

City of Ozark, Alabama

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

For The Year Ended September 30, 2014



CRI CARR
RIGGS &
INGRAM


CPAs and Advisors

CRIcpa.com | blog.cricpa.com

City of Ozark, Alabama
Table of Contents
September 30, 2014

REPORT

Independent Auditors' Report	1
FINANCIAL STATEMENTS	
Management Discussion and Analysis	4
Statement of Net Position	16
Statement of Activities	18
Balance Sheet- Governmental Funds	20
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual	
General Fund	25
Special Ad Valorem Fund I	26
Special Ad Valorem Fund II	27
Statement of Net Position-Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Net Position-Proprietary Funds	29
Statement of Cash Flows-Proprietary Funds	30
Notes to Financial Statements	31
Required Supplementary Information: Schedule of Funding Progress for the Retiree Health Plan	60
Other information: Description of Nonmajor Governmental Funds	61
Combining Balance Sheet – Nonmajor Governmental Funds	62



City of Ozark, Alabama
Table of Contents
September 30, 2014

Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds	64
Schedules of Bond Amortization Requirements	66
Schedule of Expenditures of Federal Awards	68
Notes to Schedule of Expenditures of Federal Awards	69
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	71
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	73
Schedule of Findings and Questioned Costs	75

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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 4-15, 25-27, and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City 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, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama

March 30, 2015

Management's Discussion and Analysis

The City of Ozark, Alabama's (the "City") Management Discussion and Analysis ("MD&A") is a narrative overview of the financial activities of the City for the fiscal year beginning October 1, 2013, and ending September 30, 2014. 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, 2014.

Financial Highlights

From the Government-Wide Financial Statements:

- The City's combined governmental and business-type activities net position at September 30, 2014 was \$25,623,327. This represents an increase of \$433,749 from September 30, 2013. The unrestricted net position improved by \$131,394 over prior year: governmental activities increased by \$81,851 and the business-type activities increased by \$49,543.
- Revenues at September 30, 2014 from governmental activities were \$16,403,342 and revenues from business-type activities were \$1,178,091, for a combined total of \$17,581,433. This is an overall increase in revenues from prior year of \$1,339,263. The governmental activities capital grants and contributions increased \$1,017,667. The majority of the increase came from the FEMA Assistance to Firefighters Grant (AFG) that funded the acquisition of the dispatch consoles for E911 and P25 compliant radios \$416,947, an increase of \$647,751 came from ALDOT federal grant funding on the Roy Parker Bridge replacement, and other increases came from airport improvement funding received from federal and state grant funds. The business-type activities revenues increased \$251,103. The majority of the increase is attributable to funds received by the Emergency Medical Services Fund from the Ozark Square Shopping Center Fund for operations of \$125,000 and improved collections on charges for services in the Emergency Medical Services Fund as compared to the prior fiscal year.

From the Fund Financial Statements:

- Revenues reported in the governmental funds were \$16,278,481 at September 30, 2014 and are \$1,104,581 more than governmental funds revenues of \$15,173,900 reported at September 30, 2013. The two largest revenue category increases occurred in taxes (\$266,362 over prior year) and intergovernmental (\$981,422 over prior year). The tax category increase was primarily attributable to increases in sales and use taxes and ad valorem taxes. The intergovernmental category reflected increases in grant monies received from FEMA of \$381,950 for fire department P25 compliant radios and increases in ALDOT federal ATRIP funding of \$647,751 for Roy Parker Bridge replacement.
- The General Fund reported a total fund balance of \$2,455,167 at September 30, 2014, representing a decrease of \$23,442 from the prior year. The total fund balance at September 30, 2013 was \$2,478,609. The spendable, unassigned portion of total fund balance of \$812,837 represents 6.6 percent of total general fund operating expenditures of \$12,363,968 (expenditures less capital outlay). The GFOA's best practice target for the spendable, unassigned fund balance is 2 months operating expenditures, which calculates to approximately \$2,060,000.

Management's Discussion and Analysis

- On April 28, 2014, the City maintained the A+/Stable Rating from Standard & Poor's on the 2014 Series general obligation warrants sold on May 15, 2014. The \$4,180,000 in General Obligation Bonds, Series 2014, paid off the outstanding principal and interest on the General Obligation Bonds, Series 2004 in the amount of \$889,587 and paid off the Note Payable to CB&T in the amount of \$1,102,500. Bond proceeds in the amount of \$2,012,132 will fund upcoming capital projects. The remainder of the bond proceeds funded other issuance costs and the original issue discount, which totaled \$175,781.

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, Bond Fund, and Debt Service Fund that are considered to be major funds. Data from the other eleven 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 fund to demonstrate compliance with this budget.

The basic governmental fund financial statements and the budgetary comparison statements presented as required supplementary information 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. The EMS program transported 2,873 patients during the current fiscal year, which reflects a decline of 357 transports (11.1 percent). The City discontinued services to three cities in south Dale County on November 1, 2013. The four-year average gross charge per trip is \$663, the four-year average net charge per trip is \$418, and the four-year average cash collection per trip is \$281. The numbers of patients transported by payment type for FY2014 are: Medicare - 1,795 or 55.6 percent of total; Medicaid - 419 or 14.6 percent of total; Insurance - 389 or 13.5 percent of total; and Self-Pay (without insurance) - 377 or 13.1 percent of total.

The basic proprietary fund financial statements can be found beginning on page 28 of this report.

Notes to Financial Statements

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, governmental activities assets exceed liabilities by \$23,561,371 for fiscal year 2014, as compared to \$23,106,606 in fiscal year 2013.

Management's Discussion and Analysis

Net Position, End of Year

<i>September 30,</i>	Governmental		Business-type		Primary Government	
	Activities		Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 7,155,303	\$ 5,433,970	\$ 408,524	\$ 448,911	\$ 7,563,827	\$ 5,882,881
Capital assets	29,054,020	28,083,144	2,749,235	2,880,280	31,803,255	30,963,424
Total assets	36,209,323	33,517,114	3,157,759	3,329,191	39,367,082	36,846,305
Deferred outflows						
of resources	112,561	136,874	-	-	112,561	136,874
Liabilities						
Long-term liabilities	9,941,387	7,707,934	122,000	146,310	10,063,387	7,854,244
Other liabilities	940,704	976,878	973,803	1,099,909	1,914,507	2,076,787
Total liabilities	10,882,091	8,684,812	1,095,803	1,246,219	11,977,894	9,931,031
Deferred inflows						
of resources	1,878,422	1,862,570	-	-	1,878,422	1,862,570
Net Position						
Net investment in capital assets	22,483,727	21,638,601	2,691,982	2,762,541	25,175,709	24,401,142
Restricted	382,616	854,828	-	-	382,616	854,828
Unrestricted	695,028	613,177	(630,026)	(679,569)	65,002	(66,392)
Total net position	\$23,561,371	\$23,106,606	\$2,061,956	\$2,082,972	\$25,623,327	\$25,189,578

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, 2014, reported positive balances in governmental net position.

The City's governmental activities net position increased \$454,765 and the business-type activities decreased \$21,016, for a total increase in net position during fiscal year 2014 of \$433,749, as noted previously.

Management's Discussion and Analysis

Operating Results for the Year

	Governmental		Business-type		Primary Government	
	Activities		Activities		Total	
<i>Years ended September 30,</i>	2014	2013	2014	2013	2014	2013
Program Revenues:						
Charges for services	\$ 5,531,805	\$5,459,646	\$1,052,991	\$ 924,698	\$ 6,584,796	\$6,384,344
Operating grants and contributions	203,392	189,564	125,000	-	328,392	189,564
Capital grants and contributions	1,762,914	745,247	-	-	1,762,914	745,247
General Revenues:						
Property taxes	724,639	698,890	-	-	724,639	698,890
Sales tax	6,282,488	6,089,228	-	-	6,282,488	6,089,228
Motor fuel tax	362,148	359,234	-	-	362,148	359,234
Other taxes	916,437	1,036,948	-	-	916,437	1,036,948
Other	619,519	736,425	100	2,290	619,619	738,715
Total revenues	16,403,342	15,315,182	1,178,091	926,988	17,581,433	16,242,170
Functions/Program Expenses:						
General government	1,806,261	1,883,118	-	-	1,806,261	1,883,118
Police department	2,991,000	3,073,148	-	-	2,991,000	3,073,148
Fire department	2,783,673	2,785,995	1,002,119	1,184,258	3,785,792	3,970,253
Street	913,178	937,028	-	-	913,178	937,028
Sanitation	1,321,585	1,288,944	-	-	1,321,585	1,288,944
Leisure services	1,742,051	1,731,953	-	-	1,742,051	1,731,953
Engineering/inspections	130,117	132,728	-	-	130,117	132,728
Vehicle maintenance	239,252	231,293	-	-	239,252	231,293
Airport	69,717	65,570	-	-	69,717	65,570
Judicial	215,939	218,699	-	-	215,939	218,699
Appropriations	129,550	191,882	-	-	129,550	191,882
Education	2,236,375	2,180,673	-	-	2,236,375	2,180,673
Non-departmental	305,587	302,888	-	-	305,587	302,888
Economic development	482,637	432,192	193,967	79,313	676,604	511,505
Ozark technology center	54,707	69,659	-	-	54,707	69,659
Information technology	173,088	181,131	-	-	173,088	181,131
Interest and fees on long term debt	323,472	199,979	3,021	5,191	326,493	205,170
Amortization	30,388	17,331	-	-	30,388	17,331
Total functions/program expenses	15,948,577	15,924,211	1,199,107	1,268,762	17,147,684	17,192,973
Increase (Decrease) in Net Position	\$ 454,765	\$ (609,029)	\$ (21,016)	\$ (341,774)	\$ 433,749	\$ (950,803)

Management's Discussion and Analysis

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, spendable fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds report combined ending fund balances of \$4,628,599, an increase of \$1,566,293 in comparison with the prior year. Spendable, unassigned fund balances of \$812,837 represent 17.6 percent of the ending fund balances and are available to meet the City's short-term spending needs. The remainder of spendable fund balance is restricted to indicate that it is not available for new spending because it is restricted in its use by a grantor.

<i>September 30,</i>	Total Governmental Funds		
	2014	2013	Changes
Assets			
Cash and cash equivalents	\$ 2,687,746	\$ 1,070,946	\$ 1,616,800
Receivables, net	3,382,703	2,979,630	403,073
Due from other budgetary funds	927,500	877,441	50,059
Other assets	24,731	9,280	15,451
Restricted cash and cash equivalents	169,515	510,115	(340,600)
Total assets	\$ 7,192,195	\$ 5,447,412	\$ 1,744,783

Management's Discussion and Analysis

<i>September 30,</i>	2014	2013	Changes
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 233,916	\$ 240,709	\$ (6,793)
Due to other funds	136,896	13,442	123,454
Accrued payroll	179,914	149,097	30,817
Other accrued expenses	134,448	119,288	15,160
Total liabilities	685,174	522,536	162,638
Deferred inflows of resources			
Unearned property taxes	1,878,422	1,862,570	15,852
Fund balances			
Nonspendable	1,423,160	1,394,154	29,006
Spendable			
Restricted	2,392,602	854,828	1,537,774
Unassigned	812,837	813,324	(487)
Total fund balances	4,628,599	3,062,306	1,566,293
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,192,195	\$ 5,447,412	\$ 1,744,783

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned spendable fund balance of the General Fund is \$812,837, while the total fund balance is \$2,455,167. The net result of General Fund operations is a decrease in the General Fund's fund balance of \$23,442. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. The spendable, unassigned portion of total fund balance of \$812,837 represents 6.6 percent of total general fund operating expenditures of \$12,363,968 (expenditures less capital outlay), while total fund balance represents 19.9 percent. The GFOA's best practice target for the spendable, unassigned fund balance is 2 months operating expenditures, which calculates to approximately \$2,060,000. The City is currently at \$812,837.

Management's Discussion and Analysis

<i>Years ended September 30,</i>	Total Governmental Funds		Changes
	2014	2013	
Revenues			
Taxes	\$ 9,572,310	\$ 9,305,948	\$ 266,362
Licenses and permits	1,607,764	1,871,823	(264,059)
Intergovernmental	2,019,153	1,037,731	981,422
Charges for services	1,639,727	1,549,639	90,088
Fines and forfeitures	870,422	851,887	18,535
Investment earnings	30,274	25,813	4,461
Miscellaneous	538,831	531,059	7,772
Total revenues	16,278,481	15,173,900	1,104,581
Expenditures			
General government	1,090,366	1,147,411	(57,045)
Education	2,236,375	2,180,673	55,702
Vehicle maintenance	233,562	216,085	17,477
Police department	2,835,546	2,846,301	(10,755)
Information technology	156,255	160,108	(3,853)
Fire department	2,589,289	2,548,887	40,402
Airport	67,650	61,725	5,925
Sanitation	1,232,017	1,193,567	38,450
Street	869,423	844,042	25,381
Leisure services	1,546,255	1,502,051	44,204
Appropriations	129,550	191,882	(62,332)
Judicial	209,627	210,109	(482)
Economic development	411,006	355,114	55,892
Engineering/inspections	126,981	126,232	749
Ozark technology center	29,948	44,900	(14,952)
Non-departmental	305,587	302,888	2,699
Debt service			
Principal	1,569,102	454,626	1,114,476
Interest, fees and issuance costs	313,885	199,979	113,906
Capital outlay	220,156	1,252,171	949,395
Total expenditures	18,153,990	15,838,751	2,315,239
Excess (deficiency) of revenues over expenditures	(1,875,509)	(664,851)	(1,210,658)

-Continued-

Management's Discussion and Analysis

Other Financing Sources (Uses)

Net proceeds from long term debt	4,299,209	873,987	3,425,222
Payment to refunded bond escrow agent	(889,587)	-	(889,587)
Proceeds from sale of capital assets and loss recoveries	32,180	55,225	(23,045)
Total other financing sources	3,441,802	929,212	2,512,590
 Excess revenues and other sources over expenditures and other (uses)	 1,566,293	 264,361	 1,301,932
Fund Balances - beginning	3,062,306	2,797,945	264,361
Fund Balances - ending	\$ 4,628,599	\$ 3,062,306	\$ 1,566,293

Revenues for FY 2014 from governmental funds were more than FY 2013 revenues by \$1,104,581. The majority of the increase came from tax collections (sales and use and property taxes) and intergovernmental revenues (grant funding for capital projects). Offsetting decreases in revenue were in licenses and permits in the amount of \$264,509 and reflect a reduction in insurance premium taxes related to a prior year collection for several outstanding years and a reduction in the annual distribution of earnings from the Southeast Alabama Gas District.

General Fund Budgetary Highlights

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

General Fund revenues came in below budgeted amounts by \$1,967,805. Operating and/or capital reimbursement grant revenues follow expenditures and the revenue collections may extend beyond a single fiscal year, causing these revenues to come in below budget.

General Fund operating expenditures were under amended projections by \$3,493,628. This reflects operating and/or capital grants expenditures on grants that extend beyond a single fiscal year (airport improvements, ATRIP, FEMA, etc.) and the unspent budget capacity will be re-budgeted in the next fiscal year.

Capital Assets

The City's investment in capital assets for governmental activities as of September 30, 2014, totaled \$29,054,020 (net of accumulated depreciation). The City's investment in capital assets for business-type activities as of September 30, 2014 totaled \$2,749,235 (net of accumulated depreciation). This investment in capital assets includes land; improvements and infrastructure; buildings; equipment; and construction in progress. The total increase in the City's investment in capital assets (net of accumulated depreciation) was \$839,831 for the current fiscal year.

Management's Discussion and Analysis

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Primary Government Total	
	9-30-14	9-30-13	9-30-14	9-30-13	9-30-14	9-30-13
Land	\$ 5,400,558	\$ 5,401,158	\$ 573,045	\$ 573,045	\$ 5,973,603	\$ 5,974,203
Construction in progress	1,281,941	349,509	-	-	1,281,941	349,509
Improvements/ infrastructure	12,831,288	13,397,321	-	-	12,831,288	13,397,321
Buildings	7,165,319	7,396,172	2,013,789	2,066,120	9,179,108	9,462,292
Equipment	2,129,635	1,323,605	47,999	90,213	2,177,634	1,413,818
Property under capital lease	245,279	215,379	114,402	150,902	359,681	366,281
Total	\$ 29,054,020	\$ 28,083,144	\$ 2,749,235	\$ 2,880,280	\$ 31,803,255	\$ 30,963,424

Additional information on the City's capital assets can be found in Note 7, beginning on page 42 of this report.

Long-Term Debt

On April 28, 2014, the City maintained the A+/Stable Rating from Standard & Poor's on the 2014 Series general obligation warrants sold on May 15, 2014. The \$4,180,000 in General Obligation Bonds, Series 2014, paid off the outstanding principal and interest on the General Obligation Bonds, Series 2004 in the amount of \$889,587 and paid off the Note Payable to CB&T in the amount of \$1,102,500. Bond proceeds in the amount of \$2,012,132 will fund upcoming capital projects. The remainder of the bond proceeds funded other issuance costs and the original issue discount, which totaled \$175,781. The City also acquired a capital lease for a new rear loader garbage truck on November 5, 2013 in the amount of \$159,942.

Long-term Debt	Governmental Activities		Business-type Activities		Primary Government Total	
	9-30-14	9-30-13	9-30-14	9-30-13	9-30-14	9-30-13
Capital leases	\$174,369	\$73,487	\$57,253	\$117,740	\$231,622	\$191,227
Notes payable	-	1,125,042	-	-	-	1,125,042
Compensated absences	352,641	425,343	7,438	2,664	360,079	428,007
Bonds payable, net	8,126,356	5,246,014	-	-	8,126,356	5,246,014
Other postemployment benefit obligation	1,580,444	1,305,833	114,562	86,394	1,695,006	1,392,227
Total	\$ 10,233,810	\$ 8,175,719	\$ 179,253	\$ 206,798	\$ 10,413,063	\$ 8,382,517

Additional information on the City's long-term debt can be found in Note 9, beginning on page 45 of this report.

Management's Discussion and Analysis

Significant Economic Factors

The Mayor and City Council considered many factors when developing the fiscal year 2014-15 budget. A budget of \$14.6 million was adopted for the General Fund, \$8.7 million in Special Revenue Funds and \$0.7 million in Enterprise Funds on October 7, 2014 for fiscal year 2014-15. Major factors considered in preparing the City's budget for the 2014-15 fiscal year are:

- Blue Cross/Blue Shield of Alabama continues to offer an annual health screening to all employees and offers a wellness discount of \$10 per employee per month if the City has 80 percent of enrolled employees participate. The City reached the required participate in 2015 and anticipates meeting that level of participation again in 2015, which would result in estimated savings in health insurance premiums of approximately \$19,560. The City did not receive a health or dental insurance rate increase for 2015.
- The 2014-15 budget does not include a cost of living adjustment. The City Council plans to revisit a cost of living adjustment or step increase after the first quarter of the new fiscal year.
- The City projected slight increases in revenues in sales and use tax and local option fuel tax due to the opening of the Love's Travel Stop and County Store that opened on October 2, 2014, the opening of Gilliland Ford car dealership in spring of 2015, and in anticipation of a full year's operations for the following retailers: Rose's Department Store, Zaxby's, Factory Connection, and Hibbett Sports.
- Dale County unemployment rate for September 2014 was 6.9 percent and the rate for September 2013 was 7.1 percent.
- In a prior year, the City committed \$30,000 a year for three years to the Friends of Fort Rucker to assist the organization in preventing or mitigating any impact to Fort Rucker if there is a base realignment and closure reduction by 2015. FY2014-15 represents the third and final year of the commitment. Estimated expenditures for Troy University of \$7,000 will be the first year of a five year commitment, the final year of a Retail Study is budgeted in the amount of \$9,000, and the City has budgeted one-third of the cost of a marketing study (which is \$10,000). The other two-thirds of the funding for the study will come from the Dale County Hospital and the Ozark City Schools.

Requests For Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Officer, City of Ozark, Office of the City Clerk, P.O. Box 1987, Ozark, Alabama 36361.

Under the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Ozark City Board of Education (the "BOE") is reported as a discretely presented component unit of the City's financial statements in a separate column in the government-wide statements to emphasize that it is legally separate from the City. Complete financial statements for the BOE may be obtained from the entity's administrative office, Chief School Financial Officer, 1044 Andrews Avenue, Ozark, AL 36360.

City of Ozark, Alabama
Statement of Net Position
September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Ozark City Board of Education
Assets				
Current assets				
Cash and cash equivalents	\$ 2,701,564	\$ 100,727	\$ 2,802,291	\$ 8,680,199
Receivables, net	3,382,703	202,508	3,585,211	1,611,398
Other assets	24,737	5,289	30,026	94,437
Due from other funds	890,604	100,000	990,604	-
Total current assets	6,999,608	408,524	7,408,132	10,386,034
Restricted assets				
Restricted cash and cash equivalents	155,695	-	155,695	-
Capital assets				
Capital assets, net of depreciation	22,371,521	2,176,190	24,547,711	233,294
Land and other nondepreciable capital assets	6,682,499	573,045	7,255,544	27,033,359
Total capital assets	29,054,020	2,749,235	31,803,255	27,266,653
Total assets	36,209,323	3,157,759	39,367,082	37,652,687
Deferred Outflows of Resources				
Deferred charge on debt refunding	112,561	-	112,561	41,600
Liabilities				
Current liabilities				
Accounts payable	233,917	8,550	242,467	-
Accrued payroll and other accrued expenses	314,364	17,396	331,760	1,395,851
Due to other funds	100,000	890,604	990,604	-
Unearned revenue	-	-	-	38,055
Notes payable	-	-	-	132,323
Amounts due under capital leases	52,684	57,253	109,937	-
Bonds payable	239,739	-	239,739	240,000
Total current liabilities	940,704	973,803	1,914,507	1,806,229

-Continued-

City of Ozark, Alabama
Statement of Net Position (Continued)
September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Ozark City Board of Education
Noncurrent liabilities				
Notes payable	-	-	-	700,689
Amounts due under capital leases	121,685	-	121,685	-
Bonds payable, net	7,886,617	-	7,886,617	23,100,600
Compensated absences	352,641	7,438	360,079	-
Other post-employment benefits obligation	1,580,444	114,562	1,695,006	-
Total noncurrent liabilities	9,941,387	122,000	10,063,387	23,801,289
Total liabilities	10,882,091	1,095,803	11,977,894	25,607,518
Deferred Inflows of Resources				
Unearned property taxes	1,878,422	-	1,878,422	905,763
Net Position				
Net investment in capital assets	22,483,727	2,691,982	25,175,709	3,093,041
Restricted for:				
Capital outlay	219,170	-	219,170	-
Debt service	163,377	-	163,377	50,428
Education	69	-	69	-
Unrestricted (deficit)	695,028	(630,026)	65,002	8,037,537
Total net position	\$ 23,561,371	\$ 2,061,956	\$ 25,623,327	\$ 11,181,006

See accompanying notes to the financial statements.

City of Ozark, Alabama
Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Charges for Services	Program Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General government	\$ 1,806,261	\$ 2,141,818	\$ -
Police department	2,991,000	96,399	146,114
Fire department	2,783,673	166,696	-
Street	913,178	-	1,799
Sanitation	1,321,585	1,300,871	-
Leisure services	1,742,051	373,321	55,479
Engineering/inspections	130,117	-	-
Vehicle maintenance	239,252	-	-
Airport	69,717	3,425	-
Judicial	215,939	-	-
Appropriations	129,550	-	-
Non-departmental	305,587	-	-
Economic development	482,637	-	-
Ozark technology center	54,707	-	-
Information technology	173,088	-	-
Education	2,236,375	1,449,275	-
Interest	226,015	-	-
Fees on long term debt	97,457	-	-
Amortization	30,388	-	-
Total governmental activities	15,948,577	5,531,805	203,392
Business-type Activities:			
Emergency medical services	1,005,140	962,338	125,000
Ozark square shopping center	193,967	90,653	-
Total business-type activities	1,199,107	1,052,991	125,000
Total primary government	\$ 17,147,684	\$ 6,584,796	\$ 328,392
Component Unit			
Ozark City Board of Education	\$ 22,768,121	\$ 1,982,418	\$ 14,900,620

See accompanying notes to the financial statements.

Revenues	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Ozark City Board of Education
\$ 148,730	\$ 484,287	\$ -	\$ 484,287	\$ -
-	(2,748,487)	-	(2,748,487)	-
701,947	(1,915,030)	-	(1,915,030)	-
648,751	(262,628)	-	(262,628)	-
-	(20,714)	-	(20,714)	-
10,815	(1,302,436)	-	(1,302,436)	-
-	(130,117)	-	(130,117)	-
-	(239,252)	-	(239,252)	-
252,671	186,379	-	186,379	-
-	(215,939)	-	(215,939)	-
-	(129,550)	-	(129,550)	-
-	(305,587)	-	(305,587)	-
-	(482,637)	-	(482,637)	-
-	(54,707)	-	(54,707)	-
-	(173,088)	-	(173,088)	-
-	(787,100)	-	(787,100)	-
-	(226,015)	-	(226,015)	-
-	(97,457)	-	(97,457)	-
-	(30,388)	-	(30,388)	-
1,762,914	(8,450,466)	-	(8,450,466)	-
-	-	82,198	82,198	-
-	-	(103,314)	(103,314)	-
-	-	(21,116)	(21,116)	-
\$ 1,762,914	\$ (8,450,466)	\$ (21,116)	\$ (8,471,582)	\$ -
\$ 1,412,696	\$ -	\$ -	\$ -	\$ (4,472,387)

-Continued-

City of Ozark, Alabama
Statement of Activities (Continued)
For the Year Ended September 30, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Ozark City Board of Education
General Revenues				
Sales taxes	\$ 6,282,488	\$ -	\$ 6,282,488	\$ 1,924,301
Motor fuel taxes	362,148	-	362,148	-
Property taxes	724,639	-	724,639	1,490,716
Alcoholic beverage taxes	150,118	-	150,118	-
Lodging taxes	130,523	-	130,523	-
Tobacco taxes	232,641	-	232,641	-
Other taxes	403,155	-	403,155	10,787
Miscellaneous	351,996	100	352,096	627,719
Rental income	65,723	-	65,723	-
Franchise fees	171,526	-	171,526	-
Investment earnings	30,274	-	30,274	110,761
Total general revenues	8,905,231	100	8,905,331	4,164,284
Change in net position	454,765	(21,016)	433,749	(308,103)
Net Position - beginning	23,106,606	2,082,972	25,189,578	11,489,109
Net Position - ending	\$ 23,561,371	\$ 2,061,956	\$ 25,623,327	\$ 11,181,006

See accompanying notes to the financial statements.

City of Ozark, Alabama
Balance Sheet-Governmental Funds
September 30, 2014

	General Fund	Special Ad Valorem I	Special Ad Valorem II
Assets			
Cash and cash equivalents	\$ 664,683	\$ 24	\$ 45
Receivables	2,076,453	643,788	643,788
Due from other funds	914,796	-	-
Prepays	21,739	-	-
Other assets	2,168	-	-
Restricted cash and cash equivalents	13,820	-	-
Total assets	\$ 3,693,659	\$ 643,812	\$ 643,833
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 188,498	\$ 16,041	\$ 16,041
Due to other funds	112,704	-	-
Accrued payroll	179,914	-	-
Other accrued expenses	134,448	-	-
Total liabilities	615,564	16,041	16,041
Deferred inflows of resources			
Unearned property taxes	622,928	627,747	627,747
Fund balances			
Nonspendable	1,423,160	-	-
Restricted	219,170	24	45
Unassigned	812,837	-	-
Total fund balances	2,455,167	24	45
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,693,659	\$ 643,812	\$ 643,833

See accompanying notes to the financial statements.

Bond Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 1,730,535	\$ 6,857	\$ 285,602	\$ 2,687,746
-	-	18,674	3,382,703
-	-	12,704	927,500
-	824	-	22,563
-	-	-	2,168
-	155,695	-	169,515
\$ 1,730,535	\$ 163,376	\$ 316,980	\$ 7,192,195
\$ -	\$ -	\$ 13,336	\$ 233,916
100	-	24,092	136,896
-	-	-	179,914
-	-	-	134,448
100	-	37,428	685,174
-	-	-	1,878,422
-	-	-	1,423,160
1,730,435	163,376	279,552	2,392,602
-	-	-	812,837
1,730,435	163,376	279,552	4,628,599
\$ 1,730,535	\$ 163,376	\$ 316,980	\$ 7,192,195

City of Ozark, Alabama
Reconciliation of the Balance Sheet-Governmental Funds
to the Statement of Net Position
September 30, 2014

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

Total fund balance - governmental funds	\$ 4,628,599
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.	29,054,020
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	(174,368)
Bonds payable, net	(8,126,356)
Deferred charges on debt refunding (amortized as interest expense)	112,561
Accrued compensated absences	(352,641)
Accrued other post-employment benefits	(1,580,444)
Net position of governmental activities in the statement of net position	\$ 23,561,371

See accompanying notes to the financial statements.

City of Ozark, Alabama

Statement of Revenues, Expenditures and Changes in Fund Balances-
Governmental Funds
For the Year Ended September 30, 2014

	General Fund	Special Ad Valorem I	Special Ad Valorem II
Revenues			
Taxes	\$ 7,951,870	\$ 724,639	\$ 724,636
Licenses and permits	1,607,764	-	-
Intergovernmental	1,109,314	-	-
Charges for services	1,639,727	-	-
Fines and forfeitures	870,422	-	-
Investment earnings	25,108	-	-
Miscellaneous	538,351	-	-
Total revenues	13,742,556	724,639	724,636
Expenditures			
General government	1,090,200	-	-
Education	787,100	724,639	724,636
Vehicle maintenance	233,562	-	-
Police department	2,726,293	-	-
Information technology	156,255	-	-
Fire department	2,589,289	-	-
Airport	67,650	-	-
Sanitation	1,232,017	-	-
Street	762,260	-	-
Leisure services	1,546,255	-	-
Appropriations	129,550	-	-
Judicial	170,024	-	-
Economic development	411,006	-	-
Engineering/inspections	126,972	-	-
Ozark technology center	29,948	-	-
Non-departmental	305,587	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Fees and issuance costs	-	-	-
Capital outlay	1,932,326	-	-
Total expenditures	14,296,294	724,639	724,636
Excess (deficiency) of revenues over expenditures	(553,738)	-	-

See accompanying notes to the financial statements.

Bond Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 171,165	\$ 9,572,310
-	-	-	1,607,764
-	-	909,839	2,019,153
-	-	-	1,639,727
-	-	-	870,422
5,074	11	81	30,274
-	-	480	538,831
5,074	11	1,081,565	16,278,481
166	-	-	1,090,366
-	-	-	2,236,375
-	-	-	233,562
-	-	109,253	2,835,546
-	-	-	156,255
-	-	-	2,589,289
-	-	-	67,650
-	-	-	1,232,017
-	-	107,163	869,423
-	-	-	1,546,255
-	-	-	129,550
-	-	39,603	209,627
-	-	-	411,006
-	-	9	126,981
-	-	-	29,948
-	-	-	305,587
-	1,569,102	-	1,569,102
-	216,428	-	216,428
-	97,457	-	97,457
252,929	-	16,311	2,201,566
253,095	1,882,987	272,339	18,153,990
(248,021)	(1,882,976)	809,226	(1,875,509)

-Continued-

City of Ozark, Alabama

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

For the Year Ended September 30, 2014

	General Fund	Special Ad Valorem I	Special Ad Valorem II
Other Financing Sources (Uses)			
Proceeds from long term debt, net	159,942	-	-
Payment to refunded bond escrow agent	-	-	-
Proceeds from sale of capital assets	23,641	-	-
Loss recoveries	8,539	-	-
Transfers in (out), net	338,174	-	-
Total other financing sources	530,296	-	-
Excess revenues and other financing sources over expenditures and other (uses)	(23,442)	-	-
Fund Balances - beginning	2,478,609	24	45
Fund Balances - ending	\$ 2,455,167	\$ 24	\$ 45

See accompanying notes to the financial statements.

Bond Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
4,139,267	-	-	4,299,209
-	(889,587)	-	(889,587)
-	-	-	23,641
-	-	-	8,539
(2,169,324)	2,686,058	(854,908)	-
1,969,943	1,796,471	(854,908)	3,441,802
1,721,922	(86,505)	(45,682)	1,566,293
8,513	249,881	325,234	3,062,306
<u>\$ 1,730,435</u>	<u>\$ 163,376</u>	<u>\$ 279,552</u>	<u>\$ 4,628,599</u>

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, 2014**

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

Net change in fund balances - total governmental funds: \$ 1,566,293

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. 2,201,566

Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Net Position. (1,323,384)

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. 2,449,104

Net proceeds from the refinancing of bonds payable and issuance of capital leases payable recorded as other financing source in governmental funds. (4,299,209)

Additional interest expense due to deferred charges on refunding and issuance discounts. (30,388)

The net effect of various miscellaneous transactions involving capital assets (i.e., exchanges, loss recoveries) is to increase net position. 92,692

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:

Other post employment health benefits liability	(274,611)
Compensated absences	72,702

Change in net position of governmental activities \$ 454,765

City of Ozark, Alabama

**Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget and Actual- General Fund
For the Year Ended September 30, 2014**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 7,850,581	\$ 7,869,650	\$ 7,951,870	\$ 82,220
Licenses and permits	1,575,668	1,581,531	1,607,764	26,233
Intergovernmental	2,693,521	3,136,126	1,109,314	(2,026,812)
Charges for services	1,558,036	1,636,703	1,639,727	3,024
Fines and forfeitures	890,982	890,982	870,422	(20,560)
Investment earnings	25,099	25,099	25,108	9
Miscellaneous	609,175	570,270	538,351	(31,919)
Total revenues	15,203,062	15,710,361	13,742,556	(1,967,805)
Expenditures				
General government	1,132,432	1,115,332	1,090,200	25,132
Education	796,185	794,685	787,100	7,585
Vehicle maintenance	220,995	233,633	233,562	71
Police department	2,571,663	2,742,671	2,726,293	16,378
Information technology	167,042	167,042	156,255	10,787
Fire department	2,445,628	2,593,101	2,589,289	3,812
Airport	72,470	68,270	67,650	620
Sanitation	1,133,084	1,232,354	1,232,017	337
Street	815,905	766,698	762,260	4,438
Leisure services	1,482,759	1,565,651	1,546,255	19,396
Appropriations	129,550	129,550	129,550	-
Judicial	176,886	178,386	170,024	8,362
Economic development	355,314	425,454	411,006	14,448
Engineering/inspections	125,884	127,033	126,972	61
Ozark Technology Center	31,906	31,906	29,948	1,958
Non-departmental	288,557	307,068	305,587	1,481
Capital outlay	4,582,239	5,311,088	1,932,326	3,378,762
Total expenditures	16,528,499	17,789,922	14,296,294	3,493,628
Excess (deficiency) of revenues over expenditures	(1,325,437)	(2,079,561)	(553,738)	1,525,823
Other Financing Sources (Uses)				
Proceeds from long-term debt, net	665,000	159,942	159,942	-
Proceeds from the sale of capital assets	5,000	17,316	23,641	6,325
Loss recoveries	2,000	2,000	8,539	6,539
Transfers in (out), net	464,555	1,456,928	338,174	(1,118,754)
Total other financing sources (uses)	1,136,555	1,636,186	530,296	(1,105,890)
Excess (deficiency) of revenues and other sources (uses) over expenditures	(188,882)	(443,375)	(23,442)	419,933
Fund Balances - beginning	2,580,117	2,478,609	2,478,609	-
Fund Balances - ending	\$ 2,391,235	\$ 2,035,234	\$ 2,455,167	\$ 419,933

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, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 693,473	\$ 724,640	\$ 724,639	\$ (1)
Expenditures				
Education	693,473	724,640	724,639	1
Excess revenues over expenditures	-	-	-	-
Fund Balances - beginning	24	24	24	-
Fund Balances - ending	\$ 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, 2014**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 693,473	\$ 724,637	\$ 724,636	\$ (1)
Expenditures				
Education	693,473	724,637	724,636	1
Excess revenues over expenditures	-	-	-	-
Fund Balances - beginning	45	45	45	-
Fund Balances - ending	\$ 45	\$ 45	\$ 45	\$ -

See accompanying notes to the financial statements.

City of Ozark, Alabama
Statements of Net Position-Proprietary Funds
September 30, 2014

	Business-Type Activities		
	Emergency Medical Services	Ozark Square Shopping Center	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 7,397	\$ 93,330	\$ 100,727
Receivables, net	200,258	2,250	202,508
Prepaid expenses	5,289	-	5,289
Due from other funds	-	100,000	100,000
Total current assets	212,944	195,580	408,524
Noncurrent assets			
Land	-	573,045	573,045
Capital assets, net of depreciation	162,400	2,013,790	2,176,190
Total noncurrent assets	162,400	2,586,835	2,749,235
Total assets	375,344	2,782,415	3,157,759
Liabilities			
Current liabilities			
Accounts payable	8,474	76	8,550
Due to other funds	890,604	-	890,604
Accrued payroll	17,396	-	17,396
Amount due under capital lease	57,253	-	57,253
Total current liabilities	973,727	76	973,803
Noncurrent liabilities			
Compensated absences	7,438	-	7,438
Other post-employment benefits obligation	114,562	-	114,562
Total noncurrent liabilities	122,000	-	122,000
Total liabilities	1,095,727	76	1,095,803
Net Position			
Net investment in capital assets	105,147	2,586,835	2,691,982
Unrestricted (deficit)	(825,530)	195,504	(630,026)
Total net position (deficit)	\$ (720,383)	\$ 2,782,339	\$ 2,061,956

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, 2014**

	Business-Type Activities		
	Emergency Medical Services	Ozark Square Shopping Center	Total
Operating Revenues			
Charges for services (net of provision for bad debts of \$179,548)	\$ 962,338	\$ -	\$ 962,338
Rental income	-	89,996	89,996
Miscellaneous revenues	-	657	657
Total operating revenues	962,338	90,653	1,052,991
Operating Expenses			
Salaries and benefits	747,611	-	747,611
Repairs and maintenance	38,398	2,047	40,445
Utilities	5,464	6,991	12,455
Insurance	4,825	6,353	11,178
Legal	4,583	1,245	5,828
Depreciation	78,714	52,331	131,045
Other operating expenses	122,524	-	122,524
Total operating expenses	1,002,119	68,967	1,071,086
Operating income (loss)	(39,781)	21,686	(18,095)
Non-Operating Revenues (Expenses)			
Miscellaneous revenues	100	-	100
Interest expense	(3,021)	-	(3,021)
Non-operating loss	(2,921)	-	(2,921)
Transfers In (Out)	125,000	(125,000)	-
Change in net position	82,298	(103,314)	(21,016)
Total Net Position (Deficit) - beginning	(802,681)	2,885,653	2,082,972
Total Net Position (Deficit) - ending	\$ (720,383)	\$ 2,782,339	\$ 2,061,956

See accompanying notes to the financial statements.

City of Ozark, Alabama
Statement of Cash Flows-Proprietary Funds
For the Year Ended September 30, 2014

	Business-Type Activities		
	Emergency Medical Services	Ozark Square Shopping Center	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 918,349	\$ 89,996	\$ 1,008,345
Payments to suppliers	(173,758)	(40,133)	(213,891)
Payments to employees	(708,710)	-	(708,710)
Other receipts	100	657	757
Net cash provided by operating activities	35,981	50,520	86,501
Cash Flows From Noncapital and Related Financing Activities			
Net loans from (to) other funds	26,605	(100,000)	(73,395)
Cash Flows From Capital and Related Financing Activities			
Interest payments on long-term debt	(3,021)	-	(3,021)
Principal payments on long-term debt	(60,488)	-	(60,488)
Net cash used in capital and related financing activities	(63,509)	-	(63,509)
Net decrease in cash and cash equivalents	(923)	(49,480)	(50,403)
Cash and Cash Equivalents - beginning	8,320	142,810	151,130
Cash and Cash Equivalents - ending	\$ 7,397	\$ 93,330	\$ 100,727
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)			
Operating income (loss)	\$ (39,781)	\$ 21,686	\$ (18,095)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	78,715	52,331	131,046
Provision for bad debts	179,548	-	179,548
Miscellaneous income	100	-	100
Changes in operating assets and liabilities:			
Increase in receivables	(209,275)	-	(209,275)
Increase in prepaid expenses	(5,289)	-	(5,289)
Decrease in accounts payable	(4,764)	(23,497)	(28,261)
Increase in salaries and benefits payable	36,727	-	36,727
Net cash provided by operating activities	\$ 35,981	\$ 50,520	\$ 86,501

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. 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.

Debt Service Fund – This fund accounts for the transfers and bond proceeds to pay principal, interest, bond issue costs and paying agent fees.

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)

Inventories

Purchases of inventories are reported as expenditures in the period purchased. Inventories are not deemed material and are not reported on the balance sheet.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 one item that qualifies for reporting in this category, the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

Compensated Absences

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

Long-Term Obligations

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

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

Net Position/Fund Balance

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

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

City of Ozark, Alabama
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and a long term receivable from the Utilities Board 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, 2014 is comprised of the following:

	Nonspendable	Restricted	Unassigned
General Fund	\$ 1,423,160	\$ 219,170	\$ 812,837
Special Ad Valorem I	-	24	-
Special Ad Valorem II	-	45	-
Bond Fund	-	1,730,435	-
Debt Service Fund	-	163,376	-
Nonmajor governmental funds	-	279,552	-
	\$ 1,423,160	\$ 2,392,602	\$ 812,837

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable fund balances include other assets of \$2,168, prepaid items of \$21,739, long-term accounts receivable of \$508,649, and amounts due from the EMS fund of \$890,604.

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 purposed which amounts in any of those unrestricted fund balance classifications can be used.

Property Tax Calendar

In Alabama, City property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31st. 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 2014 for the 2015 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.

Impact of Recently Issued Accounting Pronouncements

Recently Issued and Adopted

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. It requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires a government that has issued an

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities, and also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This Statement was effective for reporting periods beginning after June 15, 2013, and the provisions of this Statement are required to be applied retroactively, with the exception of disclosures related to cumulative amounts paid or received in relation to a financial guarantee. The City implemented GASB Statement No. 70 for the year ended September 30, 2014. There was no impact on these financial statements as a result of the implementation of GASB Statement No. 70.

Recently Issued

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to 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 as described above, 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 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. Adoption will result 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. Management has not yet determined the financial statement impact of the pronouncement.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. Management has determined there to be no financial statement impact of the pronouncement.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, 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. Management has not yet determined the financial statement impact of the pronouncement.

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, 2014, the EMS Proprietary Fund reported unrestricted deficit of \$825,530 and total net deficit of \$720,383, 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.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

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, 2014 consist of the following:

	Accounts Receivable	Property Taxes Receivable	Note Receivable – Utilities Board	Total
General fund	\$ 947,804	\$ 620,000	\$ 508,649	\$ 2,076,453
Special Ad Valorem I	16,041	627,747	-	643,788
Special Ad Valorem II	16,041	627,747	-	643,788
Nonmajor governmental funds	18,674	-	-	18,674
	\$ 998,560	\$ 1,875,494	\$ 508,649	\$ 3,382,703

Proprietary Funds

Patient transport accounts receivable, net reported in the EMS Fund at September 30, 2014 consists of these amounts:

Medicare	\$ 67,581
Medicaid	48,977
Insurance providers	95,752
Patients	178,040
Collection agency	1,125,111
	1,515,461
Less: allowance for doubtful accounts	(1,315,203)
Patient transport accounts receivable, net	\$ 200,258

City of Ozark, Alabama
Notes to Financial Statements

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. Interfund balances at September 30, 2014 consist of the following:

	Due From	Due To
General fund	\$ 914,796	\$ 112,704
Bond fund	-	100
Nonmajor governmental funds	12,704	24,092
Enterprise funds	100,000	890,604
	<u>\$ 1,027,500</u>	<u>\$ 1,027,500</u>

Transfers to/from other funds at September 30, 2014 consist of the following:

	Transfers In	Transfers Out	Net
General fund	\$ 2,212,542	\$ (1,874,368)	\$ 338,174
Bond fund	-	(2,169,324)	(2,169,324)
Debt service fund	2,686,058	-	2,686,058
Nonmajor governmental funds	132,837	(987,745)	(854,908)
Enterprise funds	125,000	(125,000)	-
	<u>\$ 5,156,437</u>	<u>\$ (5,156,437)</u>	<u>\$ -</u>

NOTE 6 – RESTRICTED ASSETS

Restricted cash in the governmental funds totaling \$169,515 is comprised of \$13,820 from the General fund and \$155,695 from the Debt service fund at September 30, 2014, and is restricted for capital projects and debt service, respectively.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance 10/1/13	Increases	Decreases	Ending Balance 9/30/14
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,401,158	\$ -	\$ 600	\$ 5,400,558
Construction in progress	349,509	1,048,358	115,926	1,281,941
Total capital assets, not being depreciated	<u>\$ 5,750,667</u>	<u>\$ 1,048,358</u>	<u>\$ 116,526</u>	<u>\$ 6,682,499</u>

City of Ozark, Alabama
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS (Continued)

Capital assets being depreciated:				
Buildings	\$ 12,630,062	\$ 79,519	\$ -	\$ 12,709,581
Improvements and infrastructure	35,107,594	115,926	-	35,223,520
Equipment	5,875,321	1,206,150	280,610	6,800,861
Property under capital leases	370,700	159,942	199,110	331,532
Total capital assets being depreciated	53,983,677	1,561,537	479,720	55,065,494
Less accumulated depreciation for:				
Buildings	(5,233,890)	(310,372)	-	(5,544,262)
Improvements and infrastructure	(21,710,273)	(681,959)	-	(22,392,232)
Equipment	(4,551,716)	(400,120)	280,610	(4,671,226)
Property under capital leases	(155,321)	(50,399)	119,467	(86,253)
Total accumulated depreciation	(31,651,200)	(1,442,850)	400,077	(32,693,973)
Total capital assets, being depreciated, net	\$ 22,332,477	\$ 118,687	\$ 79,643	\$ 22,371,521
Governmental activities capital assets, net	\$ 28,083,144	\$ 1,167,045	\$ 196,169	\$ 29,054,020
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	-	-	159,990
Property under capital lease	292,000	-	-	292,000
Total capital assets being depreciated	2,765,888	-	-	2,765,888
Less accumulated depreciation for:				
Buildings	(247,778)	(52,331)	-	(300,109)
Equipment	(69,777)	(42,214)	-	(111,991)
Property under capital lease	(141,098)	(36,500)	-	(177,598)
Total accumulated depreciation	(458,653)	(131,045)	-	(589,698)
Total capital assets, being depreciated, net	\$ 2,307,235	\$ (131,045)	\$ -	\$ 2,176,190
Business-type activities capital assets, net	\$ 2,880,280	\$ (131,045)	\$ -	\$ 2,749,235

City of Ozark, Alabama
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS (Continued)

Construction in progress for governmental activities at September 30, 2014, is comprised of the amounts related to the airport improvement grant at Blackwell Field, Phase I drainage and grading for a parking apron and a parallel taxiway; match on a senior center vehicle to be delivered in fiscal year 2014-15; engineering services on the downtown canopies project; ongoing contract street repair projects; and the substantial completion of the Roy Parker Bridge replacement. The estimated costs to complete the two largest construction in progress projects are approximately \$1,278,000 for the airport improvement drainage and grading for the parking apron and parallel taxiway and \$399,000 for the downtown canopies project.

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General government	\$	702,905
Vehicle maintenance		4,483
Police department		112,114
Information technology		17,573
Fire department		115,086
Airport		2,706
Sanitation department		58,006
Street department		40,954
Leisure services		167,149
Judicial		2,620
Economic development		73,181
Engineering/inspections		1,847
Ozark Technology Center		24,760
<hr/>		
Total depreciation expense – Governmental Activities	\$	<u>1,323,384</u>

Business-Type Activities

Emergency Medical Services	\$	78,714
Ozark Square Shopping Center		52,331
<hr/>		
Total depreciation expense – Business-Type Activities	\$	<u>131,045</u>

City of Ozark, Alabama
Notes to Financial Statements

NOTE 8 – DEFERRED INFLOWS OF RESOURCES

Governmental Activities:	General Fund	Special Ad Valorem I	Special Ad Valorem II	Total
Property Taxes – Property taxes are levied by the County Commission in February of each year based on property on record as of the preceding October 1. The enforceable legal claim exists as of October 1 preceding the February meeting of the County Commission. The actual billing and collection of these taxes will occur subsequent to year-end.	\$ 620,000	\$ 627,747	\$ 627,747	\$ 1,875,494
Grant Revenues – Grant revenues received from various agencies to be spent in accordance with the respective grant agreement.	2,928	-	-	2,928
	\$ 622,928	\$ 627,747	\$ 627,747	\$ 1,878,422

NOTE 9 – LONG-TERM DEBT

Changes in long-term debt for the year ended September 30, 2014 was as follows:

	Beginning Balance 10/1/13	Additions	Reductions	Ending Balance 9/30/14	Due Within One Year
Governmental Activities					
Capital leases	\$ 73,487	\$ 159,942	\$ 59,060	\$ 174,369	\$ 52,684
Note payable	1,125,042	-	1,125,042	-	-
Bonds payable	5,290,000	4,180,000	1,265,000	8,205,000	245,000
Unamortized discount	(43,986)	(40,733)	(6,075)	(78,644)	(5,261)
Compensated absences	425,343	-	72,702	352,641	-
Other postemployment benefits	1,305,833	451,504	176,893	1,580,444	-
Governmental activity long-term liabilities	\$ 8,175,719	\$ 4,750,713	\$ 2,692,622	\$ 10,233,810	\$ 292,423

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9 – LONG-TERM DEBT (Continued)

Business-Type Activities

Compensated absences	\$ 2,664	\$ 4,774	\$ -	\$ 7,438	\$ -
Capital lease	117,740	-	60,487	57,253	57,253
Other postemployment benefits	86,394	28,168	-	114,562	-

Business-type activity long-term liabilities	\$ 206,798	\$ 32,942	\$ 60,487	\$ 179,253	\$ 57,253
--	------------	-----------	-----------	------------	-----------

Component Unit

Bonds payable	\$ 23,529,000	\$ -	\$ 230,000	\$ 23,299,000	\$ 240,000
Notes payable	962,062	-	129,050	833,012	132,323

Component unit long-term liabilities	\$ 24,491,062	\$ -	\$ 359,050	\$ 24,132,012	\$ 372,323
--------------------------------------	---------------	------	------------	---------------	------------

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

Bonds payable

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

	Principal Balance
\$4,425,000 General Obligation Warrants, Series 2011, dated July 1, 2011, payable in annual installments from 2012 through 2026, interest rates range from 2 to 3.75 percent.	\$ 4,025,000
\$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.	4,180,000
	\$ 8,205,000

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.

NOTE 9 – LONG-TERM DEBT (Continued)

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.

As required by GASB Statement No. 23, 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, 2014 was \$9,316. The balance on the deferred refunding cost at September 30, 2014 is \$111,786 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, 2014 is \$3,321. Remaining original issue discount to be deferred to future periods is \$39,851.

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, replace trash knuckleboom loader and trailer and 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.

As required by GASB Statement No. 23, 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

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9 – LONG-TERM DEBT (Continued)

the year ended September 30, 2014 was \$39. The balance on the deferred refunding cost at September 30, 2014 is \$775 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, 2014 is \$1,940. Remaining original issue discount to be deferred to future periods is \$38,793.

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

Year Ending September 30,	Principal	Interest	Total
2015	\$ 245,000	\$ 255,773	\$ 500,773
2016	290,000	250,604	540,604
2017	295,000	244,560	539,560
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
	\$ 8,205,000	\$ 2,984,089	\$ 11,189,089

Obligations Under Capital Lease

In 2008, 2011 and in December 2013, the City entered into separate lease agreements as lessee for financing the acquisition of the two automated garbage trucks (2008 and 2011) and one lease agreement for financing a rear loader garbage truck. In November 2013, the city paid off the 2008 LaFrance Condor garbage truck. In August 2010, the City entered into an agreement as lessee for financing the acquisition of ambulances for EMS.

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:

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9 – LONG-TERM DEBT (Continued)

Asset	Governmental Activities	Business- Type Activities	Total
Rear load garbage truck – 2014	\$ 159,942	\$ -	\$ 159,942
Automated garbage truck – 2011	171,590	-	171,590
Ambulances and SUV – EMS	-	292,000	292,000
Total equipment under capital lease	331,532	292,000	623,532
Accumulated depreciation	(86,255)	(177,598)	(263,853)
Total equipment under capital lease, net	\$ 245,277	\$ 114,402	\$ 359,679

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, 2014:

September 30,	Governmental Activities	Business- Type Activities	Total
2015	\$ 56,152	\$ 58,217	\$ 114,369
2016	25,039	-	25,039
2017	25,038	-	25,038
2018	76,634	-	76,634
Total minimum lease payments	182,863	58,217	241,080
Less: amount representing interest	(8,494)	(964)	(9,458)
Present value of future minimum lease payments	\$ 174,369	\$ 57,253	\$ 231,622

The interest rates range from 2.24 to 3.35 percent.

Component Unit

General Obligation Warrant

The BOE issued General Obligation School Warrants, Series 2005 in the principal amount of \$2,230,000 dated January 20, 2005. The warrants mature on February 15 annually in amounts as specified in the following table and bear interest ranging from 2.10% to 3.75%. The purpose of the warrants was to retire the Capital Outlay School Warrants, Series 1995 on their ten year call date, which occurred during the year 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.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9 – LONG-TERM DEBT (Continued)

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

February 15,	Interest Rate	Principal	Interest	Total
2015	3.65%	\$ 240,000	\$ 13,943	\$ 253,943
2016	3.75%	255,000	4,781	259,781
		\$ 495,000	\$ 18,724	\$ 513,724

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
2015	5.15%	\$ 983,715	\$ 94,918	\$ 1,078,633
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
		\$ 11,804,577	\$ 1,139,016	\$ 12,943,593

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

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9 – LONG-TERM DEBT (Continued)

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
2015	4.60%	\$ 36,750	\$ 16,790	\$ 53,540
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
		\$ 475,407	\$ 218,270	\$ 693,677

A note payable to the Commercial Bank of Ozark was issued on August 13, 2008 for \$702,870 at an interest rate of 4.08%. The note was refinanced May 25, 2012 with Community Bank and Trust at a reduced rate of 2.99% and a shorter repayment period. The balance at the time of refinancing was \$524,652. The note is secured by equipment.

The maturity schedule for the note payable is as follows:

Year Ending September 30,	Principal	Interest	Total
2015	\$ 84,400	\$ 10,709	\$ 95,109
2016	86,959	8,150	95,109
2017	89,580	5,529	95,109
2018	89,512	2,798	95,107
		\$ 353,248	\$ 27,186
		\$ 353,248	\$ 380,434

A note payable to the Commercial Bank of Ozark was issued on December 6, 2012 for \$528,878 at an interest rate of 2.69%. The note is payable in ten annual payments of \$61,123, beginning December 1, 2013. The note is secured by equipment.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 9 – LONG-TERM DEBT (Continued)

The maturity schedule for the note payable is as follows:

Year Ending September 30,	Principal	Interest	Total
2015	\$ 47,978	\$ 13,145	\$ 61,123
2016	49,286	11,837	61,123
2017	50,602	10,521	61,123
2018	52,010	9,113	61,123
2019	53,429	7,694	61,123
2020 - 2023	228,439	15,815	304,495
	<u>\$ 481,744</u>	<u>\$ 68,125</u>	<u>\$ 549,869</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 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

The City contributes to the RSA, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments. Substantially all employees are members of the RSA. Membership is mandatory for covered or eligible employees of the City. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service.

Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 11 – RETIREMENT PLAN (Continued)

The RSA was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 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 general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Section 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6.

Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Council authority to accept or reject various cost of living adjustments granted to retirees.

The RSA issues a publicly available financial report that includes financial statements and required supplementary information for the RSA. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Actuarial Valuation as of September 30, 2013

Summary of Employee Census Data

	Tier 1	DROP	Tier 2	Total
Number of active members	153	3	13	169
Annual compensation	\$ 5,014,147	\$ 148,611	\$ 323,212	\$ 5,486,240
	Retirees	DROP		Total
Number of retired members and beneficiaries	51	3	-	54
Annual retirement allowances	\$ 785,289	\$ 77,085	\$ -	\$ 862,374
	Vested	Non-vested		Total
Number of inactive members	3	3	-	6
Accumulated contributions with interest	\$ 110,821	\$ 17,381	\$ -	\$ 128,202

City of Ozark, Alabama
Notes to Financial Statements

NOTE 11 – RETIREMENT PLAN (Continued)

Employer Contribution Rates – Tier 1 Employees (percent)

(applies to all members hired before January 1, 2013) (retain current member contribution rates)

Normal costs	3.34%
Accrued liability	5.48
Pre-retirement death benefit	0.02
Administrative expense	0.35
<hr/>	
<u>Total</u>	<u>9.19%</u>

5% Employer contribution factor	1.8380
6% Employer contribution factor	1.5317

Employer Contribution Rates – Tier 1 Employees (percent)

(applies to all members hired before January 1, 2013) (elect to increase member contribution rates under Act 2011-676)

Normal costs	1.18%
Accrued liability	5.55
Pre-retirement death benefit	0.02
Administrative expense	0.35
<hr/>	
<u>Total</u>	<u>7.10%</u>

7.5% Employer contribution factor	0.9467
8.5% Employer contribution factor	0.8353

Employer Contribution Rates – Tier 2 Employees (percent)

(applies to all members hired on or after January 1, 2013)

Normal costs	0.24%
Accrued liability	5.48
Pre-retirement death benefit	0.02
Administrative expense	0.35
<hr/>	
<u>Total</u>	<u>6.09%</u>

6% Employer contribution factor	1.0150
7% Employer contribution factor	0.8700

City of Ozark, Alabama
Notes to Financial Statements

NOTE 11 – RETIREMENT PLAN (Continued)

Accounting Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets [^] (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
9/30/10(1)	\$ 11,195,919	\$ 14,899,617	\$ 3,703,698	75.1%	\$ 5,123,773	72.3%
9/30/11(2)	10,946,970	15,496,801	4,549,831	70.6%	5,091,443	89.4%
9/30/12(3)	10,946,341	15,052,307	4,105,966	72.7%	4,758,441	86.3%
9/30/13(5)	11,862,061	16,509,205	4,647,144	71.9%	5,486,240	84.7%
9/30/13(4)(5)	11,862,061	16,566,526	4,704,465	71.6%	5,486,240	85.8%

[^] The actuarial value of assets was set equal to the market value of assets as of September 30, 2012. Market Value of Assets as of September 30, 2013: \$12,428,694.

* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

- (1) Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.
- (2) Reflects changes in actuarial assumptions.
- (3) Reflects changes to interest smoothing methodology.
- (4) Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.
- (5) Reflects implementation of Board Funding Policy.

Valuation date	9/30/13
Actuarial cost methods	Entry age
Amortization method	Level percent closed
Remaining amortization period	26 years
Asset valuation method	5- year smoothed market
Actuarial assumptions:	
Ultimate investment rate of return (discount rate)**	8.00%
Projected salary increases**	3.75 – 7.25%
**Includes inflation at	3.00%
Cost of living adjustments	none

NOTE 11 – RETIREMENT PLAN (Continued)

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
9/30/11	\$ 438,227	100%	\$ -0-
9/30/12	381,501	100%	-0-
9/30/13	427,647	100%	-0-

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 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, 2013

Summary of Employer Census Data

Number of active members	161
Number of retired members	26
Number of disabled members	3

Funded Status and Funding Progress As of October 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$6,065,017, and the actuarial value of present assets was \$0, resulting in an unfunded actuarial accrued liability of \$6,065,017. The covered payroll (annual payroll of active participating employees) was \$6,341,876 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 95.63%.

City of Ozark, Alabama
Notes to Financial Statements

NOTE 12 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

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.

<i>Fiscal Year Ending September 30, 2014</i>	Amount
Service cost	\$ 232,832
Amortization of unfunded actuarial accrued liability	245,405
Annual required contribution	478,237
Plus interest on prior year net OPEB obligation	55,689
Less prior year net OPEB obligation amortization	(54,254)
Annual OPEB cost	479,672
Contribution toward the OPEB cost in fiscal year 2014	(176,893)
Increase in Net OPEB obligation	302,779
Net OPEB obligation, beginning of year	1,392,227
Net OPEB obligation, end of year	\$ 1,695,006

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, 2014 is as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2011	\$ 325,405	40.82%	\$ 872,764
9/30/2012	315,205	40.20%	1,061,245
9/30/2013	468,226	29.31%	1,392,227
9/30/2014	479,672	36.88%	1,695,006

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.

NOTE 12 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

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 using information as of September 30, 2013 employed the projected unit cost method to estimate the unfunded actuarial accrued liability as of September 30, 2013 and to estimate the City's 2013 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 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 of the City of Ozark, Alabama (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 \$508,649 as of September 30, 2014. The note is due in monthly installments through February 2026 with interest ranging from 3.35% to 5%. During 2014, the City recorded total payments from the Utilities Board of \$37,277, which includes \$12,231 principal and \$25,046 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 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 30, 2015, 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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
9/30/07	\$ -0-	\$ 5,258,930	\$ 5,258,930	0.00%	\$ 4,266,249	123.27%
9/30/10	\$ -0-	\$ 4,694,895	\$ 4,694,895	0.00%	\$ 5,123,773	91.63%
10/1/12	\$ -0-	\$ 6,065,017	\$ 6,065,017	0.00%	\$ 6,341,876	95.63%

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 Fund – The use of this 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 since the City of Ozark is the fiscal agent. 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 direct grants to provide technology, law enforcement equipment and supplies for the City of Ozark Police Department. The proceeds are restricted for the specific purpose of the grants.

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

Municipal Court Fund – Accounts for municipal court fees fixed by law and are restricted for the enforcement of municipal court ordinances.

CDBG – Accounts for federal grants funding revitalization efforts to improve major entrance and exit corridors into the City. The proceeds are restricted for the specific purpose of the grants.

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

Corrections Fund – Accounts for municipal court fees fixed by law and are restricted for the enforcement of municipal court ordinances.

City of Ozark, Alabama
Combining Balance Sheet-Nonmajor Governmental Funds
September 30, 2014

	Street	Four Cent Gas Tax	UDAG
Assets			
Cash and cash equivalents	\$ 36,799	\$ 163,082	\$ 13,667
Receivables	-	-	-
Due from other funds	-	-	-
Total assets	\$ 36,799	\$ 163,082	\$ 13,667
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Fund balances			
Restricted	36,799	163,082	13,667
Total liabilities and fund balances	\$ 36,799	\$ 163,082	\$ 13,667

	FEMA	Wiregrass Violent Crime	Dept of Justice	Drug Forfeiture	Municipal Court
\$	6,507	\$ 3,886	\$ 3,112	\$ 4,312	\$ 22,728
	-	18,674	-	-	-
	-	-	-	-	4,468
<hr/>					
\$	6,507	\$ 22,560	\$ 3,112	\$ 4,312	\$ 27,196
<hr/>					
\$	-	\$ 13,336	\$ -	\$ -	\$ -
	-	5,337	-	-	2,255
	6,507	3,887	3,112	4,312	24,941
<hr/>					
\$	6,507	\$ 22,560	\$ 3,112	\$ 4,312	\$ 27,196
<hr/>					

-Continued-

City of Ozark, Alabama
Combining Balance Sheet-Nonmajor Governmental Funds (Continued)
September 30, 2014

	CDBG	Alabama Trust Fund Improvements	Corrections Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,908	\$ 9,436	\$ 16,165	\$ 285,602
Receivables	-	-	-	18,674
Due from other funds	-	-	8,236	12,704
Total assets	\$ 5,908	\$ 9,436	\$ 24,401	\$ 316,980
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 13,336
Due to other funds	-	-	16,500	24,092
Fund balances				
Restricted	5,908	9,436	7,901	279,552
Total liabilities and fund balances	\$ 5,908	\$ 9,436	\$ 24,401	\$ 316,980

City of Ozark, Alabama
**Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances-Nonmajor Governmental Funds
 For the Year Ended September 30, 2014**

	Street	Four Cent Gas Tax	UDAG
Revenues			
Taxes	\$ 109,750	\$ 61,415	\$ -
Intergovernmental	-	-	-
Investment earnings	-	13	-
Miscellaneous	-	-	480
Total revenues	109,750	61,428	480
Expenditures			
Police department	-	-	-
Street	107,154	-	-
Engineering/inspections	-	-	-
Judicial	-	-	-
Capital outlay	-	-	-
Total expenditures	107,154	-	-
Excess (deficiency) of revenues over expenditures	2,596	61,428	480
Other Financing Sources (Uses)			
Transfers in (out)	(15,000)	-	-
Excess revenues and other sources over (under) expenditures and other (uses)	(12,404)	61,428	480
Fund Balances - beginning	49,203	101,654	13,187
Fund Balances - ending	\$ 36,799	\$ 163,082	\$ 13,667

		Wiregrass							
FEMA	Violent Crime	Dept of Justice	Drug Forfeiture	Municipal Court					
\$	-	\$	-	\$	-	\$	-		
666,950	113,395	-	-	764	-	-	-		
-	-	-	-	-	-	-	12		
-	-	-	-	-	-	-	-		
666,950	113,395	-	-	764	-	-	12		
-	84,517	20,966	3,770	-	-	-	-		
9	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	37,203		
-	-	12,400	3,911	-	-	-	-		
9	84,517	33,366	7,681	-	-	-	37,203		
666,941	28,878	(33,366)	(6,917)	-	-	-	(37,191)		
(666,950)	(28,905)	-	-	-	-	-	42,470		
(9)	(27)	(33,366)	(6,917)	-	-	-	5,279		
6,516	3,914	36,478	11,229	-	-	-	19,662		
\$	6,507	\$	3,887	\$	3,112	\$	4,312	\$	24,941

City of Ozark, Alabama

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

For the Year Ended September 30, 2014

	CDBG	Alabama Trust Fund Improvements	Corrections Fund	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 171,165
Intergovernmental	-	128,730	-	909,839
Investment earnings	-	46	10	81
Miscellaneous	-	-	-	480
Total revenues	-	128,776	10	1,081,565
Expenditures				
Police department	-	-	-	109,253
Street	-	-	-	107,163
Engineering/inspections	9	-	-	9
Judicial	-	-	2,400	39,603
Capital outlay	-	-	-	16,311
Total expenditures	9	-	2,400	272,339
Excess (deficiency) of revenues over expenditures	(9)	128,776	(2,390)	809,226
Other Financing Sources (Uses)				
Transfers in (out)	-	(187,821)	1,298	(854,908)
Excess revenues and other sources over (under) expenditures and other (uses)	(9)	(59,045)	(1,092)	(45,682)
Fund Balances - beginning	5,917	68,481	8,993	325,234
Fund Balances - ending	\$ 5,908	\$ 9,436	\$ 7,901	\$ 279,552

City of Ozark, Alabama
Schedules of Bond Amortization Requirements
September 30, 2014
(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
9/30/15	2.00%	\$ 140,000	\$ 126,365	\$ 266,365
9/30/16	1.75%	145,000	123,696	268,696
9/30/17	2.50%	150,000	120,553	270,553
9/30/18	2.50%	350,000	114,303	464,303
9/30/19	2.75%	360,000	104,978	464,978
9/30/20	3.00%	375,000	94,403	469,403
9/30/21	3.20%	385,000	82,618	467,618
9/30/22	3.40%	400,000	69,658	469,658
9/30/23	3.50%	405,000	55,770	460,770
9/30/24	3.60%	420,000	41,122	461,122
9/30/25	3.75%	440,000	25,312	465,312
9/30/26	3.75%	455,000	8,531	463,531
Total		\$ 4,025,000	\$ 967,309	\$ 4,992,309

City of Ozark, Alabama
Schedules of Bond Amortization Requirements
September 30, 2014
(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
9/30/15	2.00%	\$ 105,000	\$ 129,408	\$ 234,408
9/30/16	2.00%	145,000	126,908	271,908
9/30/17	2.00%	145,000	124,008	269,008
9/30/18	2.00%	-	122,557	122,557
9/30/19	2.00%	-	122,557	122,557
9/30/20	2.00%	-	122,557	122,557
9/30/21	2.00%	-	122,557	122,557
9/30/22	2.00%	-	122,557	122,557
9/30/23	2.00%	-	122,557	122,557
9/30/24	2.00%	-	122,557	122,557
9/30/25	2.00%	-	122,557	122,557
9/30/26	2.00%	-	122,558	122,558
9/30/27	2.80%	420,000	116,678	536,678
9/30/28	3.00%	435,000	104,273	539,273
9/30/29	3.00%	450,000	90,998	540,998
9/30/30	3.15%	465,000	76,924	541,924
9/30/31	3.30%	480,000	61,680	541,680
9/30/32	3.40%	495,000	45,345	540,345
9/30/33	3.50%	510,000	28,005	538,005
9/30/34	3.60%	530,000	9,540	539,540
Total		\$ 4,180,000	\$ 2,016,781	\$ 6,196,781

City of Ozark, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA #	Program Number	Federal Expenditures
U.S. Department of Homeland Security			
Federal Emergency Management Agency- Assistance to Firefighters Grant	97.044	EMW-2012-FO-05592	\$ 666,950
U.S. Department of Transportation			
Pass-through Alabama Department of Transportation:			
ARRA - Airport Improvements	20.106	3-01-0056-014-2013	103,686
ARRA - Airport Improvements	20.106	3-01-0056-015-2014	135,687
Pass-through Southeast Alabama Highway Safety			
Office, Enterprise State Community College: Hotspot Impaired Driving Enforcement	20.601	14-HS-M5-007	4,898
U.S. Department of Agriculture			
Pass-through Alabama Department of Education:			
Summer Food Service Program for Children	10.559	N/A	39,401
U.S. Department of Justice			
U.S. Marshals Service, Gulf Coast Regional Fugitive Task Force	16.000	JLEO-14-0439	559
Pass-through Alabama Department of Economic and Community Affairs:			
ARRA – Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories	16.803	13-DJ-01-021	113,395
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
Special Programs for Aging Title III Part C	93.045	N/A	3,240
Total Expenditures of Federal Awards			\$ 1,075,736

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, 2014

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, 2014. 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.

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.

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.



City of Ozark, Alabama
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

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, 2014, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

**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, each major fund, and the aggregate remaining fund information of City of Ozark, Alabama (the “City”), as of and for the year ended September 30, 2014, 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, 2015. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

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

Enterprise, Alabama

March 30, 2015

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 Office of Management and Budget (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, 2014. 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.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2014.

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, we considered the City's internal control over compliance with the type of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures 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 of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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, 2015

City of Ozark, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

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? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X 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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.044	Federal Emergency Management Agency- Assistance to Firefighters Grant

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

Auditee qualified as low-risk auditee? _____ yes X no

Section II – Financial Statements Findings

No matters were identified.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.