082	\$ 7,600	\$ 305,719
Police department	2,967,223	86,362	72,566	-
Fire department	2,631,299	196,124	-	119,901
Street	898,858	-	-	301,344
Sanitation	1,250,216	1,301,232	-	-
Leisure services	1,810,674	366,189	58,158	43,643
Engineering/inspections	127,522	-	-	-
Vehicle maintenance	196,293	-	-	-
Airport	80,002	4,332	-	1,204,331
Judicial	206,992	-	-	-
Appropriations	133,665	-	-	-
Non-departmental	363,485	-	-	-
Economic development	648,312	-	-	-
Ozark technology center	56,519	-	-	-
Information technology	188,248	-	-	-
Education	2,270,800	1,435,478	-	-
Interest	261,004	-	-	-
Fees on long term debt	3,496	-	-	-
Amortization	14,616	-	-	-
<b>Total governmental activities</b>	<b>16,113,842</b>	<b>5,495,799</b>	<b>138,324</b>	<b>1,974,938</b>
<b>Business-type Activities:</b>				
Emergency medical services	999,112	1,014,760	100,000	-
Ozark square shopping center	190,818	96,946	-	-
<b>Total business-type activities</b>	<b>1,189,930</b>	<b>1,111,706</b>	<b>100,000</b>	<b>-</b>
<b>Total primary government</b>	<b>\$17,303,772</b>	<b>\$ 6,607,505</b>	<b>\$ 238,324</b>	<b>\$ 1,974,938</b>
<b>Component Unit</b>				
Ozark City Board of Education	\$22,691,631	\$ 1,933,772	\$ 15,029,879	\$ 889,162

*See accompanying notes to the financial statements.*

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Ozark City Board of Education	
\$ 414,783	\$ -	\$ 414,783	\$ -	-
(2,808,295)	-	(2,808,295)	-	-
(2,315,274)	-	(2,315,274)	-	-
(597,514)	-	(597,514)	-	-
51,016	-	51,016	-	-
(1,342,684)	-	(1,342,684)	-	-
(127,522)	-	(127,522)	-	-
(196,293)	-	(196,293)	-	-
1,128,661	-	1,128,661	-	-
(206,992)	-	(206,992)	-	-
(133,665)	-	(133,665)	-	-
(363,485)	-	(363,485)	-	-
(648,312)	-	(648,312)	-	-
(56,519)	-	(56,519)	-	-
(188,248)	-	(188,248)	-	-
(835,322)	-	(835,322)	-	-
(261,004)	-	(261,004)	-	-
(3,496)	-	(3,496)	-	-
(14,616)	-	(14,616)	-	-
(8,504,781)	-	(8,504,781)	-	-
-	115,648	115,648	-	-
-	(93,872)	(93,872)	-	-
-	21,776	21,776	-	-
\$ (8,504,781)	\$ 21,776	\$ (8,483,005)	\$ -	-
\$ -	\$ -	\$ -	\$ (4,838,818)	-

-Continued-

**City of Ozark, Alabama**  
**Statement of Activities (Continued)**  
**For the Year Ended September 30, 2015**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Ozark City Board of Education
<b>General Revenues</b>				
Sales taxes	\$ 6,515,090	\$ -	\$ 6,515,090	\$ 2,029,547
Motor fuel taxes	494,723	-	494,723	-
Property taxes	710,148	-	710,148	2,443,883
Alcoholic beverage taxes	155,836	-	155,836	-
Lodging taxes	109,824	-	109,824	-
Tobacco taxes	245,640	-	245,640	-
Other taxes	477,645	-	477,645	12,547
Miscellaneous	299,501	23,828	323,329	757,951
Rental income	81,014	-	81,014	-
Franchise fees	214,288	-	214,288	-
Investment earnings	24,569	5	24,574	146,417
<b>Total general revenues</b>	<b>9,328,278</b>	<b>23,833</b>	<b>9,352,111</b>	<b>5,390,345</b>
Change in net position	823,497	45,609	869,106	551,527
<b>Net Position - beginning, as previously stated</b>	<b>23,561,371</b>	<b>2,061,956</b>	<b>25,623,327</b>	<b>11,181,006</b>
<b>Prior period adjustments (Note 16)</b>	<b>(4,026,662)</b>	<b>(225,358)</b>	<b>(4,252,020)</b>	<b>(16,795,000)</b>
<b>Net Position - beginning, as restated</b>	<b>19,534,709</b>	<b>1,836,598</b>	<b>21,371,307</b>	<b>(5,613,994)</b>
<b>Net Position - ending</b>	<b>\$ 20,358,206</b>	<b>\$ 1,882,207</b>	<b>\$ 22,240,413</b>	<b>\$ (5,062,467)</b>

*See accompanying notes to the financial statements.*

**City of Ozark, Alabama**  
**Balance Sheet-Governmental Funds**  
**September 30, 2015**

	General Fund	Special Ad Valorem I	Special Ad Valorem II
<b>Assets</b>			
Cash and cash equivalents	\$ 883,834	\$ 24	\$ 45
Receivables	2,395,557	664,220	664,220
Due from other funds	733,264	-	-
Prepays	14,175	-	-
Inventory	4,528	-	-
Restricted cash and cash equivalents	-	-	-
<b>Total assets</b>	<b>\$ 4,031,358</b>	<b>\$ 664,244</b>	<b>\$ 664,265</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 613,310	\$ 16,068	\$ 16,068
Due to other funds	11,089	-	-
Accrued payroll	207,085	-	-
Other accrued expenses	106,554	-	-
<b>Total liabilities</b>	<b>938,038</b>	<b>16,068</b>	<b>16,068</b>
<b>Deferred inflows of resources</b>			
Unearned property taxes	644,095	648,152	648,152
<b>Fund balances</b>			
Nonspendable	1,196,301	-	-
Restricted	149,145	24	45
Unassigned	1,103,779	-	-
<b>Total fund balances</b>	<b>2,449,225</b>	<b>24</b>	<b>45</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,031,358</b>	<b>\$ 664,244</b>	<b>\$ 664,265</b>

*See accompanying notes to the financial statements.*



Bond Fund	Other Governmental Funds	Total Governmental Funds
\$ 796,971	\$ 207,431	\$ 1,888,305
-	18,929	3,742,926
-	11,089	744,353
-	-	14,175
-	-	4,528
-	190,280	190,280
<hr/>		
\$ 796,971	\$ 427,729	\$ 6,584,567
<hr/>		
\$ -	\$ 15,676	\$ 661,122
21,785	29,569	62,443
-	-	207,085
-	-	106,554
<hr/>		
21,785	45,245	1,037,204
<hr/>		
-	-	1,940,399
<hr/>		
-	-	1,196,301
775,186	382,484	1,306,884
-	-	1,103,779
<hr/>		
775,186	382,484	3,606,964
<hr/>		
\$ 796,971	\$ 427,729	\$ 6,584,567
<hr/>		

**City of Ozark, Alabama**  
**Reconciliation of the Balance Sheet-Governmental Funds**  
**to the Statement of Net Position**  
**September 30, 2015**

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

Total fund balance - governmental funds	\$ 3,606,964
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	31,394,523
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Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position:

Capital leases payable	(762,306)
Bonds payable, net	(7,886,617)
Deferred charges on debt refunding (amortized as interest expense)	103,206
Net pension liability	(4,060,769)
Deferred outflows related to pension	424,028
Deferred inflows related to pension	(357,138)
Accrued compensated absences	(322,187)
Accrued other post-employment benefits	(1,781,498)

Net position of governmental activities in the statement of net position	\$ 20,358,206
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**City of Ozark, Alabama**

**Statement of Revenues, Expenditures and Changes in Fund Balances-**  
**Governmental Funds**  
**For the Year Ended September 30, 2015**

	General Fund	Special Ad Valorem I	Special Ad Valorem II
<b>Revenues</b>			
Taxes	\$ 8,338,093	\$ 717,739	\$ 717,739
Licenses and permits	1,698,270	-	-
Intergovernmental	1,800,042	-	-
Charges for services	1,636,268	-	-
Fines and forfeitures	822,714	-	-
Investment earnings	24,500	-	-
Miscellaneous	547,871	-	-
<b>Total revenues</b>	<b>14,867,758</b>	<b>717,739</b>	<b>717,739</b>
<b>Expenditures</b>			
General government	1,119,245	-	-
Education	835,322	717,739	717,739
Vehicle maintenance	194,011	-	-
Police department	2,732,981	-	-
Information technology	165,718	-	-
Fire department	2,404,126	-	-
Airport	75,190	-	-
Sanitation	1,166,681	-	-
Street	832,956	-	-
Leisure services	1,603,132	-	-
Appropriations	133,665	-	-
Judicial	188,034	-	-
Economic development	574,379	-	-
Engineering/inspections	124,573	-	-
Ozark technology center	32,527	-	-
Non-departmental	363,453	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Dues, fees and issuance costs	-	-	-
Capital outlay	3,011,758	-	-
<b>Total expenditures</b>	<b>15,557,751</b>	<b>717,739</b>	<b>717,739</b>
Excess (deficiency) of revenues over expenditures	(689,993)	-	-

*See accompanying notes to the financial statements.*

Bond Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 176,184	\$ 9,949,755
-	-	1,698,270
-	393,761	2,193,803
-	-	1,636,268
-	-	822,714
-	67	24,567
-	16,675	564,546
-	586,687	16,889,923
-	93,116	1,212,361
-	-	2,270,800
-	-	194,011
-	54,756	2,787,737
-	-	165,718
-	-	2,404,126
-	-	75,190
-	-	1,166,681
6,926	13,161	853,043
-	-	1,603,132
-	-	133,665
-	12,604	200,638
-	32	574,411
-	-	124,573
-	-	32,527
-	-	363,453
-	322,565	322,565
-	261,004	261,004
-	3,495	3,495
604,157	279,590	3,895,505
611,083	1,040,323	18,644,635
(611,083)	(453,636)	(1,754,712)

-Continued-

City of Ozark, Alabama

**Statement of Revenues, Expenditures and Changes in Fund Balances-  
Governmental Funds (Continued)**

**For the Year Ended September 30, 2015**

	General Fund	Special Ad Valorem I	Special Ad Valorem II
<b>Other Financing Sources (Uses)</b>			
Proceeds from long term debt, net	665,502	-	-
Proceeds from sale of capital assets	13,385	-	-
Loss recoveries	10,242	-	-
Transfers in (out), net	(5,078)	-	-
<b>Total other financing sources</b>	<b>684,051</b>	<b>-</b>	<b>-</b>
Excess revenues and other financing sources over expenditures and other (uses)	(5,942)	-	-
<b>Fund Balances - beginning</b>	<b>2,455,167</b>	<b>24</b>	<b>45</b>
<b>Fund Balances - ending</b>	<b>\$ 2,449,225</b>	<b>\$ 24</b>	<b>\$ 45</b>

*See accompanying notes to the financial statements.*

<b>Bond Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
-	-	665,502
-	3,476	16,861
23,954	16,518	50,714
(368,120)	373,198	-
(344,166)	393,192	733,077
(955,249)	(60,444)	(1,021,635)
1,730,435	442,928	4,628,599
\$ 775,186	\$ 382,484	\$ 3,606,964

**City of Ozark, Alabama**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances-Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2015**

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

Net change in fund balances - total governmental funds:	\$ (1,021,635)
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	3,895,505
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Net Position.	(1,534,811)
Repayment of debt is reported as an expenditure in governmental funds, but as a reduction in long-term liabilities in the Statement of Net Position.	322,565
Net proceeds from the issuance of capital leases payable recorded as other financing source in governmental funds.	(665,502)
Additional interest expense due to deferred charges on refunding and issuance discounts.	(14,616)
The net effect of various miscellaneous transactions involving capital assets (i.e., exchanges, loss recoveries) is to increase net position.	(20,192)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Net pension liability	32,783
Other post employment health benefits liability	(201,054)
Compensated absences	30,454
Change in net position of governmental activities	\$ 823,497

*See accompanying notes to the financial statements.*

**City of Ozark, Alabama**

**Statement of Revenues, Expenditures and Changes in Fund Balance-  
Budget and Actual- General Fund  
For the Year Ended September 30, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 8,127,194	\$ 8,382,016	\$ 8,338,093	\$ (43,923)
Licenses and permits	1,640,905	1,705,169	1,698,270	(6,899)
Intergovernmental	1,961,318	2,433,855	1,800,042	(633,813)
Charges for services	1,605,334	1,633,127	1,636,268	3,141
Fines and forfeitures	893,988	900,765	822,714	(78,051)
Investment earnings	25,092	25,092	24,500	(592)
Miscellaneous	523,518	571,616	547,871	(23,745)
<b>Total revenues</b>	<b>14,777,349</b>	<b>15,651,640</b>	<b>14,867,758</b>	<b>(783,882)</b>
<b>Expenditures</b>				
General government	1,110,526	1,164,029	1,119,245	44,784
Education	817,866	835,323	835,322	1
Vehicle maintenance	193,943	195,565	194,011	1,554
Police department	2,731,573	2,782,716	2,732,981	49,735
Information technology	170,854	172,006	165,718	6,288
Fire department	2,553,629	2,496,945	2,404,126	92,819
Airport	39,039	76,923	75,190	1,733
Sanitation	1,199,572	1,175,951	1,166,681	9,270
Street	727,580	928,712	832,956	95,756
Leisure services	1,509,678	1,609,702	1,603,132	6,570
Appropriations	125,500	133,665	133,665	-
Judicial	176,106	192,146	188,034	4,112
Economic development	611,978	590,030	574,379	15,651
Engineering/inspections	122,256	124,749	124,573	176
Ozark Technology Center	33,800	33,800	32,527	1,273
Non-departmental	310,020	372,401	363,453	8,948
Capital outlay	2,870,325	3,618,010	3,011,758	606,252
<b>Total expenditures</b>	<b>15,304,245</b>	<b>16,502,673</b>	<b>15,557,751</b>	<b>944,922</b>
Excess (deficiency) of revenues over expenditures	(526,896)	(851,033)	(689,993)	161,040
<b>Other Financing Sources (Uses)</b>				
Proceeds from long-term debt, net	-	659,422	665,502	6,080
Proceeds from the sale of capital assets	5,000	11,080	13,385	2,305
Loss recoveries	2,000	2,000	10,242	8,242
Transfers in (out), net	429,964	543,177	(5,078)	(548,255)
<b>Total other financing sources (uses)</b>	<b>436,964</b>	<b>1,215,679</b>	<b>684,051</b>	<b>(531,628)</b>
Excess (deficiency) of revenues and other sources (uses) over expenditures	(89,932)	364,646	(5,942)	(370,588)
<b>Fund Balances - beginning</b>	<b>2,391,235</b>	<b>2,455,166</b>	<b>2,455,167</b>	<b>1</b>
<b>Fund Balances - ending</b>	<b>\$ 2,301,303</b>	<b>\$ 2,819,812</b>	<b>\$ 2,449,225</b>	<b>\$ (370,587)</b>

*See accompanying notes to the financial statements.*



City of Ozark, Alabama

**Statement of Revenues, Expenditures and Changes in Fund Balance-  
Budget and Actual- Special Ad Valorem Fund I  
For the Year Ended September 30, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 698,890	\$ 717,739	\$ 717,739	\$ -
<b>Expenditures</b>				
Education	698,890	717,739	717,739	-
Excess revenues over expenditures	-	-	-	-
<b>Fund Balances - beginning</b>	24	24	24	-
<b>Fund Balances - ending</b>	\$ 24	\$ 24	\$ 24	-

*See accompanying notes to the financial statements.*

**City of Ozark, Alabama**

**Statement of Revenues, Expenditures and Changes in Fund Balance-  
Budget and Actual- Special Ad Valorem Fund II  
For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Taxes	\$ 698,890	\$ 717,739	\$ 717,739	\$ -
<b>Expenditures</b>				
Education	698,890	717,739	717,739	-
Excess revenues over expenditures	-	-	-	-
<b>Fund Balances - beginning</b>	45	45	45	-
<b>Fund Balances - ending</b>	\$ 45	\$ 45	\$ 45	\$ -

*See accompanying notes to the financial statements.*

**City of Ozark, Alabama**

**Statement of Revenues, Expenditures and Changes in Fund Balance-  
Budget and Actual- Bond Fund**

**For the Year Ended September 30, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Investment earnings	\$ 50	\$ 50	\$ -	\$ (50)
<b>Expenditures</b>				
Street	-	6,926	6,926	-
Capital outlay	910,452	879,289	604,157	275,132
Total expenditures	910,452	886,215	611,083	275,132
Excess (deficiency) of revenues over expenditures	(910,402)	(886,165)	(611,083)	275,082
<b>Other Financing Sources (Uses)</b>				
Loss recoveries	-	23,954	23,954	-
Transfers in (out), net	(780,596)	(847,190)	(368,120)	479,070
Total other financing sources (uses)	(780,596)	(823,236)	(344,166)	479,070
Excess (deficiency) of revenues and other sources (uses) over expenditures	(1,690,998)	(1,709,401)	(955,249)	754,152
<b>Fund Balances - beginning</b>	1,690,998	1,730,434	1,730,435	1
<b>Fund Balances - ending</b>	\$ -	\$ 21,033	\$ 775,186	\$ 754,153

*See accompanying notes to the financial statements.*

**City of Ozark, Alabama**  
**Statements of Net Position-Proprietary Funds**  
**September 30, 2015**

	<b>Emergency Medical Services</b>	<b>Ozark Square Shopping Center</b>	<b>Total</b>
<b>Assets and Deferred Outflows of Resources</b>			
Current assets			
Cash and cash equivalents	\$ 11,216	\$ 154,426	\$ 165,642
Receivables, net	166,838	-	166,838
<b>Total current assets</b>	<b>178,054</b>	<b>154,426</b>	<b>332,480</b>
Noncurrent assets			
Land	-	573,045	573,045
Capital assets, net of depreciation	101,109	1,961,459	2,062,568
<b>Total noncurrent assets</b>	<b>101,109</b>	<b>2,534,504</b>	<b>2,635,613</b>
<b>Total assets</b>	<b>279,163</b>	<b>2,688,930</b>	<b>2,968,093</b>
Deferred outflows of resources			
Deferred outflows related to pension	33,392	-	33,392
<b>Total assets and deferred outflows of resources</b>	<b>312,555</b>	<b>2,688,930</b>	<b>3,001,485</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position (Deficit)</b>			
Current liabilities			
Accounts payable	5,853	448	6,301
Due to other funds	681,910	-	681,910
Accrued payroll	19,048	-	19,048
<b>Total current liabilities</b>	<b>706,811</b>	<b>448</b>	<b>707,259</b>
Noncurrent liabilities			
Compensated absences	13,007	-	13,007
Net pension liability	218,034	-	218,034
Other post-employment benefits obligation	142,844	-	142,844
<b>Total noncurrent liabilities</b>	<b>373,885</b>	<b>-</b>	<b>373,885</b>
<b>Total liabilities</b>	<b>1,080,696</b>	<b>448</b>	<b>1,081,144</b>
Deferred inflows of resources			
Deferred inflows related to pension	38,134	-	38,134
Net Position (Deficit)			
Net investment in capital assets	101,109	2,534,504	2,635,613
Unrestricted (deficit)	(907,384)	153,978	(753,406)
<b>Total net position (deficit)</b>	<b>(806,275)</b>	<b>2,688,482</b>	<b>1,882,207</b>
<b>Total liabilities, deferred inflows of resources, and net position (deficit)</b>	<b>\$ 312,555</b>	<b>\$ 2,688,930</b>	<b>\$ 3,001,485</b>

*See accompanying notes to the financial statements.*

**City of Ozark, Alabama**  
**Statements of Revenues, Expenses and Changes in Net Position-**  
**Proprietary Funds**  
**For the Year Ended September 30, 2015**

	<b>Emergency Medical Services</b>	<b>Ozark Square Shopping Center</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for services (net of provision for bad debts of \$384,425)	\$ 1,014,760	\$ -	\$ 1,014,760
Rental income (net of provision for bad debts of \$2,250)	-	96,946	96,946
Miscellaneous revenues	-	15	15
<b>Total operating revenues</b>	<b>1,014,760</b>	<b>96,961</b>	<b>1,111,721</b>
<b>Operating Expenses</b>			
Salaries and benefits	775,234	-	775,234
Repairs and maintenance	34,514	13,826	48,340
Utilities	7,305	13,086	20,391
Insurance	4,825	6,174	10,999
Legal	2,025	-	2,025
Depreciation	43,729	52,331	96,060
Other operating expenses	130,517	5,401	135,918
<b>Total operating expenses</b>	<b>998,149</b>	<b>90,818</b>	<b>1,088,967</b>
<b>Operating income</b>	<b>16,611</b>	<b>6,143</b>	<b>22,754</b>
<b>Non-Operating Revenues (Expenses)</b>			
Miscellaneous revenues	9,071	-	9,071
Gain on disposition of capital assets	14,742	-	14,742
Interest income (expense)	(958)	-	(958)
<b>Total non-operating revenues (expenses)</b>	<b>22,855</b>	<b>-</b>	<b>22,855</b>
<b>Income before transfers</b>	<b>39,466</b>	<b>6,143</b>	<b>45,609</b>
<b>Transfers In (Out)</b>	<b>100,000</b>	<b>(100,000)</b>	<b>-</b>
<b>Change in net position</b>	<b>139,466</b>	<b>(93,857)</b>	<b>45,609</b>
<b>Total Net Position (Deficit) - beginning of year, as previously stated</b>	<b>(720,383)</b>	<b>2,782,339</b>	<b>2,061,956</b>
<b>Prior period adjustments (Note 16)</b>	<b>(225,358)</b>	<b>-</b>	<b>(225,358)</b>
<b>Total Net Position (Deficit) - beginning of year, as restated</b>	<b>(945,741)</b>	<b>2,782,339</b>	<b>1,836,598</b>
<b>Total Net Position (Deficit) - ending</b>	<b>\$ (806,275)</b>	<b>\$ 2,688,482</b>	<b>\$ 1,882,207</b>

*See accompanying notes to the financial statements.*

**City of Ozark, Alabama**  
**Statement of Cash Flows-Proprietary Funds**  
**For the Year Ended September 30, 2015**

	Emergency Medical Services	Ozark Square Shopping Center	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 1,042,564	\$ 99,198	\$ 1,141,762
Payments to suppliers	(171,276)	(38,117)	(209,393)
Payments to employees	(741,935)	-	(741,935)
Other receipts	-	15	15
Net cash provided by operating activities	129,353	61,096	190,449
<b>Cash Flows From Noncapital and Related Financing Activities</b>			
Net loans from (to) other funds	(108,694)	-	(108,694)
<b>Cash Flows From Capital and Related Financing Activities</b>			
Interest payments on long-term debt	(963)	-	(963)
Principal payments on long-term debt	(57,253)	-	(57,253)
Proceeds from disposition of capital assets	41,375	-	41,375
Net cash used in capital and related financing activities	(16,841)	-	(16,841)
Net increase in cash and cash equivalents	3,819	61,096	64,915
<b>Cash and Cash Equivalents - beginning</b>	<b>7,397</b>	<b>93,330</b>	<b>100,727</b>
<b>Cash and Cash Equivalents - ending</b>	<b>\$ 11,216</b>	<b>\$ 154,426</b>	<b>\$ 165,642</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 16,611	\$ 6,143	\$ 22,754
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	43,729	52,331	96,060
Provision for bad debts	384,425	2,250	386,675
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	(351,005)	-	(351,005)
Decrease in prepaid expenses	5,293	-	5,293
Increase (decrease) in accounts payable	(2,618)	372	(2,246)
Increase in deferred inflows related to pension	38,134	-	38,134
Decrease in deferred outflows related to pension	(8,804)	-	(8,804)
Decrease in net pension liability	(31,912)	-	(31,912)
Increase in salaries and benefits payable	35,500	-	35,500
Net cash provided by operating activities	\$ 129,353	\$ 61,096	\$ 190,449

*See accompanying notes to the financial statements.*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Ozark, Alabama (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City’s basic financial statements.

***Reporting Entity***

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

***Discretely Presented Component Unit***

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Blended Component Units***

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

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

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

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

***Government-wide and Fund Financial Statements***

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

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



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Ozark Square Shopping Center are charges to tenants for rent. The

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

principal operating revenues of the Emergency Medical Services (“EMS”) are charges to patients for emergency transports. Operating expenses for the proprietary funds include the cost of maintaining and operating buildings, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following are reported as major governmental funds:

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

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

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

**Bond Fund** – This fund accounts for the proceeds of bond issues. The use of the fund is for the acquisition of capital improvement projects and transfers to debt service fund and capital projects fund.

***Cash and Cash Equivalents***

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

***Investments***

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

***Accounts Receivable***

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Interfund Loans and Transfers***

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

***Restricted Assets***

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

***Capital Assets***

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

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

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

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

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category, the deferred charge on refunding and the deferred outflows related to pension reported in the statement of net position. A deferred charge on refunding results from the

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow related to pension results from pension contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date, in accordance with the implementation of GASB Statement No. 71. Refer to the “Impact of Recently Issued Accounting Pronouncements” section of Note 1 for additional information.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The unearned revenues from ad valorem property taxes and grants qualify for reporting in this category. Also, the net difference between projected and actual earnings on plan investments, in accordance with the implementation of GASB Statement No. 71, is reported as a deferred inflow related to pension. Refer to the “Impact of Recently Issued Accounting Pronouncements” section of Note 1 for additional information.

***Compensated Absences***

The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated vacation hours up to certain limits at current wage rates. All leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for the current portion of compensated absences expected to be paid using expendable available resources.

***Long-Term Obligations***

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

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

***Net Position/Fund Balance***

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

Fund balance is reported in the fund financial statement in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. The City has prepaid expenditures, gas and diesel inventory, and long term receivables from the Utilities Board of the City of Ozark, Alabama (the “Utilities Board”) and EMS Fund that are considered nonspendable.

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

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

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

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

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

The City’s reported governmental fund balance at September 30, 2015 is comprised of the following:

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

	<b>Nonspendable</b>	<b>Restricted</b>	<b>Unassigned</b>
General Fund	\$ 1,196,301	\$ 149,145	\$ 1,103,779
Special Ad Valorem I	-	24	-
Special Ad Valorem II	-	45	-
Bond Fund	-	775,186	-
Nonmajor governmental funds	-	382,484	-
	<b>\$ 1,196,301</b>	<b>\$ 1,306,884</b>	<b>\$ 1,103,779</b>

Nonspendable fund balances include gas and diesel inventory of \$4,528, prepaid expenditures of \$14,175, long-term note receivable due from the Utilities Board of \$495,688, and amounts due from the EMS fund of \$681,910.

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

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

***Property Tax Calendar***

Property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31<sup>st</sup>. The enforceable claim exists as of October 1 preceding the February meeting of the County Commission. In accordance with the non-exchange transactions provision of GASB Statement No. 33 and deferred inflows of resources guidance from GASB Statement No. 65, taxes levied in fiscal year 2015 for the 2016 budget year have been recorded as receivables and deferred inflows of resources.

***Management Estimates and Assumptions***

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Impact of Recently Issued Accounting Pronouncements***

*Recently Issued and Adopted*

In fiscal year 2015, the City adopted three new statements of financial accounting standards issued by the GASB:

- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

GASB Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees (or volunteers that provide services to state and local governments) are provided with pensions through pension plans that are administered through trusts or equivalent arrangements, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information (“RSI”) requirements about pensions also are addressed. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The calculation of pension contributions is unaffected by the change.

The adoption has resulted in the restatement of the City’s fiscal year 2014 financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for each of its qualified pension plans and the recognition of pension expense in accordance with the provisions of the Statement. Refer to Note 16 for the financial statement impact of the retroactive application of the pronouncement.

GASB Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. There was no impact on the City’s financial statements as a result of the implementation of Statement No. 69.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The resulting deferred outflow of resources related to pension liability at September 30, 2015 is \$457,420.

*Recently Issued but Not Yet Adopted*

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach.

GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management’s assumption of the default rate among underlying mortgages of a mortgage-backed security. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. The City has not completed the process of evaluating the impact of Statement No. 72 on its financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. The provisions of Statement No. 73 that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of Statement No. 73 for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 73 on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The scope of this statement includes defined benefit and defined contribution other postemployment benefit (“OPEB”) plans administered through trusts that meet



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

specified criteria. This statement establishes financial reporting standards for state and local governmental OPEB plans. The Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 74 is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 74 on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employees.

This Statement also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information are also addressed by the statement. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 75 is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 75 on its financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. It also amends Statement No. 62, *Codification of accounting and financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 64, 74, and 82. The provisions of Statement No. 76 are effective for financial statements for periods beginning after June 15, 2015. Earlier application is permitted. The City has not completed the process of evaluating the impact of Statement No. 76 on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. For financial reporting purposes, this statement defines a tax abatement and contains required disclosures about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of GASB Statement No. 77 are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 77 on its financial statements.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgetary Information***

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

Budgets for the governmental funds are adopted on a basis consistent with GAAP.

***Net Deficit***

As of September 30, 2015, the EMS Proprietary Fund reported unrestricted deficit of \$907,384 and total net deficit of \$806,275, which is expected to be funded by future revenues. The current deficit was funded primarily with loans and transfers from the general fund.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

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

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

**NOTE 4 – RECEIVABLES**

***Governmental Funds***

Receivables at September 30, 2015 consist of the following:

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

**NOTE 4 – RECEIVABLES (Continued)**

	Accounts Receivable	Property Taxes Receivable	Note Receivable - Utilities Board	Total
General Fund	\$ 1,258,702	\$ 641,167	\$ 495,688	\$ 2,395,557
Special Ad Valorem I	16,068	648,152	-	664,220
Special Ad Valorem II	16,068	648,152	-	664,220
Nonmajor governmental funds	18,929	-	-	18,929
	<u>\$ 1,309,767</u>	<u>\$ 1,937,471</u>	<u>\$ 495,688</u>	<u>\$ 3,742,926</u>

***Proprietary Funds***

Patient transport accounts receivable, net reported in the EMS Fund at September 30, 2015 consists of these amounts:

Medicare	\$ 65,072
Medicaid	33,524
Insurance providers	62,478
Patients	149,736
Collection agency	1,511,088
	<u>1,821,898</u>
Less: allowance for doubtful accounts	<u>(1,655,060)</u>
Patient transport accounts receivable, net	<u>\$ 166,838</u>

**NOTE 5 – INTERFUND BALANCES AND TRANSFERS**

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. Interfund balances at September 30, 2015 consist of the following:

	Due From	Due To
General fund	\$ 733,264	\$ 11,089
Bond fund	-	21,785
Nonmajor governmental funds	11,089	29,569
Enterprise funds	-	681,910
	<u>\$ 744,353</u>	<u>\$ 744,353</u>

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

**NOTE 5 – INTERFUND BALANCES AND TRANSFERS (Continued)**

Transfers to/from other funds for the year ending September 30, 2015 consist of the following:

	Transfers In	Transfers Out	Net
General fund	\$ 702,660	\$ (707,738)	\$ (5,078)
Bond fund	32,656	(400,776)	(368,120)
Nonmajor governmental funds	811,661	(438,463)	373,198
Enterprise funds	100,000	(100,000)	-
	<u>\$ 1,646,977</u>	<u>\$ (1,646,977)</u>	<u>\$ -</u>

**NOTE 6 – RESTRICTED ASSETS**

Restricted cash in the governmental funds is comprised of \$190,280 from the debt service fund restricted for debt service.

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning Balance 10/1/2014	Increases	Decreases	Ending Balance 9/30/2015
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 5,400,558	\$ -	\$ -	\$ 5,400,558
Construction in progress	1,281,941	1,947,448	2,606,700	622,689
	<u>\$ 6,682,499</u>	<u>\$ 1,947,448</u>	<u>\$ 2,606,700</u>	<u>\$ 6,023,247</u>
Capital assets being depreciated:				
Buildings	\$ 12,709,581	\$ 44,764	\$ -	\$ 12,754,345
Improvements and infrastructure	35,223,520	3,087,026	-	38,310,546
Equipment	6,800,861	933,520	196,300	7,538,081
Property under capital leases	331,532	665,502	171,590	825,444
	<u>55,065,494</u>	<u>4,730,812</u>	<u>367,890</u>	<u>59,428,416</u>

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

**NOTE 7 – CAPITAL ASSETS (Continued)**

Less accumulated depreciation for:				
Buildings	5,544,262	313,994	-	5,858,256
Improvements and infrastructure	22,392,232	762,089	-	23,154,321
Equipment	4,671,226	499,252	171,644	4,998,834
Property under capital leases	86,253	49,561	90,085	45,729
<b>Total accumulated depreciation</b>	<b>32,693,973</b>	<b>1,624,896</b>	<b>261,729</b>	<b>34,057,140</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 22,371,521</b>	<b>\$ 3,105,916</b>	<b>\$ 106,161</b>	<b>\$ 25,371,276</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 29,054,020</b>	<b>\$ 5,053,364</b>	<b>\$ 2,712,861</b>	<b>\$ 31,394,523</b>

**Business-Type Activities:**

Capital assets not being depreciated:				
Land	\$ 573,045	\$ -	\$ -	\$ 573,045

Capital assets being depreciated:				
Buildings	\$ 2,313,898	\$ -	\$ -	\$ 2,313,898
Equipment	159,990	301,071	68,000	393,061
Property under capital lease	292,000	-	292,000	-
<b>Total capital assets being depreciated</b>	<b>2,765,888</b>	<b>301,071</b>	<b>360,000</b>	<b>2,706,959</b>

Less accumulated depreciation for:				
Buildings	300,109	52,331	-	352,440
Equipment	111,991	221,325	41,365	291,951
Property under capital lease	177,598	27,999	205,597	-
<b>Total accumulated depreciation</b>	<b>589,698</b>	<b>301,655</b>	<b>246,962</b>	<b>644,391</b>

<b>Total capital assets being depreciated, net</b>	<b>\$ 2,176,190</b>	<b>\$ (584)</b>	<b>\$ 113,038</b>	<b>\$ 2,062,568</b>
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<b>Business-type activities capital assets, net</b>	<b>\$ 2,749,235</b>	<b>\$ (584)</b>	<b>\$ 113,038</b>	<b>\$ 2,635,613</b>
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Construction in progress for governmental activities at September 30, 2015, is comprised of the amounts related to the construction of the General Aviation Terminal, the airport improvement grant project for FY15, renovations at the Holman House, and the Marvin Parker Culvert project. The estimated costs to complete the largest ongoing projects are as follows: airport improvement and General Aviation Terminal - \$1,053,000 and the Marvin Parker Culvert project - \$117,000.

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

**NOTE 7 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities</b>	
General government	\$ 784,437
Vehicle maintenance	3,195
Police department	153,335
Information technology	23,232
Fire department	178,772
Airport	2,706
Sanitation department	64,223
Street department	43,934
Leisure services	179,489
Judicial	2,468
Economic development	73,181
Engineering/inspections	1,847
Ozark Technology Center	23,992
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Total depreciation expense – Governmental Activities	\$ 1,534,811
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<b>Business-Type Activities</b>	
Emergency Medical Services	\$ 43,729
Ozark Square Shopping Center	52,331
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Total depreciation expense – Business-Type Activities	\$ 96,060
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**NOTE 8 – DEFERRED INFLOWS OF RESOURCES**

	General Fund	Special Ad Valorem I	Special Ad Valorem II	Governmental Activities
<hr/>				
<b>Property Taxes</b> – Property taxes are levied by the County Commission in February of each year based on property on record as of the preceding October 1. The enforceable legal claim exists as of October 1 preceding the February meeting of the County Commission. The actual billing and collection of these taxes will occur subsequent to year-end.	\$ 641,167	\$ 648,152	\$ 648,152	\$ 1,937,471
<b>Pensions</b> – Net difference between projected and actual earnings on pension plan investments	-	-	-	357,138
<b>Grant Revenues</b> - Grant revenues received from various agencies to be spent in accordance with the respective grant agreement.	2,928	-	-	2,928
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	\$ 644,095	\$ 648,152	\$ 648,152	\$ 2,297,537
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**City of Ozark, Alabama**  
**Notes to Financial Statements**

**NOTE 8 – DEFERRED INFLOWS OF RESOURCES (Continued)**

<b>Business-Type Activities:</b>	<b>Emergency Medical Services</b>	<b>Total</b>
<b>Pensions</b> – Net difference between projected and actual earnings on pension plan investments	\$ 38,134	\$ 38,134

**NOTE 9 – LONG-TERM DEBT**

Changes in long-term debt for the year ended September 30, 2015 were as follows:

	<b>Restated Beginning Balance 10/1/2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 9/30/2015</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
Capital leases	\$ 174,369	\$ 665,502	\$ 77,565	\$ 762,306	\$ 182,239
Bonds payable	8,205,000	-	245,000	7,960,000	290,000
Unamortized discount	(78,644)	5,261	-	(73,383)	(5,261)
Compensated absences	352,641	-	30,454	322,187	-
Net pension liability	4,466,011	-	405,242	4,060,769	-
Other postemployment benefits	1,580,444	398,498	197,444	1,781,498	-
Governmental activity long-term liabilities	\$ 14,699,821	\$ 1,069,261	\$ 955,705	\$ 14,813,377	\$ 466,978
<b>Business-Type Activities</b>					
Capital lease	\$ 57,253	\$ -	\$ 57,253	\$ -	\$ -
Compensated absences	7,438	5,569	-	13,007	-
Net pension liability	249,946	-	31,912	218,034	-
Other postemployment benefits	114,562	28,282	-	142,844	-
Business-type activity long-term liabilities	\$ 429,199	\$ 33,851	\$ 89,165	\$ 373,885	\$ -
<b>Component Unit</b>					
Bonds payable	\$ 23,299,000	\$ -	\$ 240,000	\$ 23,059,000	\$ 255,000
Notes payable	833,012	395,435	133,050	1,095,397	171,433
Net pension liability	18,148,000	-	1,032,000	17,116,000	-
Component unit long-term liabilities	\$ 42,280,012	\$ 395,435	\$ 1,405,050	\$ 41,270,397	\$ 426,433

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

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

**NOTE 9 – LONG-TERM DEBT (Continued)**

***Bonds payable***

A description and terms of the City’s bonds payable are as follows:

	<b>Principal Balance</b>
\$4,425,000 General Obligation Warrants, Series 2011, dated July 1, 2011, payable in annual installments from 2012 through 2026, interest rates range from 2 to 3.75 percent.	\$ 3,885,000
\$4,180,000 General Obligation Warrants, Series 2014, dated May 15, 2014, payable in annual installments from 2015 through 2034, interest rates range from 2 to 3.6 percent.	4,075,000
	\$ 7,960,000

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

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

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred refunding costs and amortized over the life of the old debt on the straight line basis. The amount of deferred refunding costs on the 2002 bond refunding was \$149,050. The total amount amortized for the year ended September 30, 2015 was \$9,316. The balance on the deferred refunding cost at September 30, 2015 is \$102,470 and is reported as a deferred outflow of resources in the statement of net position.

The Series 2011 bonds are reported net of original issue discount. Original issue discount in the amount of \$53,135 is also being amortized over the life of the bonds and is reported as part of the interest expense. The total amount expensed related to the Series 2011 bonds for the year ended September 30, 2015 is \$3,321. Remaining original issue discount to be deferred to future periods is \$36,530.



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

**NOTE 9 – LONG-TERM DEBT (Continued)**

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

The City’s current refunding of the 2004 Series bonds was to obtain additional proceeds that could be used for the redemption of the Note Payable with CB&T, for construction of capital improvements which includes street resurfacing, purchase of police cars and in-car video systems, local match for the construction of airport terminal, providing the local match on several federal capital grants, the replacement of restrooms, playground equipment and construction of a splash pad at Steagall Park, and the replacement of other equipment. The net present value of the cash flows savings total \$89,065 and represent the difference between the net cash flows of the old and new debt.

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred refunding costs and amortized over the life of the old debt on the straight line basis. The amount of deferred refunding costs on the 2004 bond refunding was \$814. The total amount amortized for the year ended September 30, 2015 was \$39. The balance on the deferred refunding cost at September 30, 2015 is \$736 and is reported as a deferred outflow of resources in the statement of net position.

The Series 2014 bonds are reported net of original issue discount. Original issue discount in the amount of \$40,733 is also being amortized over the life of the bonds and is reported as part of the interest expense. The total amount expensed related to the Series 2014 bonds for the year ended September 30, 2015 is \$1,940. Remaining original issue discount to be deferred to future periods is \$36,853.

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

<b>Year Ending</b>			
<b>September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 290,000	\$ 250,604	\$ 540,604
2017	295,000	244,561	539,561
2018	350,000	236,860	586,860
2019	360,000	227,535	587,535
2020-2024	1,985,000	956,357	2,941,357
2025-2029	2,200,000	590,906	2,790,906
2030-2034	2,480,000	221,494	2,701,494
	<b>\$ 7,960,000</b>	<b>\$ 2,728,317</b>	<b>\$ 10,688,317</b>

**NOTE 9 – LONG-TERM DEBT (Continued)**

***Obligations Under Capital Lease***

In December 2013 and July 2015, the City entered into separate lease agreements as lessee for financing the acquisition of two automated garbage trucks (one in 2014 and one in 2015) and for financing 13 police vehicles.

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

<b>Asset</b>	<b>Governmental Activities</b>
Rear load garbage truck - 2014	\$ 159,942
Police vehicles (13) and garbage truck - 2015	665,502
Total equipment under capital lease	825,444
Accumulated depreciation	(49,561)
<b>Total equipment under capital lease, net</b>	<b>\$ 775,883</b>

The following is a schedule of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at September 30, 2015:

<b>September 30,</b>	<b>Governmental Activities</b>
2016	\$ 193,905
2017	193,905
2018	245,501
2019	154,898
Total minimum lease payments	788,209
Less: amount representing interest	(25,903)
<b>Present value of future minimum lease payments</b>	<b>\$ 762,306</b>

The interest rates range from 2.24 to 3.35 percent.

In July 2015, the city paid off the lease for a 2011 garbage truck and reclassified the truck as equipment. In August 2010, the City entered into an agreement as lessee for financing the acquisition of ambulances for EMS. The lease was paid off in August 2015 and the ambulances were reclassified as equipment.

**NOTE 9 – LONG-TERM DEBT (Continued)**

Component Unit

**General Obligation Warrant**

The BOE issued General Obligation School Warrants, Series 2005 in the principal amount of \$2,230,000 dated January 20, 2005. The warrants mature on February 15 annually in amounts as specified in the following table and bear interest ranging from 2.10% to 3.75%. The purpose of the warrants was to retire the Capital Outlay School Warrants, Series 1995 on their ten year call date, which occurred during the year ending September 30, 2005. These warrants are secured by the proceeds of the Special City School Ad Valorem Tax, which is levied and collected by the City. For the current year, principal and interest and revenue from the pledged sources were \$252,405 and \$724,639. The BOE incurred a deferred loss on the early retirement of the Series 1995 warrants of \$41,600, which was expensed in prior years.

The maturity schedule of the 2005 General Obligation School Warrants is as follows:

February 15,	Interest Rate	Principal	Interest	Total
2016	3.750%	\$ 255,000	\$ 4,781	\$ 259,781

**Capital Outlay Pool Warrants**

The BOE issued Capital Outlay Pool Warrant, Series 2010 in the principal amount of \$22,074,000 dated August 9, 2011. The warrant matures on September 1, 2027 and bears interest at 5.15%. This warrant is not a general obligation of the BOE. This warrant is a limited obligation of the BOE paid solely from and secured by the annual revenues of PSF Capital Purchase Funds allocated and distributed by the BOE pursuant to Section 16-13-234 and proceeds pledged and allocable to the BOE of the sales and use taxes levied by the City pursuant to Ordinance No. 2007-8 and Ordinance No. 2010-AA. For the current year, revenue from the pledged sources from the City was \$766,100. Semi-annual interest payments are due March 1 and September 1. Annual principal payments are made to a sinking fund and are due September 1.

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

Year	Interest Rate	Principal	Interest, Net of Subsidy	Total
2016	5.15%	\$ 983,715	\$ 94,918	\$ 1,078,633
2017	5.15%	983,715	94,918	1,078,633
2018	5.15%	983,715	94,918	1,078,633
2019	5.15%	983,715	94,918	1,078,633
2020 - 2026	5.15%	6,886,002	664,426	7,550,428
		\$ 10,820,862	\$ 1,044,098	\$ 11,864,960

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

**NOTE 9 – LONG-TERM DEBT (Continued)**

The BOE issued a second Capital Outlay Pool Warrant, Series 2011-QZAB in the principal amount of \$730,000 dated June 2, 2011. The warrant matures on May 1, 2026 and bears interest at 4.60%. This warrant is not a general obligation of the BOE. This warrant is a limited obligation of the BOE. This warrant will be payable solely from and secured by the annual revenues of PSF Capital Purchase Funds allocated and distributed by the BOE pursuant to Section 16-13-234 and proceeds pledged and allocable to the BOE of the sales and use taxes levied by the City pursuant to Ordinance No. 2007-8 and Ordinance No. 2010-AA. For the current year, revenue from the pledged sources from the City was \$766,100. Payment of principal and sinking fund deposits and interest on this warrant shall be transferred from the pledged revenues to the Debt Service Fund for the 2011 Pool Bonds. Semi-annual interest payments are due November 1 and May 1. Annual principal payments are made to a sinking fund and are due May 1.

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

Year	Interest Rate	Principal	Interest, Net of Subsidy	Total
2016	4.60%	\$ 36,750	\$ 16,790	\$ 53,540
2017	4.60%	36,750	16,790	53,540
2018	4.60%	36,750	16,790	53,540
2019	4.60%	36,750	16,790	53,540
2020 - 2027	4.60%	291,837	134,320	426,157
		<u>\$ 438,837</u>	<u>\$ 201,480</u>	<u>\$ 640,317</u>

**NOTE 10 – DEFERRED COMPENSATION PLAN**

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

**NOTE 11 – RETIREMENT PLAN**

***Summary of Significant Accounting Policies for the Pension Plan***

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

***General Information about the Pension Plan***

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

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

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

*Benefits provided.* State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are

**NOTE 11 – RETIREMENT PLAN (Continued)**

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

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

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member’s age, service credit, employment status and eligibility for retirement.

The ERS services approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
<u>Active members</u>	<u>55,883</u>
 <u>Total</u>	 <u>83,874</u>

As of September 30, 2014, the City’s membership consisted of:

Retirees and beneficiaries currently receiving benefits	57
Terminated employees entitled to but not yet receiving benefits	8
<u>Active members</u>	<u>152</u>
 <u>Total</u>	 <u>217</u>

**NOTE 11 – RETIREMENT PLAN (Continued)**

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

State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the City's active employee contribution rate was 5% of covered employee payroll for normal Tier 1 employees and 6% of covered employee payroll for normal Tier 2 employees, and the City's average contribution rate to fund the normal and accrued liability costs was 8.9% of covered employee payroll for Tier 1 employees and 6.6% for Tier 2 employees.

The City's contractually required contribution rate for the year ended September 30, 2015 was 9.25% of pensionable pay for Tier 1 employees, and 6.95% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2012, 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 \$457,419 for the year ended September 30, 2015.

***Net Pension Liability***

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

**NOTE 11 – RETIREMENT PLAN (Continued)**

Total Pension Liability	
As of September 30, 2013 (a)	\$ 17,167,092
Entry Age Normal Cost for	
October 1, 2013 – September 30, 2014 (b)	486,720
Actual Benefit Payments and Refunds for	
October 1, 2013 – September 30, 2014 (c)	(965,131)
Total Pension Liability	
As of September 30, 2014	
[(a) x (1.08)] + (b) – [(c) x (1.04)]	\$ 18,023,443

*Actuarial assumptions.* The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return*	8.00%

\* Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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



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

**NOTE 11 – RETIREMENT PLAN (Continued)**

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return<sup>^</sup></b>
Fixed income	25.00%	5.00%
U.S. large stocks	34.00%	9.00%
U.S. mid stocks	8.00%	12.00%
U.S. small stocks	3.00%	15.00%
International developed market stocks	15.00%	11.00%
International emerging market stocks	3.00%	16.00%
Real estate	10.00%	7.50%
Cash	2.00%	1.50%
<b>Total</b>	<b>100.00%</b>	

<sup>^</sup> Includes assumed rate of inflation of 2.5%

*Discount rate.* The discount rate used to measure the total pension liability was the long-term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate.* The following table presents the Board's net pension liability calculated using the discount rate of 8%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	<b>1% Decrease (7.00%)</b>	<b>Current Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
City's net pension liability	\$ 6,456,363	\$ 4,278,803	\$ 2,454,353

*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, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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

**NOTE 11 – RETIREMENT PLAN (Continued)**

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

For the year ended September 30, 2015, the City recognized pension expense of \$422,054. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	395,272
Employer contributions subsequent to the measurement date	457,420	-
<b>Total</b>	<b>\$ 457,420</b>	<b>\$ 395,272</b>

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

<b>Year ended September 30:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2016	\$ 457,420	\$ 98,818
2017	-	98,818
2018	-	98,818
2019	-	98,818

**NOTE 12 – POSTEMPLOYMENT HEALTH CARE BENEFITS**

Plan Description The Postemployment Health Care Benefits Plan is a single-employer defined benefit plan administered by the City. Presently retired employees and future retirees that were employed prior to May 16, 2006, that worked for the City for a minimum of fifteen (15) continuous years and have a combination of age at time of retirement plus years of continuous service which equals seventy-five (75) or more, shall be provided health insurance coverage and at the same rate of premium as regular employees to age sixty-five, at which time Medicare Supplemental coverage will be provided at an amount not to exceed the City's then current insurance carrier's premium for Medicare Supplemental coverage.

All employees employed or returning to work after a break in service on or after May 16, 2006, that will work for the City for twenty-five (25) or more continuous years and being a minimum of fifty-five years of age shall be provided the same health insurance coverage as regular employees based

**NOTE 12 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

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 (100%) at age sixty (60) thru 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.

***Actuarial Valuation as of September 30, 2015***

Summary of Employer Census Data

Number of active members	149
Number of retired members	34
Number of disabled members	3

Funded Status and Funding Progress As of October 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$5,976,936, and the actuarial value of present assets was \$0, resulting in an unfunded actuarial accrued liability of \$5,976,936. The covered payroll (annual payroll of active participating employees) was \$6,008,072 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 99.48%.

Annual OPEB Cost and Net OPEB Obligation The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions*. The ARC, which represents a level of funding that is paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for postemployment health care benefits.

<b><i>Fiscal Year Ending September 30, 2015</i></b>	<b>Amount</b>
Service cost	\$ 188,386
Amortization of unfunded actuarial accrued liability	236,647
Annual required contribution	425,033
Plus interest on prior year net OPEB obligation	67,800
Less prior year net OPEB obligation amortization	(66,053)
Annual OPEB cost	426,780
Contribution toward the OPEB cost in fiscal year 2015	(197,444)
Increase in Net OPEB obligation	229,336
Net OPEB obligation, beginning of year	1,695,006
Net OPEB obligation, end of year	\$ 1,924,342

**NOTE 12 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2015 is as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed
9/30/2013	\$ 468,226	29.31%
9/30/2014	479,672	36.88%
9/30/2015	426,780	46.26%

Actuarial Method and Assumptions Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City’s OPEB actuarial valuation employed the projected unit cost method to estimate the unfunded actuarial accrued liability as of September 30, 2015 and to estimate the City’s 2015 annual required contribution. Although the OPEB liability is currently unfunded, the actuarial assumption included a 4% discount rate (1.00% real rate of return plus 3.00% inflation) on invested assets. The actuarial assumptions also included a health care cost trend level 5.00% for medical and level 2.00% for dental. The amortization period used to determine amortization costs for the initial unfunded actuarial accrued liability is a level period for 30 years on an open basis.

**NOTE 13 – CONTINGENT LIABILITIES**

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

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

On November 19, 2013, the City Council adopted a resolution to enter into an agreement to rebate no more than \$2,200,000 of City diesel and gasoline tax to a commercial business to promote

**NOTE 13 – CONTINGENT LIABILITIES (Continued)**

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. Similarly, on December 3, 2013, the City Council adopted a resolution to enter into an agreement with an additional retail business to grant 50% of the collected local sales tax (up to \$100,000) back to the retail business. The term of the agreement begins May 1, 2014 and continues for two years or less.

**NOTE 14 – RISK MANAGEMENT AND LITIGATION**

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

**NOTE 15 – RELATED PARTY TRANSACTIONS**

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

On November 22, 2005, the City and the Utilities Board entered into a formal agreement in which the Utilities Board reimburses the City for use of a portion of the Municipal Complex to be applied to the 2002 Bond Issue. The Utilities Board agreed to be responsible for 18% of the bonded indebtedness created by the City to finance the construction of the Municipal Complex. Each party is designated certain areas of exclusive use, as well as areas of common use. Each party is responsible for the repair and maintenance of those certain areas assigned for exclusive use to each party. Repair and maintenance for the roof or exterior walls is to be divided 82% to the City and 18% to the Utilities, the same as the Bond Issue. Included in receivables described in Note 4 is a note receivable due from the Utilities Board with a principal balance of \$495,688 as of September 30, 2015. The note is due in monthly installments through February 2026 with interest ranging from 3.35% to 5%. During 2015, the City recorded total payments from the Utilities Board of \$37,396, which includes \$12,961 principal and \$24,435 interest. The Utilities Board also remits several payments to the City each month. A portion of garbage collections fees, as well as 3% of gross receipts are remitted to the City.

**NOTE 16 – PRIOR PERIOD ADJUSTMENTS**

As discussed in Note 1, the implementation of GASB Statement No. 68 required that the City record its beginning proportionate share of net pension liability, as well as related beginning deferred outflows of resources for fiscal year 2014 contributions, based on actuarially determined figures.

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

**NOTE 16 – PRIOR PERIOD ADJUSTMENTS (Continued)**

The cumulative effect of applying these statements retroactively on the statement of activities and the statements of revenues, expenses and changes in net position-proprietary funds was as follows:

	As Previously Reported	Increase (Decrease)	As Adjusted
<b>Governmental Activities:</b>			
Net pension liability	\$ -	\$ 4,466,011	\$ 4,466,011
Deferred outflows related to pension	-	439,349	439,349
Net position	23,561,371	(4,026,662)	19,534,709
<b>Business-Type Activities and Proprietary Funds:</b>			
Net pension liability	\$ -	\$ 249,946	\$ 249,946
Deferred outflows related to pension	-	24,588	24,588
Net position	2,061,956	(225,358)	1,836,598

**NOTE 17 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 30, 2016, the date of these financial statements, and there are none to disclose.

**City of Ozark, Alabama**  
**Required Supplementary Information**  
**Schedule of Funding Progress for the Retiree Health Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
9/30/2010	\$ -	\$ 4,694,895	\$ 4,694,895	0.00%	\$ 5,123,773	91.63%
10/1/2012	\$ -	\$ 6,065,017	\$ 6,065,017	0.00%	\$ 6,341,876	95.63%
10/1/2014	\$ -	\$ 5,976,936	\$ 5,976,936	0.00%	\$ 6,008,072	99.48%

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

September 30,	2014
<b>Total Pension Liability</b>	
Service cost	\$ 486,720
Interest	1,334,762
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(965,131)
<hr/>	
Net change in total pension liability	856,351
<hr/>	
Total pension liability - beginning	17,167,092
<hr/>	
Total pension liability - ending (a)	\$ 18,023,443
<hr/>	
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 463,937
Contributions - member	298,308
Net investment income	1,482,615
Benefit payments, including refunds of employee contributions	(965,131)
Transfers among employers	13,776
<hr/>	
Net change in plan fiduciary net position	1,293,505
<hr/>	
Plan net position - beginning	12,451,135
<hr/>	
Plan net position - ending (b)	\$ 13,744,640
<hr/>	
Net pension liability (asset) - ending (a) - (b)	\$ 4,278,803
Plan fiduciary net position as a percentage of the total pension liability	76.26%
Covered-employee payroll*	\$ 5,749,664
Net pension liability (asset) as a percentage of covered-employee payroll	74.42%

\*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2014, the measurement period is October 1, 2013 - September 2014.



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

September 30,	<b>2015</b>
Actuarially determined contribution*	\$ 486,720
Contributions in relation to the actuarially determined contribution*	457,419
<b>Contribution deficiency (excess)</b>	<b>\$ 29,301</b>
Covered-employee payroll**	\$ 5,609,577
Contributions as a percentage of covered- employee payroll	8.15%

\*Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. For FY2015, the fiscal year is the twelve month period beginning 10/1/2014.

\*\*Employer's covered-payroll during fiscal year is the total payroll paid to covered employees (not just pensionable payroll). For FY 2015, the fiscal year is the twelve month period beginning 10/1/2014.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	28 years
Asset valuation method	Five years smoothed market
Inflation	3.00%
Salary increases	3.75 – 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

## DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

**Wiregrass Violent Crime** – Accounts for federal grant to fund the Wiregrass Violent Crime and Drug Task Force. The proceeds pay for staff in the Dale County Sheriff’s Office and staff in the Ozark Police Department.

**Department of Justice** – Accounts for federal grants to provide technology, law enforcement equipment and supplies for the City of Ozark Police Department.

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

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

**CDBG** – Accounts for federal grants funding revitalization efforts to improve major entrance and exit corridors into the City.

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

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

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

**City of Ozark, Alabama**  
**Combining Balance Sheet-Nonmajor Governmental Funds**  
**September 30, 2015**  
**(Unaudited)**

	Street	Four Cent Gas Tax	UDAG	FEMA
<b>Assets</b>				
Cash and cash equivalents	\$ 36,368	\$ 30,946	\$ 14,014	\$ 6,507
Receivables	-	-	-	-
Due from other funds	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
<b>Total assets</b>	<b>\$ 36,368</b>	<b>\$ 30,946</b>	<b>\$ 14,014</b>	<b>\$ 6,507</b>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Fund balances				
Restricted	36,368	30,946	14,014	6,507
<b>Total liabilities and fund balances</b>	<b>\$ 36,368</b>	<b>\$ 30,946</b>	<b>\$ 14,014</b>	<b>\$ 6,507</b>

<b>Wiregrass Violent Crime</b>	<b>Dept of Justice</b>	<b>Drug Forfeiture</b>	<b>Municipal Court/ Judicial Admin</b>	<b>CDBG</b>
\$ 3,886	\$ 2,005	\$ 3,388	\$ 51,984	\$ 11,245
11,620	-	-	-	7,309
-	-	-	4,143	-
-	-	-	-	-
<b>\$ 15,506</b>	<b>\$ 2,005</b>	<b>\$ 3,388</b>	<b>\$ 56,127</b>	<b>\$ 18,554</b>
\$ 9,305	\$ -	\$ -	\$ -	\$ 6,371
2,314	-	-	2,255	-
3,887	2,005	3,388	53,872	12,183
<b>\$ 15,506</b>	<b>\$ 2,005</b>	<b>\$ 3,388</b>	<b>\$ 56,127</b>	<b>\$ 18,554</b>

-Continued-

City of Ozark, Alabama  
**Combining Balance Sheet-Nonmajor Governmental Funds (Continued)**  
**September 30, 2015**  
**(Unaudited)**

	Alabama Trust Fund Improvements			Corrections	Debt Service	Total Nonmajor Governmental Funds		
<b>Assets</b>								
Cash and cash equivalents	\$	9,970	\$	30,496	\$	6,622	\$	207,431
Receivables		-		-		-		18,929
Due from other funds		-		6,946		-		11,089
Restricted cash and cash equivalents		-		-		190,280		190,280
<b>Total assets</b>	<b>\$</b>	<b>9,970</b>	<b>\$</b>	<b>37,442</b>	<b>\$</b>	<b>196,902</b>	<b>\$</b>	<b>427,729</b>
<b>Liabilities and Fund Balances</b>								
Liabilities								
Accounts payable	\$	-	\$	-	\$	-	\$	15,676
Due to other funds		-		25,000		-		29,569
Fund balances								
Restricted		9,970		12,442		196,902		382,484
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>9,970</b>	<b>\$</b>	<b>37,442</b>	<b>\$</b>	<b>196,902</b>	<b>\$</b>	<b>427,729</b>

**City of Ozark, Alabama**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances-Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2015**  
**(Unaudited)**

	Street	Four Cent Gas Tax	UDAG	FEMA
<b>Revenues</b>				
Taxes	\$ 113,122	\$ 63,062	\$ -	\$ -
Intergovernmental	-	-	-	118,096
Investment earnings	-	12	-	-
Miscellaneous	-	-	360	-
<b>Total revenues</b>	<b>113,122</b>	<b>63,074</b>	<b>360</b>	<b>118,096</b>
<b>Expenditures</b>				
General government	-	-	13	-
Police department	-	-	-	-
Street	13,161	-	-	-
Engineering/inspections	-	-	-	-
Judicial	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Dues, fees and issuance costs	-	-	-	-
Capital outlay	30,392	237,798	-	-
<b>Total expenditures</b>	<b>43,553</b>	<b>237,798</b>	<b>13</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	69,569	(174,724)	347	118,096
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	(70,000)	42,588	-	(118,096)
Proceeds from sale of capital assets	-	-	-	-
Loss recoveries	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(70,000)</b>	<b>42,588</b>	<b>-</b>	<b>(118,096)</b>
Excess revenues and other sources over (under) expenditures and other (uses)	(431)	(132,136)	347	-
<b>Fund Balances - beginning</b>	<b>36,799</b>	<b>163,082</b>	<b>13,667</b>	<b>6,507</b>
<b>Fund Balances - ending</b>	<b>\$ 36,368</b>	<b>\$ 30,946</b>	<b>\$ 14,014</b>	<b>\$ 6,507</b>

Wiregrass Violent Crime	Dept of Justice	Drug Forfeiture	Municipal Court/ Judicial Admin	CDBG
\$ -	\$ -	\$ -	\$ -	\$ -
60,283	3,858	-	-	83,063
-	-	-	19	-
-	-	-	-	16,315
60,283	3,858	-	19	99,378
-	-	-	-	93,103
45,373	4,965	4,418	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	10,204	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	6,500	4,900	-
45,373	4,965	10,918	15,104	93,103
14,910	(1,107)	(10,918)	(15,085)	6,275
(14,910)	-	(10,000)	44,016	-
-	-	3,476	-	-
-	-	16,518	-	-
(14,910)	-	9,994	44,016	-
-	(1,107)	(924)	28,931	6,275
3,887	3,112	4,312	24,941	5,908
\$ 3,887	\$ 2,005	\$ 3,388	\$ 53,872	\$ 12,183

-Continued-

**City of Ozark, Alabama**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances-Nonmajor Governmental Funds (Continued)**  
**For the Year Ended September 30, 2015**  
**(Unaudited)**

	<b>Alabama Trust Fund</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Improvements</b>	<b>Corrections</b>	<b>Debt Service</b>	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ 176,184
Intergovernmental	128,461	-	-	393,761
Investment earnings	17	11	8	67
Miscellaneous	-	-	-	16,675
<b>Total revenues</b>	<b>128,478</b>	<b>11</b>	<b>8</b>	<b>586,687</b>
<b>Expenditures</b>				
General government	-	-	-	93,116
Police department	-	-	-	54,756
Street	-	-	-	13,161
Engineering/inspections	-	-	-	-
Judicial	-	2,400	-	12,604
Economic development	32	-	-	32
Debt service				
Principal	-	-	322,565	322,565
Interest	-	-	261,004	261,004
Dues, fees and issuance costs	-	-	3,495	3,495
Capital outlay	-	-	-	279,590
<b>Total expenditures</b>	<b>32</b>	<b>2,400</b>	<b>587,064</b>	<b>1,040,323</b>
Excess (deficiency) of revenues over expenditures	128,446	(2,389)	(587,056)	(453,636)
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	(127,912)	6,930	620,582	373,198
Proceeds from sale of capital assets	-	-	-	3,476
Loss recoveries	-	-	-	16,518
<b>Total other financing sources (uses)</b>	<b>(127,912)</b>	<b>6,930</b>	<b>620,582</b>	<b>393,192</b>
Excess revenues and other sources over (under) expenditures and other (uses)	534	4,541	33,526	(60,444)
<b>Fund Balances - beginning</b>	<b>9,436</b>	<b>7,901</b>	<b>163,376</b>	<b>442,928</b>
<b>Fund Balances - ending</b>	<b>\$ 9,970</b>	<b>\$ 12,442</b>	<b>\$ 196,902</b>	<b>\$ 382,484</b>



**City of Ozark, Alabama**  
**Schedules of Bond Amortization Requirements**  
**September 30, 2015**  
**(Unaudited)**

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

**Paying Agent: Bank of New York**

Year Ending	Interest Rate	Principal	Interest	Total
9/30/2016	1.75%	\$ 145,000	\$ 123,696	\$ 268,696
9/30/2017	2.50%	150,000	120,553	270,553
9/30/2018	2.50%	350,000	114,303	464,303
9/30/2019	2.75%	360,000	104,978	464,978
9/30/2020	3.00%	375,000	94,403	469,403
9/30/2021	3.20%	385,000	82,618	467,618
9/30/2022	3.40%	400,000	69,658	469,658
9/30/2023	3.50%	405,000	55,770	460,770
9/30/2024	3.60%	420,000	41,122	461,122
9/30/2025	3.75%	440,000	25,312	465,312
9/30/2026	3.75%	455,000	8,531	463,531
Total		\$ 3,885,000	\$ 840,944	\$ 4,725,944

-Continued-

**City of Ozark, Alabama**  
**Schedules of Bond Amortization Requirements (Continued)**  
**September 30, 2015**  
**(Unaudited)**

\$4,180,000 General Obligation Warrants, Series 2014, dated May 15, 2014 with interest payable on March 1 and September 1 in each year. Warrants mature on March 1, 2034.

**Paying Agent: Regions Bank**

Year Ending	Interest Rate	Principal	Interest	Total
9/30/2016	2.00%	\$ 145,000	\$ 126,908	\$ 271,908
9/30/2017	2.00%	145,000	124,008	269,008
9/30/2018	2.00%	-	122,557	122,557
9/30/2019	2.00%	-	122,557	122,557
9/30/2020	2.00%	-	122,557	122,557
9/30/2021	2.00%	-	122,557	122,557
9/30/2022	2.00%	-	122,557	122,557
9/30/2023	2.00%	-	122,557	122,557
9/30/2024	2.00%	-	122,557	122,557
9/30/2025	2.00%	-	122,557	122,557
9/30/2026	2.00%	-	122,558	122,558
9/30/2027	2.80%	420,000	116,678	536,678
9/30/2028	3.00%	435,000	104,273	539,273
9/30/2029	3.00%	450,000	90,998	540,998
9/30/1930	3.15%	465,000	76,924	541,924
9/30/1931	3.30%	480,000	61,680	541,680
9/30/1932	3.40%	495,000	45,345	540,345
9/30/1933	3.50%	510,000	28,005	538,005
9/30/1934	3.60%	530,000	9,540	539,540
Total		\$ 4,075,000	\$ 1,887,373	\$ 5,962,373

**City of Ozark, Alabama**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2015**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA #	Program Number	Federal Expenditures
<b>U.S. Department of Homeland Security</b>			
Direct Program:			
Federal Emergency Management Agency- Assistance to Firefighters Grant	97.044	EMW-2012-FO-05592	\$ 34,307
Federal Emergency Management Agency- Assistance to Firefighters Grant	97.044	EMW-2013-FO-05248	83,789
Pass-through Alabama Law Enforcement Agency to Houston County Emergency Management Agency	97.067	4FIL	29,841
<b>Total U.S. Department of Homeland Security</b>			<b>147,937</b>
<b>U.S. Department of Transportation</b>			
Pass-through Alabama Department of Transportation:			
ARRA - Airport Improvements	20.106	3-01-0056-014-2013	3,600
ARRA - Airport Improvements	20.106	3-01-0056-015-2014	757,817
ARRA - Airport Improvements	20.106	3-01-0056-016-2015	426,555
ARRA - Highway Planning and Construction	20.205	TAPAA-TA13(914)	301,344
Pass-through Southeast Alabama Highway Safety Office, Enterprise State Community College:			
Drive Sober or Get Pulled Over Enforcement	20.600	15-HS-K8-007	613
Selective Traffic Enforcement	20.600	15-SP-PT-007	7,812
<b>Total U.S. Department of Transportation</b>			<b>1,497,741</b>
<b>U.S. Department of Housing and Urban Development</b>			
Pass-through Alabama Department of Economic and Community Affairs:			
Community Block Development Grant	14.228	LR-CM-RR-14-017	83,063
<b>U.S. Department of Agriculture</b>			
Pass-through Alabama Department of Education:			
Summer Food Service Program for Children	10.559	N/A	46,998

-Continued-

**City of Ozark, Alabama**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended September 30, 2015**

**U.S. Department of Justice**

Pass-through Alabama Department of  
Economic and Community Affairs:

ARRA – Edward Byrne Memorial Justice Assistance

Grant Program/Grants to States and Territories	16.738	14-DJ-01-018	60,283
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**U.S. Department of Health and Human Services**

Pass-through Southern Alabama Regional Council  
on Aging:

*Special Programs for Aging Title III Part B	93.044	N/A	7,920
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*Special Programs for Aging Title III Part C	93.045	N/A	3,240
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Total U.S. Department of Health and Human Services			11,160
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<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,847,182</b>
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\*Cluster – Special Programs for the Aging

See the accompanying notes to the schedule of expenditures of federal awards.

**City of Ozark, Alabama**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2015**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) summarizes the federal expenditures of the City of Ozark, Alabama (the “City”) under programs of the federal government for the year ended September 30, 2015. The amounts reported as federal expenditures were obtained from the City’s general ledger. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position and cash flows of the City.

For purposes of the Schedule, 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 Catalog of Federal Domestic Assistance (“CFDA”) numbers to ensure that all programs have been identified in the Schedule. CFDA numbers have been appropriately listed by applicable programs. The revenues and expenditures for the grants are accounted for in several different funds on the modified accrual basis.

Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by OMB Circular A-133. Clusters are separately identified in the Schedule and include the following:

**Aging Cluster**

This cluster includes awards that assist agencies on aging in facilitating the development and implementation of a comprehensive, coordinated system for providing long-term care in home and community-based settings, in a manner responsive to the needs and preferences of older individuals and their family caregivers.

**NOTE 2 – RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS**

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agencies and the Schedule 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 Schedule, 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 3 – FEDERAL PASS-THROUGH FUNDS**

The City is the sub-recipient of federal funds from various state and local agencies. These amounts are reported as federal pass-through expenditures on the Schedule. Federal awards other than those considered “pass-through” are considered direct.

**City of Ozark, Alabama**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2015**

**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, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City. As of September 30, 2015, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

**NOTE 6 – FACILITIES AND ADMINISTRATIVE COSTS**

There were no facilities or administrative costs charged to federal awards programs for the year ended September 30, 2015.

**NOTE 7 – NONCASH ASSISTANCE**

The City received no noncash assistance for the year ended September 30, 2015.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ozark, Alabama (the “City”), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 30, 2016. Our report includes a reference to other auditors who audited the financial statements of Ozark City Board of Education, as described in our report on the City’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Ozark, Alabama's Response to Findings**

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

### **Purpose of this Report**

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

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

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

Enterprise, Alabama

March 30, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

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

We have audited City of Ozark, Alabama's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Basis for Qualified Opinion on the Highway Planning and Construction Program (CFDA 20.205)**

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA 20.205 Highway Planning and Construction as described in finding numbers 2015-002 for Davis Bacon Act and 2015-003 for Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

### **Qualified Opinion on the Highway Planning and Construction Program (CFDA 20.205)**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Highway Planning and Construction Program (CFDA 20.205) for the year ended September 30, 2015.

### **Unmodified Opinion on the Other Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance

that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003 to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

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

Enterprise, Alabama

March 30, 2016

**City of Ozark, Alabama**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2015**

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

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified \_\_\_\_\_ yes   X   no
- Significant deficiencies identified that are not considered to be material weaknesses?   X   yes \_\_\_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?   X   yes \_\_\_\_\_ no
- Significant deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes   X   none reported

Type of auditor's report issued on compliance for major programs:

Unmodified – ARRA - Airport Improvement Program (CFDA 20.106)

Qualified – ARRA - Highway Planning and Construction Program (CFDA 20.205)

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   X   yes \_\_\_\_\_ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Department of Transportation – ARRA - Airport Improvement Program
20.205	Department of Transportation – ARRA - Highway Planning and Construction Program

Dollar threshold used to distinguish between type A and type B programs? \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes   X   no

**City of Ozark, Alabama**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2015**

**Section II – Financial Statements Findings**

**2015-001 Significant Deficiency**  
**Segregation of Duties**

Criteria – Best practices require appropriate segregation of duties among those who prepare, approve and post journal entries to the general ledger, as well as those who perform accounting duties and provide user access and administration duties.

Condition and Context – Currently, many journal entries are prepared and posted to the general ledger without review and approval. Further, these same entries are posted by an individual who also has user access and administration duties. While there are some mitigating controls in place, most are detective rather than preventive and do not provide adequate controls to mitigate all risks of material misstatement.

Cause – Due to limited staffing and restructuring, a lack of segregation of duties exists. Effective policies and procedures are not in place to ensure the propriety or completeness of journal entries. Specifically, there are not effective processes in place to ensure that journal entries are properly prepared, reviewed, approved and monitored. Also, system controls are not in place to ensure proper segregation of duties related to the preparation and posting of journal entries.

Effect – Failure to implement effective processes and procedures could increase the risks of fraud, violations of appropriation laws and mismanagement of funds, whether due to fraud or error.

Recommendation – We recommend that the City develop effective policies and procedures that will strengthen controls over the journal entry review and approval process to ensure that all journal entries are complete, accurate, properly supported and approved prior to posting in the general ledger. The City should consider process enhancements such as independent review of entries prior to posting. Further, the City should evaluate the user access and administration duties and determine who best to perform these duties such that a stronger control environment can be implemented and the segregation of duties risks can be alleviated. The City should consider enhancing controls to incorporate routine monitoring of user access.

Views of Responsible Officials and Planned Corrective Actions

The City is in agreement with the finding noted. The responsibilities of the Personnel Officer/Finance Coordinator have been expanded to include review and approval of the journal entries prepared by the City Clerk/Chief Financial Officer. All journal entries prepared by the City Clerk/Chief Financial Officer from October 1, 2015 through February 29, 2016 have been reviewed and approved by the Personnel Officer/Finance Coordinator. The City Clerk/Chief Financial Officer will review and approve any journal entries prepared by the Personnel Officer/Finance Coordinator.

**City of Ozark, Alabama**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2015**

**Section III – Findings and Questioned Costs – Major Federal Award Programs Audit**

**2015-002 Material Weakness**

**Highway Planning and Construction Program – CFDA 20.205**

**Grant No. – TAPAA TA12(914); Grant period – Year ending September 30, 2015**

**Compliance requirement – Davis Bacon Act**

Criteria – Davis Bacon Act (the “Act”) requirements are applicable to Transportation Alternatives Program projects. The Act requires that the grantee obtain and review certified payrolls from construction contractors awarded projects exceeding \$2,000 to ensure that the applicable prevailing wage rates are paid by the contractors. If the prevailing wage rate is not paid, the City must report the non-compliance to the Department of Transportation.

Condition and Context – Obtaining and reviewing certified payrolls from construction contractors for compliance with Davis Bacon prevailing wage rate requirements was not performed.

Questioned Costs – Undeterminable

Cause – Noncompliance with Davis Bacon Act requirements was caused by a misunderstanding of what projects were subject to the requirements.

Effect – The City’s ineffective controls over ensuring compliance with the Davis Bacon Act increases the risk that laborers working on federally funded projects might be paid improper wages. Since certified payrolls were not obtained from the contractor as required, it is not possible to determine whether proper wages were paid.

Recommendation – The City should develop a clear and comprehensive process that identifies the compliance requirements for each grant (including the Act), identifies who will be the responsible party for ensuring compliance, and then monitors that compliance procedures did in fact take place.

Views of Responsible Officials and Planned Corrective Actions –

The City is in agreement with the finding noted. The City relied on the guidance provided by the Alabama Department of Transportation (ALDOT) on the Downtown Streetscape grant (ARRA-Highway Planning and Construction), when the grant started that Davis-Bacon prevailing wage rates did not apply, and the citation provided was a memorandum dated July 28, 1994 from the US Department of Transportation, Federal Highway Administration (FHWA). This memorandum addressed that Davis-Bacon wage rates were not applicable to Transportation Enhancement (TE) grants. However, the grant the City was awarded was a Transportation Alternatives Project (TAP) grant.

In response to our auditor’s concern on the date (1994) of the memorandum and the FHWA citation that Davis-Bacon wages did not apply to (TE) grants, the City, on March 15, 2016, contacted staff at the ALDOT, 7<sup>th</sup> Division Office to request clarification on the applicability of Davis-Bacon and if there was a later memorandum from FHWA.

**City of Ozark, Alabama**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2015**

On March 17, 2016, the City contacted Tim Heisler at the FHWA and Bob Kratzer at ALDOT to discuss possible resolution to the proposed audit finding. Mr. Kratzer stated that City's TAP grant was the first grant after the TE grants and thought the 1994 memorandum still applied, even to TAP.

On March 22, 2016, the City received a telephone call from Mark Graham from ALDOT 7<sup>th</sup> Division Office that Mr. Heisler from FHWA requested ALDOT obtain the wage statements from Hughes Construction, the contractor on the project, for review and to determine if prevailing wage rates were paid. Mr. Graham informed the City that once the review was completed the City would receive a copy of the outcome from the review. Any additional action required by the City as a result of the wage review will be addressed at that time.

**2015-003 Material Weakness**

**ARRA - Highway Planning and Construction Program – CFDA 20.205**

**Grant No. – TAPAA TA12(914);**

**ARRA - Airport Improvement Program – CFDA 20.106**

**Grant Nos. – 3-01-0056-014-2013, 3-01-0056-015-2014, and 3-01-0056-016-2015**

**Grant period – Year ending September 30, 2015**

**Compliance requirement – Suspension and Debarment**

Criteria – Federal regulations prohibit recipients of federal awards from contracting with vendors suspended or debarred from doing business with the federal government. For any purchase contract paid from federal funds that exceeds or is expected to exceed \$25,000, the grantee must ensure its vendors are not suspended or debarred from participating in federal programs.

Condition and Context – No procedures to check for suspension/debarment of vendors were performed and documented for both vendors paid under the ARRA - Highway and Planning Construction Program. One vendor included in our testing of the ARRA - Airport Improvement Program was not checked for suspension/debarment.

Cause – The City did not adhere to existing controls that are in place to ensure suspension and debarment checks are performed and documented.

Effect – Testing procedures did not identify any suspended or debarred vendors paid with Federal funds; therefore no costs are questioned. However, without adequate internal controls over the suspension and debarment requirements, there is an increased risk that the City may enter into covered transactions with vendors that are suspended or debarred. Failure to comply with grant requirements could result in repayment of grant funding or loss of future Federal awards.

Recommendation – The City should first, adhere to its existing policies. Secondly, the City should develop a clear and comprehensive process that identifies the compliance requirements for each grant, identifies who will be the responsible party for ensuring compliance, and then monitors that compliance procedures did in fact take place.



**City of Ozark, Alabama**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2015**

Views of Responsible Officials and Planned Corrective Actions –

The City is in agreement with the findings noted. The City checked one of the vendors in question for suspension and debarment during the fiscal year 2012-13, but failed to check the vendor for the current grant period. The City will annually check all vendors paid from federal funds to ensure the vendors have not been suspended or debarred and will retain proper documentation of such checks.