

**City of Cleveland**  
Financial Statements  
September 30, 2015

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# CITY OF CLEVELAND, MISSISSIPPI

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen  
City of Cleveland  
Cleveland, Mississippi

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***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 designing, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of September 30, 2015, 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's discussion and analysis and budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and Schedule of the City's Contributions 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 inquires 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 Cleveland, Mississippi's basic financial statements. The accompanying schedules in the other supplemental information section on pages 60 through 68, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information section on pages 60 through 68, as listed in the table of contents are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplemental information section on pages 60 through 68, as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules in the statistical section on pages 69 through 79, as listed in the table of contents, has 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016 on our consideration of the City of Cleveland, Mississippi's internal control over financial reporting and on our test 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 of Cleveland, Mississippi's internal control over financial reporting and compliance.

*Ellis & Hirsberg CPA's PLLC*

Ellis & Hirsberg CPA's PLLC  
Clarksdale, Mississippi  
June 30, 2016

**CITY OF CLEVELAND, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015**

Our discussion and analysis of the City of Cleveland's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2015. Readers should also review the basic financial statements and disclosures to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Cleveland exceeded its liabilities at the close of the most recent fiscal year by \$30,691,019 (net position). The net position decreased by \$10,070,063 or 24.70 percent under the previous year. The primary reason for the large decrease was the adoption of a new accounting standard (GASB 68) which relates to pensions.
- The City had \$16,699,677 in total revenues. Property tax revenues account for \$4,214,032 or 25.23 percent of total revenues. Sales and tourism taxes account for \$4,324,199 or 25.89 percent of total revenues. Charges for services account for \$5,384,883 or 32.25 percent of total revenues. The remainder of revenue is from federal and state grants, franchise taxes and other sources.
- The City had \$18,717,445 in total expenses which represents an increase of \$2,379,055 or 14.56 percent increase over the prior fiscal year. Expenses in the amounts of \$6,234,356 were offset by grants and charges for services. General revenues of \$10,465,321 were not adequate to provide for the remainder of the expenses.
- Among major funds, the General Fund had \$8,722,376 in revenues and \$8,207,631 in expenditures. The General Fund's fund balance increased \$263,568 over the prior year.
- The Economic Development and Tourism Fund had \$806,041 in revenues and \$2,244,109 in expenditures. The Economic Development and Tourism Fund's fund balance decreased by \$1,458,568 under the previous year. The primary reason for the large decrease was an appropriation provided to the Grammy Museum in the amount of \$1,500,000.
- The General Bond and Interest Fund had \$1,147,343 in revenues and \$1,102,671 in expenditures. The General Bond and Interest Fund's fund balance increased by \$44,672 over the previous year.
- The Baxter Bond Fund had \$19,120 in total revenues and \$104,589 in expenditures. Baxter Bond Fund's fund balance increased by \$559 over the previous year.
- The Public Improvement Bond Fund had \$15,929 in total revenues and \$697,115 in expenditures. The Public Improvement Bond Fund's fund balance increased by \$718,814 over the previous year. General obligation debt proceeds of \$1,400,000 were deposited into the fund during the year.
- The Economic Development Revolving Fund had \$20,081 in total revenues and \$0 in expenditures. The Economic Development Revolving Fund's fund balance increased by \$20,081 over the previous year.
- The Special Industrial Project Fund had \$17,734 in total revenues and \$124,304 in expenditures. The Special Industrial Project Fund's fund balance increased by \$102,400 over the previous year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Cleveland, Mississippi's basic financial statements which are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements, presented on pages 12 through 15 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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cleveland, Mississippi is improving or deteriorating.

The statement of activities presents information showing 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 future fiscal periods.

The government-wide financial statements distinguish functions of the City of Cleveland, Mississippi that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The government activities of the City include general government, public safety, public works, highways and streets, health and sanitation, shop department, education and recreation and economic and community development.

**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 of Cleveland, 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 can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable 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 effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Cleveland maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development and Tourism Fund, General Bond and Interest Fund, Baxter Bond Fund, Public Improvement Bond Fund, Economic Development Revolving Fund and Special Industrial Project Fund, all of which are considered to be major funds. All

other funds are considered non-major and are presented in a single column. The governmental fund financial statements are presented on pages 16 through 21.

The City of Cleveland adopts an annual budget. A budgetary comparison schedule has been provided for the General Fund and the major special revenue funds to demonstrate compliance with this budget.

**Proprietary Funds.** The City maintains two types of proprietary funds – an enterprise fund and an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for water and sewer operations. The fund is financed primarily through user fees. The internal service fund accounts for the accumulation of amounts used to pay health insurance claims and life insurance premiums for City employees.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are presented on pages 22 through 25.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds are much like that used for proprietary funds. The City's only fiduciary fund consists of the payroll clearing fund. Its financial statement can be found on page 26.

**Notes to the financial statements.** The notes, presented on pages 27 through 46, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Cleveland's budgetary control and pension standards on pages 47 through 59. Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 65.

## 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 of Cleveland, assets and deferred outflows exceeded liabilities and deferred inflows by \$30,691,019.

By far the largest portion of the City of Cleveland's net position, \$27,665,684 or 90.14% reflects its investment in capital assets (land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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 because the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the City's net position for the fiscal year ended September 30, 2015. GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

(Table 1)  
**City of Cleveland's Net Position**

|                                  | Governmental Activities |                   | Business-type Activities |                   | Total             |                   | Increase<br>(Decrease) | Percentage<br>Change |
|----------------------------------|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|------------------------|----------------------|
|                                  | 2015                    | 2014              | 2015                     | 2014              | 2015              | 2014              |                        |                      |
| Assets:                          |                         |                   |                          |                   |                   |                   |                        |                      |
| Current and other assets         | \$ 16,848,202           | 17,342,403        | 186,508                  | 610,646           | 17,034,710        | 17,953,049        | (918,339)              | -5.12%               |
| Capital assets, net              | 31,132,924              | 31,154,977        | 11,392,435               | 11,997,208        | 42,525,359        | 43,152,185        | (626,826)              | -1.45%               |
| Total assets                     | <u>47,981,126</u>       | <u>48,497,380</u> | <u>11,578,943</u>        | <u>12,607,854</u> | <u>59,560,069</u> | <u>61,105,234</u> | <u>(1,545,165)</u>     | <u>-2.53%</u>        |
| Deferred outflows of resources   | 1,831,471               |                   | 101,736                  |                   | 1,933,207         | 0                 | 1,933,207              | N/A                  |
| Liabilities:                     |                         |                   |                          |                   |                   |                   |                        |                      |
| Current liabilities              | 403,720                 | 361,617           | 38,278                   | 69,657            | 441,998           | 431,274           | 10,724                 | 2.49%                |
| Long-term debt                   | 7,848,247               | 7,652,377         | 7,598,979                | 8,171,265         | 15,447,226        | 15,823,642        | (376,416)              | -2.38%               |
| Net pension liability            | 10,295,106              |                   | 571,888                  |                   | 10,866,994        | 0                 | 10,866,994             | N/A                  |
| Total liabilities                | <u>18,547,073</u>       | <u>8,013,994</u>  | <u>8,209,145</u>         | <u>8,240,922</u>  | <u>26,756,218</u> | <u>16,254,916</u> | <u>10,501,302</u>      | <u>64.60%</u>        |
| Deferred inflows of resources    | 4,046,039               | 4,089,236         |                          |                   | 4,046,039         | 4,089,236         | (43,197)               | -1.06%               |
| Net Position:                    |                         |                   |                          |                   |                   |                   |                        |                      |
| Net investment in capital assets | 23,577,640              | 23,818,043        | 4,088,044                | 4,173,886         | 27,665,684        | 27,991,929        | (326,245)              | -1.17%               |
| Restricted                       | 7,705,517               | 8,600,809         |                          |                   | 7,705,517         | 8,600,809         | (895,292)              | -10.41%              |
| Unrestricted                     | (4,063,672)             | 3,975,298         | (616,510)                | 193,046           | (4,680,182)       | 4,168,344         | (8,848,526)            | -212.28%             |
| Total net position               | <u>\$ 27,219,485</u>    | <u>36,394,150</u> | <u>3,471,534</u>         | <u>4,366,932</u>  | <u>30,691,019</u> | <u>40,761,082</u> | <u>(10,070,063)</u>    | <u>-24.71%</u>       |

The City's total assets decreased \$1,545,165 during 2015 with business-type activities showing a decrease of \$1,028,911 and governmental activities showing a decrease of \$516,254. The decrease in business-type activities is attributed to depreciation of assets and the result of borrowing \$500,000 from the general fund during the year.

The City's total liabilities increased \$10,501,302. Proceeds of \$1,400,000 were received from the issuance of public improvement bonds. The implementation of new pension standards from GASB 68 and 71 increased debt by \$10,866,994. Payments on long-term debt of \$1,181,650 were made from governmental funds and \$560,935 from business-type activities fund.

The City's net position decreased \$10,070,063 as a result of the above mentioned items.

The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2015.

(Table 2)  
**City of Cleveland Changes in Net Position**

|  | Governmental Activities |                   | Business-type Activities |                  | Totals             |                   | Increase<br>(Decrease) | Percentage<br>Change |
|--|-------------------------|-------------------|--------------------------|------------------|--------------------|-------------------|------------------------|----------------------|
|  | 2015                    | 2014              | 2015                     | 2014             | 2015               | 2014              |                        |                      |
| <b>Program Revenues:</b>                   |                         |                   |                          |                  |                    |                   |                        |                      |
| Charges for services                       | \$ 2,072,728            | 2,071,062         | 3,312,155                | 2,997,415        | 5,384,883          | 5,068,477         | 316,406                | 6.24%                |
| Grants and contributions                   | 849,473                 | 393,956           |                          |                  | 849,473            | 393,956           | 455,517                | 115.63%              |
| <b>General Revenues:</b>                   |                         |                   |                          |                  |                    |                   |                        |                      |
| Property taxes                             | 4,214,032               | 4,026,448         |                          |                  | 4,214,032          | 4,026,448         | 187,584                | 4.66%                |
| Sales and tourism taxes                    | 4,324,199               | 4,183,535         |                          |                  | 4,324,199          | 4,183,535         | 140,664                | 3.36%                |
| Other taxes and other                      | 1,974,658               | 2,133,966         | (47,568)                 | 132,208          | 1,927,090          | 2,266,174         | (339,084)              | -14.96%              |
| <b>Total Revenues</b>                      | <b>13,435,090</b>       | <b>12,808,967</b> | <b>3,264,587</b>         | <b>3,129,623</b> | <b>16,699,677</b>  | <b>15,938,590</b> | <b>761,087</b>         | <b>4.78%</b>         |
| <b>Program Expenses:</b>                   |                         |                   |                          |                  |                    |                   |                        |                      |
| General government                         | 1,386,355               | 1,450,432         |                          |                  | 1,386,355          | 1,450,432         | (64,077)               | -4.42%               |
| Public safety                              | 4,636,473               | 4,483,923         |                          |                  | 4,636,473          | 4,483,923         | 152,550                | 3.40%                |
| Public works                               | 1,932,411               | 1,723,954         |                          |                  | 1,932,411          | 1,723,954         | 208,457                | 12.09%               |
| Highways and streets                       | 2,012,466               | 1,572,512         |                          |                  | 2,012,466          | 1,572,512         | 439,954                | 27.98%               |
| Health and sanitation                      | 1,606,338               | 1,573,515         |                          |                  | 1,606,338          | 1,573,515         | 32,823                 | 2.09%                |
| Shop department                            | 103,527                 | 98,350            |                          |                  | 103,527            | 98,350            | 5,177                  | 5.26%                |
| Education and recreation                   | 895,006                 | 953,476           |                          |                  | 895,006            | 953,476           | (58,470)               | -6.13%               |
| Economic and community dev.                | 2,220,092               | 735,902           |                          |                  | 2,220,092          | 735,902           | 1,484,190              | 201.68%              |
| Interest on long-term debt                 | 204,165                 | 215,922           |                          |                  | 204,165            | 215,922           | (11,757)               | -5.45%               |
| Water and sewer                            |                         |                   | 3,720,612                | 3,530,404        | 3,720,612          | 3,530,404         | 190,208                | 5.39%                |
| <b>Total Expenses</b>                      | <b>14,996,833</b>       | <b>12,807,986</b> | <b>3,720,612</b>         | <b>3,530,404</b> | <b>18,717,445</b>  | <b>16,338,390</b> | <b>2,379,055</b>       | <b>14.56%</b>        |
| <b>Increase (Decrease) in Net Position</b> | <b>\$ (1,561,743)</b>   | <b>981</b>        | <b>(456,025)</b>         | <b>(400,781)</b> | <b>(2,017,768)</b> | <b>(399,800)</b>  | <b>(1,617,968)</b>     | <b>-404.69%</b>      |

The City's governmental activities continue to be funded by sources other than property taxes, which comprise 31% of the total revenues. The other major revenue sources were sales and tourism taxes 32%, charges for services 15%, and grants and contributions 6%. The major expense activities were public safety, economic and community development, highways and streets, and public works which comprise 31%, 15%, 13%, and 13% of total expenses, respectively. The City remains totally committed to providing the services our residents expect and need.

Business-type activities are accounted for similar to businesses and are primarily supported by user fees. The City makes every effort to keep these fees as low as possible.

### FUND FINANCIAL ANALYSIS

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

Governmental funds. The focus of governmental fund reporting 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, unrestricted 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 the year ended, the City's governmental funds reported a combined fund balance of \$10,423,991 which is \$354,731 below last year's total of \$10,778,722. Total revenues were up \$477,319 and total expenditures were up \$1,737,354. A large portion of the expenditure increase resulted from an appropriation of \$1,500,000 for the Grammy Museum.

Governmental funds meeting the requirements for being reported as major funds include the General Fund, Economic Development and Tourism Fund, General Bond and Interest Fund, Baxter Bond Fund, Public Improvement Bond Fund, Economic Development Revolving Fund and Special Industrial Project Fund. Remaining governmental funds were combined and reported as non-major governmental funds.

Business-type funds. Revenue from the Water and Sewer Fund increased 11 percent to \$3,312,155 and expenses increased 6 percent to \$3,540,003. Revenue includes a settlement of \$175,000 from the company which installed the water meters. Some of the meters installed in the previous year were defective and did not result in accurate water readings.

### Major Fund Budgeting Highlights

The City’s budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. One of the most significant budgeted funds is the General Fund.

During the course of 2015, the City amended its general fund budget. All recommendations for budget changes come from the Chief Administrative Officer and are presented to the whole Mayor and Board of Aldermen for ordinance enactment on the change. The City does not allow budget changes that modify line items with departments without board approval. With the general fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments. Revisions in the general fund decreased budgeted expenditures by \$2,000.

Budget revisions were minor in the Economic Development and Tourism Fund, Public Improvement Bond Fund, Economic Development Revolving Fund and Special Industrial Project Fund.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2014, the City had \$42,525,359 invested in a broad range of capital assets, including police and fire equipment, buildings, park and recreation facilities, streets, bridges, and water and sewer lines. (See Table 3 following.) This amount represents a net decrease (including additions and deductions) of approximately \$626,826 or 1.45 percent under the prior year.

(Table 3)  
**CAPITAL ASSETS AT YEAR-END**  
 (Net of Accumulated Depreciation)

|                            | Governmental Activities |                   | Business-type Activities |                   | Totals            |                   | Increase<br>(Decrease) | Percentage<br>Change |
|----------------------------|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|------------------------|----------------------|
|                            | 2015                    | 2014              | 2015                     | 2014              | 2015              | 2014              |                        |                      |
| Land                       | \$ 4,605,367            | 4,605,367         | 1,259,935                | 1,259,935         | 5,865,302         | 5,865,302         | 0                      | 0.00%                |
| Buildings and improvements | 8,839,038               | 9,311,976         | 112,410                  | 118,450           | 8,951,448         | 9,430,426         | (478,978)              | -5.08%               |
| Equipment and fixtures     | 2,430,146               | 2,274,302         | 242,655                  | 352,282           | 2,672,801         | 2,626,584         | 46,217                 | 1.76%                |
| Infrastructure             | 14,405,497              | 14,928,340        | 9,777,435                | 10,266,541        | 24,182,932        | 25,194,881        | (1,011,949)            | -4.02%               |
| Construction in progress   | 852,876                 | 34,992            |                          |                   | 852,876           | 34,992            | 817,884                | 2337.35%             |
|                            | <u>\$ 31,132,924</u>    | <u>31,154,977</u> | <u>11,392,435</u>        | <u>11,997,208</u> | <u>42,525,359</u> | <u>43,152,185</u> | <u>(626,826)</u>       | <u>-1.45%</u>        |

The City of Cleveland continues to provide for the growth and stability of its citizenry through various construction and rehabilitation projects. The following highlights summarize the major project for the fiscal year of 2014-2015:

- The airport taxiway project continued with expenditures of \$817,884 during the year. The project is fund under an FAA federal grant providing 90% of construction costs. An additional 5% of funding is being provided by the State of Mississippi from the Mississippi Department of Transportation matching grant.

### Long-term Debt

At year-end, the City had \$14,859,675 in bonds, notes and leases outstanding compared to \$15,160,260 last year, a decrease of \$300,585. Of the total debt outstanding \$6,990,000 is backed by the full faith and credit of the City with debt service funded by voter-approved property taxes. The other major components are notes payable to the State of Mississippi for building in the industrial park of \$441,732 (supported by annual capital lease-sale payments of \$225,650), and notes payable to the State of Mississippi for water and sewer capital improvements of \$4,271,237 and are payable by sales tax revenue.

The City has assets under capital lease obligations consisting of a street sweeper and for new electronic water meters and related hardware items. The street sweeper is leased for a total of \$239,595. The street sweeper is leased through Cleveland State Bank at a rate of 2.75%. The lease term ends in December 2017. The balance remaining under the lease obligation at September 30, 2015 is \$123,552.

The water meters are leased through Siemens Public, Inc. at a rate of 2.92%. The initial lease term ends in August 2028 (25 years). Renewal options are provided in the lease. Payments under the leases are made by the water and sewer fund. The remaining obligation under the current lease agreement at September 30, 2015 is \$2,991,154.

The following table illustrates the total Long-term Debt of the City of Cleveland as of September 30, 2015:

(Table 4)  
**LONG-TERM DEBT**  
Outstanding at Year-end

|                          | Governmental Activities |                  | Business-type Activities |                  | Totals            |                   | Increase<br>(Decrease) | Percentage<br>Change |
|--------------------------|-------------------------|------------------|--------------------------|------------------|-------------------|-------------------|------------------------|----------------------|
|                          | 2015                    | 2014             | 2015                     | 2014             | 2015              | 2014              |                        |                      |
| General obligation bonds | \$ 6,990,000            | 6,610,000        |                          |                  | 6,990,000         | 6,610,000         | 380,000                | 5.75%                |
| Capital leases payable   | 123,552                 | 176,032          | 2,991,154                | 3,177,182        | 3,114,706         | 3,353,214         | (238,508)              | -7.11%               |
| Notes payable            | 441,732                 | 550,902          | 4,313,237                | 4,646,144        | 4,754,969         | 5,197,046         | (442,077)              | -8.51%               |
|                          | <u>\$ 7,555,284</u>     | <u>7,336,934</u> | <u>7,304,391</u>         | <u>7,823,326</u> | <u>14,859,675</u> | <u>15,160,260</u> | <u>(300,585)</u>       | <u>-1.98%</u>        |

New debt issued consisted of a \$1,400,000 public improvement bond and an initial draw of \$42,000 on a note with Planters Bank for a wastewater treatment plant. The City has \$796,653 available for future draws against the Planters Bank note. More detailed information about the City’s long-term liabilities is presented in Note 10 of the Notes to Financial Statements.

Not included above but reported as long-term debt in the financial statements is the accumulated employee leave time that would be paid as employees take leave or retire. Under GAAP reporting, this liability must be reported as compensated absence at year-end, due to contract language to the effect that the employee has “earned” this compensation.

### ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City’s elected and appointed officials considered many factors when setting the fiscal-year 2015 budget, tax rates, and fees that will be charged for the business-type activities. The total property tax millage rate of 40.0 mills is expected for the following year.

## **Contacting the City's Finance Department**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the Chief Administrative Officer or City Clerk, at 100 North Street or P. O. Box 1439, Cleveland, MS 38732.

CITY OF CLEVELAND, MISSISSIPPI

BASIC FINANCIAL STATEMENTS

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

|   | Governmental<br>Activities | Business-type<br>Activities | Total             |
|---|----------------------------|-----------------------------|-------------------|
| <b><u>ASSETS</u></b>                              |                            |                             |                   |
| Cash and cash equivalents                         | \$ 4,017,435               |                             | 4,017,435         |
| Accounts receivable                               | 152,937                    | 281,841                     | 434,778           |
| Current portion of lease receivable               | 312,755                    |                             | 312,755           |
| Intergovernmental receivable                      | 1,049,472                  |                             | 1,049,472         |
| Property taxes receivable                         | 4,046,039                  |                             | 4,046,039         |
| Franchise taxes receivable                        | 21,664                     |                             | 21,664            |
| Interest receivable                               | 18,492                     |                             | 18,492            |
| Internal balances                                 | 500,000                    | (500,000)                   | 0                 |
| Inventory   | 95,452                     | 129,624                     | 225,076           |
| Restricted assets:                                |                            |                             |                   |
| Cash and cash equivalents                         | 5,311,007                  | 275,043                     | 5,586,050         |
| Lease receivable, non-current                     | 1,252,949                  |                             | 1,252,949         |
| Loans receivable, non-current                     | 70,000                     |                             | 70,000            |
| Capital assets (net of accumulated depreciation): |                            |                             |                   |
| Land  | 4,605,367                  | 1,259,935                   | 5,865,302         |
| Construction in progress                          | 852,876                    |                             | 852,876           |
| Other capital assets, net                         | 25,674,681                 | 10,132,500                  | 35,807,181        |
| <b>Total Assets</b>                               | <b>47,981,126</b>          | <b>11,578,943</b>           | <b>59,560,069</b> |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>      |                            |                             |                   |
| Deferred outflows related to pensions             | 1,831,471                  | 101,736                     | 1,933,207         |
| <b><u>LIABILITIES</u></b>                         |                            |                             |                   |
| Accounts payable and accrued expenses             | 193,091                    | 38,278                      | 231,369           |
| Claims and judgments payable                      | 25,145                     |                             | 25,145            |
| Unearned revenue                                  | 180,484                    |                             | 180,484           |
| Due to bondholders                                | 5,000                      |                             | 5,000             |
| Long-term liabilities                             |                            |                             |                   |
| Net pension liability                             | 10,295,106                 | 571,888                     | 10,866,994        |
| Due within one year:                              |                            |                             |                   |
| Capital related debt                              | 1,201,546                  | 615,878                     | 1,817,424         |
| Liabilities payable from restricted assets:       |                            |                             |                   |
| Customer deposits                                 |                            | 285,098                     | 285,098           |
| Due in more than one year:                        |                            |                             |                   |
| Capital related debt                              | 6,353,738                  | 6,688,513                   | 13,042,251        |
| Non-capital related debt                          | 292,963                    | 9,490                       | 302,453           |
| <b>Total Liabilities</b>                          | <b>18,547,073</b>          | <b>8,209,145</b>            | <b>26,756,218</b> |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>       |                            |                             |                   |
| Property tax for future reporting period          | 4,046,039                  |                             | 4,046,039         |
| <b><u>NET POSITION</u></b>                        |                            |                             |                   |
| Net investment in capital assets                  | 23,577,640                 | 4,088,044                   | 27,665,684        |
| Restricted for:                                   |                            |                             |                   |
| HOME program                                      | 3,111                      |                             | 3,111             |
| Economic development                              | 3,247,708                  |                             | 3,247,708         |
| Education and recreation                          | 227,313                    |                             | 227,313           |

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

|                           | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>             |
|---------------------------|------------------------------------|-------------------------------------|--------------------------|
| Debt service              | 912,582                            |                                     | 912,582                  |
| Health and sanitation     | 351,619                            |                                     | 351,619                  |
| Public safety             | 374,523                            |                                     | 374,523                  |
| Public works              | 2,323,327                          |                                     | 2,323,327                |
| Unemployment              | 89,152                             |                                     | 89,152                   |
| Capital improvement       | 176,182                            |                                     | 176,182                  |
| Unrestricted              | <u>(4,063,672)</u>                 | <u>(616,510)</u>                    | <u>(4,680,182)</u>       |
| <b>Total Net Position</b> | <b>\$ <u>27,219,485</u></b>        | <b><u>3,471,534</u></b>             | <b><u>30,691,019</u></b> |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
**September 30, 2015**

|  | Expenses             | Charges for Services | Program Revenues                   |                                  | Net (Expense) Revenue and Change in Net Position |                          | Total               |
|--|----------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|---------------------|
|  |                      |                      | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                          | Business-type Activities |                     |
| <b>FUNCTIONS / PROGRAMS</b>                            |                      |                      |                                    |                                  |  |                          |                     |
| Governmental activities:                               |                      |                      |                                    |                                  |  |                          |                     |
| General government                                     | \$ 1,386,355         |                      |                                    |                                  | (1,386,355)                                      |                          | (1,386,355)         |
| Public safety  | 4,636,473            |                      |                                    |                                  | (4,636,473)                                      |                          | (4,636,473)         |
| Public works   | 1,932,411            | 639,000              |                                    | 746,948                          | (546,463)  |                          | (546,463)           |
| Highways and streets                                   | 2,012,466            |                      |                                    |                                  | (2,012,466)                                      |                          | (2,012,466)         |
| Health and sanitation                                  | 1,606,338            | 1,429,155            |                                    |                                  | (177,183)  |                          | (177,183)           |
| Shop department  | 103,527              |                      |                                    |                                  | (103,527)  |                          | (103,527)           |
| Education and recreation                               | 895,006              | 4,573                |                                    |                                  | (890,433)  |                          | (890,433)           |
| Economic and community development                     | 2,220,092            |                      |                                    | 102,525                          | (2,117,567)                                      |                          | (2,117,567)         |
| Interest on long-term debt                             | 204,165              |                      |                                    |                                  | (204,165)  |                          | (204,165)           |
| <b>Total governmental activities</b>                   | <b>14,996,833</b>    | <b>2,072,728</b>     | <b>0</b>                           | <b>849,473</b>                   | <b>(12,074,632)</b>                              | <b>0</b>                 | <b>(12,074,632)</b> |
| Business-type activities:                              |                      |                      |                                    |                                  |  |                          |                     |
| Water and sewer  | 3,720,612            | 3,312,155            |                                    |                                  |  | (408,457)                | (408,457)           |
| <b>Total business-type activities</b>                  | <b>3,720,612</b>     | <b>3,312,155</b>     | <b>0</b>                           | <b>0</b>                         | <b>0</b>   | <b>(408,457)</b>         | <b>(408,457)</b>    |
| <b>Total primary government</b>                        | <b>\$ 18,717,445</b> | <b>5,384,883</b>     | <b>0</b>                           | <b>849,473</b>                   | <b>(12,074,632)</b>                              | <b>(408,457)</b>         | <b>(12,483,089)</b> |
| General revenues:                                      |                      |                      |                                    |                                  |  |                          |                     |
| Property taxes   |                      |                      |                                    |                                  | \$ 4,214,032                                     |                          | 4,214,032           |
| Sales and tourism taxes                                |                      |                      |                                    |                                  | 4,324,199  |                          | 4,324,199           |
| Franchise taxes  |                      |                      |                                    |                                  | 380,815  |                          | 380,815             |
| Other taxes and other                                  |                      |                      |                                    |                                  | 1,460,382  |                          | 1,460,382           |
| Unrestricted interest income                           |                      |                      |                                    |                                  | 98,380   | 4,584                    | 102,964             |
| Interest income on capital lease-sale of building      |                      |                      |                                    |                                  | 35,080   |                          | 35,080              |
| Loss on disposal of equipment                          |                      |                      |                                    |                                  |  | (52,151)                 | (52,151)            |
| Transfers  |                      |                      |                                    |                                  | 1  | (1)                      | 0                   |
| <b>Total general revenues and transfers</b>            |                      |                      |                                    |                                  | <b>10,512,889</b>                                | <b>(47,568)</b>          | <b>10,465,321</b>   |
| <b>Change in net position</b>                          |                      |                      |                                    |                                  | <b>(1,561,743)</b>                               | <b>(456,025)</b>         | <b>(2,017,768)</b>  |
| <b>Net position, beginning, as previously reported</b> |                      |                      |                                    |                                  | <b>36,394,150</b>                                | <b>4,366,932</b>         | <b>40,761,082</b>   |
| <b>Prior period adjustments</b>                        |                      |                      |                                    |                                  | <b>(7,612,922)</b>                               | <b>(439,373)</b>         | <b>(8,052,295)</b>  |
| <b>Net position, beginning, as restated</b>            |                      |                      |                                    |                                  | <b>28,781,228</b>                                | <b>3,927,559</b>         | <b>32,708,787</b>   |
| <b>Net position, ending</b>                            |                      |                      |                                    |                                  | <b>\$ 27,219,485</b>                             | <b>3,471,534</b>         | <b>30,691,019</b>   |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2015**

|   | General<br>Fund     | Economic<br>Development<br>and Tourism<br>Fund | General<br>Bond<br>and Interest<br>Fund | Baxter Bond<br>Fund | Public<br>Improvement<br>Bond<br>Fund | Economic<br>Development<br>Revolving<br>Fund | Special<br>Industrial<br>Project<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--|---|---------------------|---------------------------------------|--|--|------------------------------------|--------------------------------|
| <b><u>ASSETS</u></b>                        |                     |  |   |                     |                                       |  |  |                                    |                                |
| Cash and cash equivalents                   | \$ 2,657,614        |  |   |                     |                                       |  |  | 772,940                            | 3,430,554                      |
| Receivables:                                |                     |  |   |                     |                                       |  |  |                                    |                                |
| Accounts                                    | 36,358              |  |   |                     |                                       |  |  | 83,701                             | 120,059                        |
| Property taxes                              | 2,478,199           |  | 1,163,236                               |                     |                                       |  |  | 404,604                            | 4,046,039                      |
| Franchise fee                               | 21,664              |  |   |                     |                                       |  |  |                                    | 21,664                         |
| Intergovernmental                           | 567,448             | 148,761  | 12,828                                  |                     |                                       |  |  | 320,435                            | 1,049,472                      |
| Advances to other funds                     | 570,000             |  |   |                     |                                       | 465,348                                      |  |                                    | 1,035,348                      |
| Lease receivable, current                   |                     |  |   | 87,105              |                                       |  | 225,650                                  |                                    | 312,755                        |
| Inventory                                   | 95,452              |  |   |                     |                                       |  |  |                                    | 95,452                         |
| Restricted cash and cash equivalents        |                     | 486,663  | 385,097                                 | 3,166               | 2,323,327                             | 1,746,210                                    | 59,228                                   | 307,316                            | 5,311,007                      |
| Lease receivable, non-current               |                     |  |   | 575,999             |                                       |  | 676,950                                  |                                    | 1,252,949                      |
| Loan receivable, non-current                |                     |  |   |                     |                                       |  |  | 70,000                             | 70,000                         |
| <b>Total Assets</b>                         | <b>\$ 6,426,735</b> | <b>635,424</b>                                 | <b>1,561,161</b>                        | <b>666,270</b>      | <b>2,323,327</b>                      | <b>2,211,558</b>                             | <b>961,828</b>                           | <b>1,958,996</b>                   | <b>16,745,299</b>              |
| <b><u>LIABILITIES AND FUND BALANCES</u></b> |                     |  |   |                     |                                       |  |  |                                    |                                |
| <b><u>LIABILITIES</u></b>                   |                     |  |   |                     |                                       |  |  |                                    |                                |
| Accounts payable                            | \$ 39,133           | 2,655  |   |                     |                                       |  |  | 127,429                            | 169,217                        |
| Advances from other funds                   |                     |  |   |                     |                                       |  | 465,348                                  | 70,000                             | 535,348                        |
| Deferred revenue                            |                     |  |   | 516,491             |                                       |  | 868,729                                  |                                    | 1,385,220                      |
| Unearned revenue                            |                     |  |   | 146,613             |                                       |  | 33,871                                   |                                    | 180,484                        |
| Due to bondholders                          |                     |  | 5,000                                   |                     |                                       |  |  |                                    | 5,000                          |
| <b>Total Liabilities</b>                    | <b>39,133</b>       | <b>2,655</b>                                   | <b>5,000</b>                            | <b>663,104</b>      | <b>0</b>                              | <b>0</b>                                     | <b>1,367,948</b>                         | <b>197,429</b>                     | <b>2,275,269</b>               |

**CITY OF CLEVELAND, MISSISSIPPI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2015**

|   | General<br>Fund     | Economic<br>Development<br>and Tourism<br>Fund | General<br>Bond<br>and Interest<br>Fund | Baxter Bond<br>Fund | Public<br>Improvement<br>Bond<br>Fund | Economic<br>Development<br>Revolving<br>Fund | Special<br>Industrial<br>Project<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--|---|---------------------|---------------------------------------|--|--|------------------------------------|--------------------------------|
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                               |                     |  |   |                     |                                       |  |  |                                    |                                |
| Unavailable revenue - property taxes                                      | 2,478,199           |  | 1,163,236                               |                     |                                       |  |  | 404,604                            | 4,046,039                      |
| <b>Total deferred inflows of resources</b>                                | <b>2,478,199</b>    | <b>0</b>                                       | <b>1,163,236</b>                        | <b>0</b>            | <b>0</b>                              | <b>0</b>                                     | <b>0</b>                                 | <b>404,604</b>                     | <b>4,046,039</b>               |
| <b><u>FUND BALANCES</u></b>   |                     |  |   |                     |                                       |  |  |                                    |                                |
| Non-Spendable:  |                     |  |   |                     |                                       |  |  |                                    |                                |
| Inventory   | 95,452              |  |   |                     |                                       |  |  |                                    | 95,452                         |
| Advances  | 570,000             |  |   |                     |                                       | 465,348                                      |  |                                    | 1,035,348                      |
| Restricted for:   |                     |  |   |                     |                                       |  |  |                                    |                                |
| HOME program  |                     |  |   |                     |                                       |  |  | 3,111                              | 3,111                          |
| Economic development  |                     | 632,769  |   |                     |                                       | 1,746,210                                    |  |                                    | 2,378,979                      |
| Education and recreation  |                     |  |   |                     |                                       |  |  | 227,313                            | 227,313                        |
| Debt service  |                     |  | 392,925                                 | 3,166               |                                       |  |  |                                    | 396,091                        |
| Health and sanitation   |                     |  |   |                     |                                       |  |  | 351,619                            | 351,619                        |
| Public safety   |                     |  |   |                     |                                       |  |  | 374,523                            | 374,523                        |
| Public works  |                     |  |   |                     | 2,323,327                             |  |  |                                    | 2,323,327                      |
| Unemployment  |                     |  |   |                     |                                       |  |  | 89,152                             | 89,152                         |
| Capital improvement   |                     |  |   |                     |                                       |  |  | 176,182                            | 176,182                        |
| Assigned:   |                     |  |   |                     |                                       |  |  |                                    |                                |
| Public safety   |                     |  |   |                     |                                       |  |  | 135,063                            | 135,063                        |
| Unassigned  | 3,243,951           |  |   |                     |                                       |  | (406,120)                                |                                    | 2,837,831                      |
| <b>Total Fund Balances</b>  | <b>3,909,403</b>    | <b>632,769</b>                                 | <b>392,925</b>                          | <b>3,166</b>        | <b>2,323,327</b>                      | <b>2,211,558</b>                             | <b>(406,120)</b>                         | <b>1,356,963</b>                   | <b>10,423,991</b>              |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b> | <b>\$ 6,426,735</b> | <b>635,424</b>                                 | <b>1,561,161</b>                        | <b>666,270</b>      | <b>2,323,327</b>                      | <b>2,211,558</b>                             | <b>961,828</b>                           | <b>1,958,996</b>                   | <b>16,745,299</b>              |

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
September 30, 2015

|  |    |                          |
|--|----|--------------------------|
| Total fund balance - total governmental funds  | \$ | 10,423,991               |
| Amounts reported for governmental activities in the statement of net position are different because:   |    |                          |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$15,923,250  |    | 31,132,924               |
| Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds  |    | 1,385,220                |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.   |    | (7,848,247)              |
| Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds  |    | (10,295,106)             |
| Interest accrued on capital leases receivable not reported on governmental fund financial statements   |    | 18,492                   |
| Interest accrued on long-term liabilities not reported on governmental fund financial statements   |    | (23,874)                 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds:   |    | 1,831,471                |
| Internal service fund is used by management to administer health care coverage for employees. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Position. |    | <u>594,614</u>           |
| Net position of governmental activities  | \$ | <u><u>27,219,485</u></u> |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**September 30, 2015**

|                           | General<br>Fund  | Economic<br>Development<br>and Tourism<br>Fund | General<br>Bond<br>and Interest<br>Fund | Baxter Bond<br>Fund | Public<br>Improvement<br>Bond<br>Fund | Economic<br>Development<br>Revolving<br>Fund | Special<br>Industrial<br>Project<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------|------------------|--|---|---------------------|---------------------------------------|--|--|------------------------------------|--------------------------------|
| <b><u>REVENUES:</u></b>   |                  |  |   |                     |                                       |  |  |                                    |                                |
| Taxes                     | \$ 2,309,085     |  | 1,088,978                               |                     |                                       |  |  | 378,776                            | 3,776,839                      |
| Licenses and permits      | 94,699           |  |   |                     |                                       |  |  |                                    | 94,699                         |
| Intergovernmental         |                  |  |   |                     |                                       |  |  |                                    |                                |
| Federal grants            |                  |  |   |                     |                                       |  |  | 814,590                            | 814,590                        |
| State of Mississippi      |                  |  |   |                     |                                       |  |  |                                    |                                |
| Grants                    |                  |  |   |                     |                                       |  |  | 34,883                             | 34,883                         |
| General sales tax         | 3,540,895        |  |   |                     |                                       |  |  |                                    | 3,540,895                      |
| Tourism tax               |                  | 783,304  |   |                     |                                       |  |  |                                    | 783,304                        |
| Liquor licenses           | 14,400           |  |   |                     |                                       |  |  |                                    | 14,400                         |
| Amusement licenses        | 828              |  |   |                     |                                       |  |  |                                    | 828                            |
| Fire protection           |                  |  |   |                     |                                       |  |  | 67,111                             | 67,111                         |
| Gasoline tax              | 16,089           |  |   |                     |                                       |  |  |                                    | 16,089                         |
| Homestead reimbursement   | 116,449          |  | 54,660                                  |                     |                                       |  |  | 19,012                             | 190,121                        |
| Grand gulf                | 125,603          |  |   |                     |                                       |  |  |                                    | 125,603                        |
| Transportation            | 20,281           |  |   |                     |                                       |  |  |                                    | 20,281                         |
| Bolivar County            |                  |  |   |                     |                                       |  |  |                                    |                                |
| Road maintenance          | 382,348          |  |   |                     |                                       |  |  |                                    | 382,348                        |
| Privilege tax             | 54,845           |  |   |                     |                                       |  |  |                                    | 54,845                         |
| Animal shelter            |                  |  |   |                     |                                       |  |  | 50,000                             | 50,000                         |
| Charges for services      | 1,080,088        |  |   |                     |                                       |  |  | 992,640                            | 2,072,728                      |
| Franchise tax             | 344,272          |  |   |                     |                                       |  |  | 36,543                             | 380,815                        |
| Fines and forfeits        | 219,205          |  |   |                     |                                       |  |  | 4,590                              | 223,795                        |
| Interest income           | 28,456           | 9,800  | 3,705                                   | 19,120              | 15,929                                | 20,081                                       | 17,734                                   | 13,369                             | 128,194                        |
| Plant and airport rentals |                  |  |   |                     |                                       |  |  | 71,447                             | 71,447                         |
| Miscellaneous             | 374,833          | 12,937   |   |                     |                                       |  |  | 169,404                            | 557,174                        |
| <b>Total revenues:</b>    | <b>8,722,376</b> | <b>806,041</b>                                 | <b>1,147,343</b>                        | <b>19,120</b>       | <b>15,929</b>                         | <b>20,081</b>                                | <b>17,734</b>                            | <b>2,652,365</b>                   | <b>13,400,989</b>              |

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**September 30, 2015**

|  | General<br>Fund     | Economic<br>Development<br>and Tourism<br>Fund | General<br>Bond<br>and Interest<br>Fund | Baxter Bond<br>Fund | Public<br>Improvement<br>Bond<br>Fund | Economic<br>Development<br>Revolving<br>Fund | Special<br>Industrial<br>Project<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--|---|---------------------|---------------------------------------|--|--|------------------------------------|--------------------------------|
| <b><u>EXPENDITURES:</u></b>  |                     |  |   |                     |                                       |  |  |                                    |                                |
| Current:   |                     |  |   |                     |                                       |  |  |                                    |                                |
| General government   | 1,358,177           |  | 12,938                                  |                     | 41,605                                |  |  |                                    | 1,412,720                      |
| Public safety  | 4,104,008           |  |   |                     | 30,588                                |  |  | 2,164                              | 4,136,760                      |
| Public works   | 1,006,379           |  |   |                     | 217,774                               |  |  |                                    | 1,224,153                      |
| Highways and streets   | 1,199,285           |  |   |                     | 404,708                               |  |  |                                    | 1,603,993                      |
| Health and sanitation  | 369,762             |  |   |                     |                                       |  |  | 1,210,627                          | 1,580,389                      |
| Shop department  | 101,974             |  |   |                     |                                       |  |  |                                    | 101,974                        |
| Education and recreation   | 2,136               |  |   |                     |                                       |  |  | 784,122                            | 786,258                        |
| Economic and community development                                   |                     | 2,244,109                                      |   |                     |                                       |  |  | 101,825                            | 2,345,934                      |
| Capital projects   |                     |  |   |                     |                                       |  |  | 817,884                            | 817,884                        |
| Debt service:  |                     |  |   |                     |                                       |  |  |                                    |                                |
| Principal  | 52,480              |  | 955,000                                 | 65,000              |                                       |  | 109,170                                  |                                    | 1,181,650                      |
| Interest and fees  | 13,430              |  | 134,733                                 | 39,589              | 2,440                                 |  | 15,134                                   |                                    | 205,326                        |
| <b>Total expenditures</b>  | <b>8,207,631</b>    | <b>2,244,109</b>                               | <b>1,102,671</b>                        | <b>104,589</b>      | <b>697,115</b>                        | <b>0</b>                                     | <b>124,304</b>                           | <b>2,916,622</b>                   | <b>15,397,041</b>              |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>514,745</b>      | <b>(1,438,068)</b>                             | <b>44,672</b>                           | <b>(85,469)</b>     | <b>(681,186)</b>                      | <b>20,081</b>                                | <b>(106,570)</b>                         | <b>(264,257)</b>                   | <b>(1,996,052)</b>             |
| <b><u>OTHER FINANCING SOURCES (USES):</u></b>                        |                     |  |   |                     |                                       |  |  |                                    |                                |
| Transfers in from other funds  | 465,490             |  |   | 20,500              |                                       |  |  | 220,000                            | 705,990                        |
| Proceeds of long-term debt   |                     |  |   |                     | 1,400,000                             |  |  |                                    | 1,400,000                      |
| Lease principal payments   |                     |  |   | 65,528              |                                       |  | 208,970                                  |                                    | 274,498                        |
| Transfers out to other funds   | (683,489)           | (20,500)                                       |   |                     |                                       |  |  | (2,000)                            | (705,989)                      |
| Net other financing sources (uses)                                   | (217,999)           | (20,500)                                       | 0                                       | 86,028              | 1,400,000                             | 0  | 208,970                                  | 218,000                            | 1,674,499                      |
| <b>Net change in fund balances</b>                                   | <b>296,746</b>      | <b>(1,458,568)</b>                             | <b>44,672</b>                           | <b>559</b>          | <b>718,814</b>                        | <b>20,081</b>                                | <b>102,400</b>                           | <b>(46,257)</b>                    | <b>(321,553)</b>               |
| <b>Fund balances, beginning</b>                                      | <b>3,645,835</b>    | <b>2,091,337</b>                               | <b>348,253</b>                          | <b>2,607</b>        | <b>1,604,513</b>                      | <b>2,191,477</b>                             | <b>(508,520)</b>                         | <b>1,403,220</b>                   | <b>10,778,722</b>              |
| Increase (decrease) in reserve for inventory                         | (33,178)            |  |   |                     |                                       |  |  |                                    | (33,178)                       |
| <b>Fund balances, ending</b>   | <b>\$ 3,909,403</b> | <b>632,769</b>                                 | <b>392,925</b>                          | <b>3,166</b>        | <b>2,323,327</b>                      | <b>2,211,558</b>                             | <b>(406,120)</b>                         | <b>1,356,963</b>                   | <b>10,423,991</b>              |

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
September 30, 2015

|   |                              |
|---|------------------------------|
| Net changes in fund balances - total governmental funds   | \$ (321,553)                 |
| Amounts reported for governmental activities in the statement of activities are different because:  |                              |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$1,443,840 exceeded capital outlays of \$1,199,217.   | (244,623)                    |
| In the statement of activities, only the gain/loss on the disposition of assets is reported, while in the governmental funds, receipts are reported if there is a sale and an expenditure is reported if there is a purchase. Thus, a difference exists when an asset is disposed.  | (102,908)                    |
| Basis in assets transferred from enterprise fund  | 28,833                       |
| The proceeds of long-term debt provides financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Thus, the change in position differs from the change in fund balances by the amount that debt proceeds \$1,400,000 exceeded debt payments \$1,181,650 .  | (218,350)                    |
| Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balance by a combination of the following items: |                              |
| Compensated absences  | 22,480                       |
| Change in accrued interest on long-term debt  | 1,161                        |
| Principal payments received on capital lease receivable is not considered revenue on the statement of activities.   | (274,498)                    |
| Change in interest income accrual adjustment on statement of activities.  | (202)                        |
| An internal service fund is used by management to account for employee health insurance. The net expense is reported within governmental activities.  | 135,164                      |
| Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:  |                              |
| Recording of pension expense for the current period   | (737,841)                    |
| Recording of contributions made subsequent to the measurement date  | 183,772                      |
| Inventory adjustment included in statement of activities for government wide financial statements.  | (33,178)                     |
| Change in net position of governmental activities   | \$ <u><u>(1,561,743)</u></u> |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2015**

|   | Business-Type<br>Activities -<br>Enterprise Fund<br>Water & Sewer<br>Fund | Governmental<br>Activity<br>Internal<br>Service<br>Fund |
|---|---|---|
| <b><u>ASSETS</u></b>                                    |   |   |
| Current assets:   |   |   |
| Cash and cash equivalents                               | \$  | 586,881   |
| Accounts receivable                                     | 281,841   | 32,878  |
| Inventory   | 129,624   |   |
| <b>Total Current Assets</b>                             | <b>411,465</b>  | <b>619,759</b>  |
| Restricted assets:                                      |   |   |
| Cash and cash equivalents                               | 275,043   |   |
| <b>Total Restricted Assets</b>                          | <b>275,043</b>  |   |
| Non-current assets:                                     |   |   |
| Capital assets  |   |   |
| Land  | 1,259,935   |   |
| Other capital assets, net                               | 10,132,500  |   |
| <b>Total Non-Current Assets</b>                         | <b>11,392,435</b>   |   |
| <b>Total Assets</b>                                     | <b>12,078,943</b>   | <b>619,759</b>  |
| <b><u>Deferred Outflows of Resources</u></b>            |   |   |
| Deferred outflows related to pension                    | 101,736   |   |
|   |   |   |
| <b><u>LIABILITIES</u></b>                               |   |   |
| Current liabilities:                                    |   |   |
| Accounts payable and accrued expenses                   | 38,278  |   |
| Claims and judgments                                    |   | 25,145  |
| Due to other funds                                      | 500,000   |   |
| Current portion obligations under capital lease         | 191,598   |   |
| Current portion of long-term debt                       | 424,280   |   |
| <b>Total Current Liabilities</b>                        | <b>1,154,156</b>  | <b>25,145</b>   |
| Liabilities payable from restricted assets:             |   |   |
| Customer deposits                                       | 285,098   |   |
| <b>Total Liabilities Payable from Restricted Assets</b> | <b>285,098</b>  |   |
| Non-current liabilities:                                |   |   |
| Net pension liability                                   | 571,888   |   |
| Notes payable   | 3,888,957   |   |
| Obligations under capital lease                         | 2,799,556   |   |
| Compensated absences                                    | 9,490   |   |
| <b>Total Non-Current Liabilities</b>                    | <b>7,269,891</b>  |   |
| <b>Total liabilities</b>                                | <b>8,709,145</b>  | <b>25,145</b>   |
| <b><u>NET POSITION</u></b>                              |   |   |
| Net investment in capital assets                        | 4,088,044   |   |
| Unrestricted  | (616,510)   | 594,614   |
| <b>Total Net Position</b>                               | <b>\$ 3,471,534</b>   | <b>594,614</b>  |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2015**

|  | Business-Type<br>Activities -<br>Enterprise Fund<br>Water & Sewer<br>Fund | Governmental<br>Activity<br>Internal<br>Service<br>Fund |
|--|---|---|
| <b><u>OPERATING REVENUES:</u></b>                      |   |   |
| Charges for services:                                  |   |   |
| Water sales  | \$ 1,883,264  |   |
| Sewer sales  | 1,327,907   |   |
| Premiums   |   | 743,451   |
| Reinsurance reimbursement                              |   | 91,245  |
| Other  | 100,984   |   |
| <b>Total Operating Revenues</b>                        | <b>3,312,155</b>  | <b>834,696</b>  |
| <b><u>OPERATING EXPENSES:</u></b>                      |   |   |
| Personal services                                      | 354,101   |   |
| Contractual services                                   | 2,563,341   |   |
| Consumable supplies                                    | 64,777  |   |
| Depreciation expense                                   | 557,784   |   |
| Health claim payments                                  |   | 400,894   |
| Administrative fees                                    |   | 34,213  |
| Reinsurance premiums                                   |   | 241,932   |
| Life insurance premiums                                |   | 27,960  |
| <b>Total Operating Expenses</b>                        | <b>3,540,003</b>  | <b>704,999</b>  |
| <b>Operating Income (Loss)</b>                         | <b>(227,848)</b>  | <b>129,697</b>  |
| <b><u>NONOPERATING REVENUES (EXPENSES):</u></b>        |   |   |
| Interest income  | 4,584   | 5,467   |
| Loss on disposal of equipment                          | (52,151)  |   |
| Interest expense                                       | (180,609)   |   |
| <b>Total Nonoperating Revenues (Expenses)</b>          | <b>(228,176)</b>  | <b>5,467</b>  |
| <b>Net Income (Loss) Before Operating Transfers</b>    | <b>(456,024)</b>  | <b>135,164</b>  |
| <b><u>OPERATING TRANSFERS:</u></b>                     |   |   |
| Operating transfers in                                 | 463,489   |   |
| Operating transfers out                                | (463,490)   |   |
| <b>Net Operating Transfers</b>                         | <b>(1)</b>  | <b>-</b>  |
| <b>Net Income (Loss)</b>                               | <b>(456,025)</b>  | <b>135,164</b>  |
| <b>Net position, beginning, as previously reported</b> | 4,366,932   | 459,450   |
| <b>Prior period adjustment</b>                         | (439,373)   |   |
| <b>Net position, beginning, as restated</b>            | <b>3,927,559</b>  | <b>459,450</b>  |
| <b>Net position, ending</b>                            | <b>\$ 3,471,534</b>   | <b>594,614</b>  |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2015**

|   | <u>Business-Type<br/>Activities<br/>Enterprise Fund<br/>Water &amp; Sewer<br/>Fund</u> | <u>Governmental<br/>Activities<br/>Internal<br/>Service<br/>Fund</u> |
|---|--|--|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                          |  |  |
| Cash received from customers and users                                      | \$ 3,256,229   |  |
| Receipts for premiums   |  | 734,217  |
| Other receipts  | 100,984  | 91,245   |
| Payments to suppliers for goods and services                                | (2,818,357)  |  |
| Payments to employees   | (328,330)  |  |
| Payments for health claims  |  | (431,976)  |
| Payments for administrative fees  |  | (34,213)   |
| Payments for premiums   |  | (269,892)  |
| <b>Net Cash Provided (Used) by Operating Activities</b>                     | <b>210,526</b>   | <b>89,381</b>  |
| <b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>              |  |  |
| Operating transfers in  | 463,489  |  |
| Cash received from other funds  | 500,000  |  |
| Operating transfers out   | (463,490)  |  |
| <b>Net Cash Provided (Used) by Noncapital Financing Activities</b>          | <b>499,999</b>   | <b>-</b>   |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>     |  |  |
| Acquisition of property and equipment                                       | (5,161)  |  |
| Proceeds of bank loan   | 42,000   |  |
| Principal payments on long-term debt  | (374,904)  |  |
| Payments on capital lease obligations                                       | (186,028)  |  |
| Interest paid   | (180,609)  |  |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b> | <b>(704,702)</b>   |  |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>                         |  |  |
| Interest received on invested funds   | 4,584  | 5,469  |
| <b>Net Cash Provided (Used) by Investing Activities</b>                     | <b>4,584</b>   | <b>5,469</b>   |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                 | <b>10,407</b>  | <b>94,850</b>  |
| <b>Cash and Cash Equivalents, October 1</b>                                 | <b>264,636</b>   | <b>492,031</b>   |
| <b>Cash and Cash Equivalents, September 30</b>                              | <b>\$ 275,043</b>  | <b>586,881</b>   |

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2015**

|  | <u>Business-Type<br/>Activities<br/>Enterprise Fund<br/>Water &amp; Sewer<br/>Fund</u> | <u>Governmental<br/>Activities<br/>Internal<br/>Service<br/>Fund</u> |
|--|--|--|
| <b><u>RECONCILIATION OF OPERATING INCOME TO NET<br/>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b> |  |  |
| Operating income (loss)  | \$ (227,848)   | 129,697  |
| Adjustments to reconcile operating income (loss)<br>to net cash provided (used) by operating activities: |  |  |
| Depreciation   | 557,784  |  |
| (Increase) decrease in accounts receivable   | (3,072)  |  |
| (Increase) decrease in inventories   | (62,383)   |  |
| (Increase) decrease in deferred outflows   | (92,043)   |  |
| Increase (decrease) in water deposits  | (48,130)   |  |
| Increase (decrease) in accounts payable  | (31,381)   | (31,082)   |
| Increase (decrease) in claims and judgments  |  | (9,234)  |
| Increase (decrease) in net pension liability   | 122,824  |  |
| Increase (decrease) in compensated absences  | (5,225)  |  |
| <b>Total adjustments</b>   | <u>438,374</u>   | <u>(40,316)</u>  |
| <b>Net Cash Provided (Used) by Operating Activities</b>  | <u>\$ 210,526</u>  | <u>89,381</u>  |
| Unrestricted   | \$   | 586,881  |
| Restricted   | 275,043  |  |
| Total  | <u>\$ 275,043</u>  | <u>586,881</u>   |
| <b>Supplemental schedule of Non-cash financing activities:</b>   |  |  |
| Book value equipment removed from enterprise fund  | <u>52,151</u>  |  |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**September 30, 2015**

|                            | Agency<br>Funds        |
|----------------------------|------------------------|
| <b><u>ASSETS</u></b>       |                        |
| Cash and investments       | \$ <u>2,081</u>        |
| <b>Total Assets</b>        | \$ <u><u>2,081</u></u> |
| <b><u>LIABILITIES</u></b>  |                        |
| Intergovernmental payables | \$ <u>2,081</u>        |
| <b>Total Liabilities</b>   | \$ <u><u>2,081</u></u> |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Cleveland, Mississippi (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant of the government's accounting policies are described below.

**A. Financial Reporting Entity**

The City of Cleveland is located in Bolivar County, Mississippi, and operates under an elected Mayor-Board of Aldermen form of government. The City provides the following services to the citizenry: general administration; police and fire protection; street repair; economic and community development; water, sanitary sewer, and garbage disposal; parks and library services. The primary sources of revenues are property taxes, sales taxes, and utility billings. For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the City's governing board. As required by generally accepted accounting principles, various criteria are applied in order to determine any component units that should be reported as part of the City. Such criteria include management oversight responsibility by the elected officials such as decision-making authority, accountability to the City, legal and financial responsibility, and inter-agency relationships. Based upon the application of these criteria, there are no component units required by GAAP to be reported as part of the reporting entity of the City. The following represents an entity to which the City has a combined interest in conjunction with another government:

Robinson Carpenter Memorial Library - The City has a joint interest with Bolivar County, which is the primary oversight agency of the library. The City currently levies a 1.50 mill tax to support the library. This tax levy is remitted to the library monthly as it is collected.

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

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54 – *Fund Balance Reporting and Government Fund Type Definitions*. This Statement establishes fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

The City made the decision to implement this standard effective October 1, 2010.

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all non-fiduciary activities of the government. For the most part, the effect of interfund 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 on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities-and business-type activities of the City at year-end. The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues.

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

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity. However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report uses the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, tourism taxes, property taxes, franchise taxes, and intergovernmental revenues. In general, revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The City reports deferred revenue on its financial statements. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

Government Accounting Standards Board (GASB) Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

General Fund – The general fund is the primary operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Economic Development and Tourism Fund – The fund accounts for activities used for economic development within the area and the promotion of tourism.

General Bond and Interest Fund – This fund is a debt service fund used to account for the accumulation of resources for the payment of principal, interest, and related costs of general long-term debt.

Baxter Bond Fund – This fund is a debt service fund used to account for the accumulation of resources for the payment of principal, interest, and related costs of bonds issued to finance major capital improvements for Baxter Healthcare Corporation.

Public Improvement Bond Fund - This fund accounts for the proceeds and expenditures of public obligation debt issued by the City. Expenditures are primarily for public works projects.

Economic Development Revolving Fund – The fund accounts for resources in the construction of economic development projects.

Special Industrial Project Fund – The fund accounts for activities associated with a particular plant in the area.

The City reports the following proprietary funds.

Water & Sewer Fund – This fund accounts for revenues and expenses related to potable water and sanitary sewer services provided to residents of the City.

Internal Service Fund – The fund accounts for the accumulation of amounts used to pay health insurance claims and life insurance premiums for City employees.

The agency fund accounts for the assets held by the City in a fiduciary capacity.

## GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

#### PROPRIETARY FUND TYPES

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

Internal Service Fund – This fund accounts for risk financing activities for medical and life insurance benefits.

#### FIDUCIARY FUND TYPES

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

### **D. Cash and Cash Equivalents**

Cash of all funds, including restricted cash, is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. The City deposits excess funds in financial institutions selected by the board. State statutes specify how these depositories are to be selected.

Cash consists of amounts on deposit in demand accounts and savings accounts. Cash Equivalents consist of certificates of deposit with an original maturity of three months or less. Cash and cash equivalents are valued at cost which approximates their fair value.

### **E. Inventories**

Inventories in the governmental and enterprise funds consist of expendable supplies held for consumption. These inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) basis. The costs of these governmental fund type inventories are recorded as expenditures when purchased.

### **F. Capital Assets, Depreciation, and Amortization**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The following are the estimated useful lives used for computing depreciation:

|                           |               |
|---------------------------|---------------|
| Building and improvements | 10 - 50 years |
| Equipment and fixtures    | 5 - 10 years  |
| Infrastructure            | 20 - 40 years |
| Water and sewerage plant  | 20 - 40 years |

### **G. Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable, and accrued compensated absences.

Long-term debt of governmental funds is not reported in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for long-term debt in the proprietary funds report the liability as it is incurred.

### **H. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

### **I. Fund Equity**

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

Restricted net position - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation or other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - Consists of all other assets not meeting the definition of “restricted” or “net investment in capital assets.”

## Fund Financial Statements:

In October 2010 the City of Cleveland, Mississippi adopted GASB No. 54, Fund Balance Reporting and Government Fund Type Definitions.

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, or unassigned. Non-spendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board of Alderman through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the Board of Alderman. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Propriety fund equity is classified the same as in the government-wide statements.

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

### **J. Compensated Employee Absences**

Employees can accumulate vacation days and sick days up to a maximum at which point any additional days are lost. Employees are completely vested in vacation days up to the maximum that they can take or be paid for upon termination. Sick days may be taken only for bona fide sickness and are lost upon termination of employment.

### **K. Revenues – Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before they can be recognized.

### **L. Risk Management**

The City carries commercial insurance with respect to risks including, but not limited to, property damage and personal injury. Insurance coverage remains relatively constant, and settlement

amounts have not exceeded insurance coverage for the current year or the prior three years.

#### **M. Estimates and Assumptions**

A number of estimates and assumptions relating to the reporting of revenues, expense, expenditures, assets and liabilities, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

#### **N. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on October 1<sup>st</sup> and are due and payable at that time. All unpaid taxes levied October 1<sup>st</sup> become delinquent February 1<sup>st</sup> of the following year. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. The Bolivar County Tax Collector bills and collects taxes for the City. The millage rate for the City for the 2014 tax roll was 40.0 mills as: 24.50 mills for the general fund, 11.50 mills for the debt service fund, 2.00 mills for library maintenance, and 2.00 mills for park maintenance.

### **NOTE 2 BUDGET POLICY**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to August 1<sup>st</sup>, the City Clerk and Chief Administrative Officer submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
- B. Public notice is given of the City's budget meetings being open to the public, so that public hearings are conducted at City Hall to obtain taxpayer comments.
- C. Prior to September 15<sup>th</sup>, the budget is legally enacted through adoption by the Mayor and Board of Aldermen.
- D. The budget is formally revised during the year and properly amended by the Mayor and Board of Aldermen.
- E. Budgetary comparisons are employed by management as a management control device during the year for all funds.
- F. Appropriations lapse at the end of each fiscal year.

Mississippi laws require that municipalities budget revenue and expenditures on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the statement of revenues, expenditures, and fund balance be prepared according to the modified-accrual basis (GAAP). The major reconciling items between the budgetary and GAAP presentations are presented on the "budget to actual" statements.

**NOTE 3 PRIOR PERIOD ADJUSTMENT**

Statement of Activities

| <u>Explanation</u>                          | <u>Amount</u>         |
|---|-----------------------|
| Equipment not included in previous years    | \$ 296,644            |
| Pension adjustment (GASB 68 Implementation) | <u>(7,909,566)</u>    |
| Net prior period adjustment                 | <u>\$ (7,612,922)</u> |

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds

| <u>Explanation</u>                          | <u>Amount</u>       |
|---|---------------------|
| Pension adjustment (GASB 68 Implementation) | <u>\$ (439,373)</u> |
| Net prior period adjustment                 | <u>\$ (439,373)</u> |

**NOTE 4 CASH**

Cash

The carrying amount of the City’s total deposits with financial institutions at September 30, 2015 was \$9,605,566 and the bank balance was \$10,474,538. The collateral for public entities’ deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution’s trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

**NOTE 5 RECEIVABLES, UNCOLLECTIBLES, AND DEFERRED REVENUE**

**Enterprise Receivables**

Significant receivables include amounts due from customers for utility services that are based on monthly cycle billings. These accounts receivables and related revenues are reported net of estimated uncollectible amounts. Customer deposits are obtained to assist in the collection of such receivables. Accounts receivable at September 30, 2015 were \$281,841.

## Governmental Receivables

In the government-wide financial statements, the receivables and related revenues include all amounts due the City regardless of when cash is received. In the governmental fund financial statements, the revenues are offset and revenue recognition deferred by the amounts not received within 60 days of fiscal year-end. Intergovernmental receivables at September 30, 2015 include the following:

|                              |  |    |                         |
|------------------------------|--|----|-------------------------|
| <u>State of Mississippi:</u> | Sales Tax                                    | \$ | 530,681                 |
|                              | Tourism Tax                                  |    | 131,228                 |
| <u>Bolivar County:</u>       | Auto Ad Valorem                              |    | 44,620                  |
|                              | Privilege tax                                |    | 3,561                   |
|                              | Delinquent taxes                             |    | 588                     |
|                              | Road maintenance                             |    | 5,288                   |
| <u>Federal Grants:</u>       | Airport - FAA                                |    | 252,009                 |
|                              | Bicycle Trail - Department of Transportation |    | 17,533                  |
|                              | HOME Grant                                   |    | 51,450                  |
| <u>State Grants:</u>         | Other  |    | <u>12,514</u>           |
|                              | Total Intergovernmental Receivables          | \$ | <u><u>1,049,472</u></u> |

## Loans and Lease Receivable

### Faurecia Automotive Seating, Inc.

On June 4, 2004, the City entered into a capital lease-sale with Faurecia Automotive Seating, Inc. for land and building located in the industrial park. The City purchased this building for the purpose of leasing it to Faurecia Automotive Seating, Inc. The purchase of the building was financed as follows: City \$750,000 CAP Loan from Mississippi Development Authority, County \$750,000 CAP Loan from Mississippi Development Authority, Town of Renova \$250,000 grant, with the remainder of the approximately \$3,175,000 purchase price paid by the City. The City is responsible for the repayment of both of the \$750,000 CAP Loans (City and County) with the annual lease payments of \$225,650 payable from June 15, 2005 through June 15, 2019. The lessee has the option to purchase the land and building on or after the seventh anniversary date of the lease for the purchase price of \$3,000,000, plus interest at the rate of 1.548% per annum from the date of closing, less all sums paid as rent under the preceding lease. Minimum lease payments receivable at September 30, 2015 were:

| <u>Year Ending</u><br><u>September 30,</u> | <u>Principal</u><br><u>Portion</u> | <u>Interest</u><br><u>Portion</u> | <u>Total</u><br><u>Lease</u> |
|--|------------------------------------|-----------------------------------|------------------------------|
| 2016                                       | 212,205                            | 13,445                            | 225,650                      |
| 2017                                       | 215,489                            | 10,161                            | 225,650                      |
| 2018                                       | 218,824                            | 6,826                             | 225,650                      |
| 2019                                       | <u>222,211</u>                     | <u>3,439</u>                      | <u>225,650</u>               |
| Totals                                     | \$ <u><u>868,729</u></u>           | <u><u>33,871</u></u>              | <u><u>902,600</u></u>        |

### Baxter Healthcare Corporation

In the previous year, the City of Cleveland entered into an agreement with Baxter Healthcare Corporation (Baxter), the Mississippi Major Economic Impact Authority (MMEIA), and the Bolivar County Board of Supervisors. The agreement provides for major capital improvements to Baxter's manufacturing facilities located within the City of Cleveland. MMEIA was authorized by the

Legislature of the State of Mississippi to issue Impact Bonds totaling twenty-four million dollars (\$24,000,000). Of this amount eighteen million dollars (\$18,000,000) was to be loaned directly to Baxter from MMEIA. The remainder of six million dollars (\$6,000,000) was provided in the form of a grant from MMEIA to the City of Cleveland for use in Baxter's improvements. In addition, the City of Cleveland issued bonds for one million thirty-five thousand dollars (\$1,035,000) and Bolivar County issued bonds for one million thirty-five thousand dollars (\$1,035,000) for the construction project.

Baxter executed a lease agreement with the City and County to assist with the repayment of the bonds (\$1,035,000 each) issued by the City and County. The term of the lease is for fifteen years. The first lease payment was due November 1, 2007. The total lease payments are being remitted to the City of Cleveland. The City will pay to the County one-half of each lease payment received to assist with the repayment of the County's bonds. Lease payments are scheduled for November 1 and May 1 of each year. The payments are varied in amounts over the fifteen year term. The lessee has the option to purchase the improvements during the lease. Minimum lease payments receivable at September 30, 2015 were:

| Year Ending<br><u>September 30,</u> | <u>Principal<br/>Portion</u> | <u>Interest<br/>Portion</u> | <u>Total<br/>Lease</u> |
|-------------------------------------|------------------------------|-----------------------------|------------------------|
| 2016                                | 67,846                       | 19,259                      | 87,105                 |
| 2017                                | 70,037                       | 19,881                      | 89,918                 |
| 2018                                | 72,102                       | 20,467                      | 92,569                 |
| 2019                                | 74,042                       | 21,018                      | 95,060                 |
| 2020-2024                           | <u>232,464</u>               | <u>65,988</u>               | <u>298,452</u>         |
| Totals                              | \$ <u>516,491</u>            | <u>146,613</u>              | <u>663,104</u>         |

**NOTE 6 OPERATING LEASES**

The City receives income from property it leases under noncancellable operating leases. The lease property consists of newly constructed hangars at the airport. The leases began in 2013 and will continue for a period of twenty-five years. The future minimum lease receivables for these leases are as follows:

| <u>Year Ended September 30</u>  | <u>Amount</u>     |
|---------------------------------|-------------------|
| 2016                            | \$ 18,300         |
| 2017                            | 18,475            |
| 2018                            | 18,600            |
| 2019                            | 18,600            |
| 2020                            | 18,900            |
| 2021-2025                       | 89,800            |
| 2026-2030                       | 65,575            |
| 2031-2035                       | 37,150            |
| 2036-2040                       | 10,800            |
| Total Minimum Payments Required | <u>\$ 296,200</u> |

**NOTE 7 CAPITAL LEASES**

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

| Classes of Property                     | Governmental<br>Activities | Business-type<br>Activities |
|---|----------------------------|-----------------------------|
| Equipment and Fixtures (Street sweeper) | \$ 239,595                 |                             |
| Infrastructure (Water meters)           |                            | 3,357,802                   |
| Total                                   | 239,595                    | 3,357,802                   |
| Less: accumulated depreciation          | (77,013)                   | (214,899)                   |
| Leased property under capital leases    | <u>\$ 162,582</u>          | <u>3,142,903</u>            |

The following is a schedule by years of the total payments due as of September 30, 2015:

| Year Ending September 30 | Governmental Activities |              | Business-type Activities |                |
|--------------------------|-------------------------|--------------|--------------------------|----------------|
|                          | Principal               | Interest     | Principal                | Interest       |
| 2016                     | \$ 53,954               | 2,765        | 191,598                  | 86,454         |
| 2017                     | 55,485                  | 1,233        | 197,334                  | 80,717         |
| 2018                     | 14,112                  | 65           | 203,243                  | 74,809         |
| 2019                     |                         |              | 209,328                  | 68,724         |
| 2020                     |                         |              | 215,595                  | 62,456         |
| 2021-2025                |                         |              | 1,178,755                | 211,503        |
| 2026-2030                |                         |              | 795,301                  | 38,781         |
| Total                    | <u>\$ 123,551</u>       | <u>4,063</u> | <u>2,991,154</u>         | <u>623,444</u> |

## NOTE 8 RESTRICTED ASSETS

Certain assets are restricted for construction funded through long-term debt, federal grants and debt service. In addition, certain assets are held as deposits and are only potentially available for City use.

The bond resolutions have several requirements of the City concerning such items as the maintenance and segregation of accounts. The resolution stipulated the accumulation of certain funds for the protection of the bondholder, and in 2015 the City had the following restricted cash:

|                      | Economic<br>Development<br>and Tourism<br>Fund | General<br>Bond<br>and Interest<br>Fund | Baxter<br>Bond<br>Fund | Public<br>Improvement<br>Bond<br>Fund | Economic<br>Development<br>Revolving<br>Fund | Special<br>Industrial<br>Project<br>Fund | Water<br>and<br>Sewer | Other          |
|----------------------|--|---|------------------------|---------------------------------------|--|--|-----------------------|----------------|
| Capital improvements |  |   |                        |                                       |  | 59,228                                   |                       |                |
| Crime prevention     |  |   |                        |                                       |  |  |                       | 79,990         |
| Customer deposits    |  |   |                        |                                       |  |  | 275,043               |                |
| Debt service         |  | 385,097                                 | 3,166                  |                                       |  |  |                       |                |
| Economic development | 486,663  |   |                        |                                       | 1,746,210                                    |  |                       |                |
| HOME Program         |  |   |                        |                                       |  |  |                       | 3,111          |
| Public works         |  |   |                        | 2,323,327                             |  |  |                       | 135,063        |
| Unemployment         |  |   |                        |                                       |  |  |                       | 89,152         |
| Totals               | <u>\$ 486,663</u>                              | <u>385,097</u>                          | <u>3,166</u>           | <u>2,323,327</u>                      | <u>1,746,210</u>                             | <u>59,228</u>                            | <u>275,043</u>        | <u>307,316</u> |

## NOTE 9 CAPITAL ASSETS

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

|                                      | Not Being Depreciated |                                | Being Depreciated                |                              |                   | Total             |
|--------------------------------------|-----------------------|--------------------------------|----------------------------------|------------------------------|-------------------|-------------------|
|                                      | Land                  | Construction<br>in<br>Progress | Buildings<br>and<br>Improvements | Equipment<br>and<br>Fixtures | Infrastructure    |                   |
| Governmental Activities:             |                       |                                |                                  |                              |                   |                   |
| Capital Assets                       |                       |                                |                                  |                              |                   |                   |
| Balance, 10/01/14                    | \$ 4,605,367          | 34,992                         | 12,863,746                       | 7,737,948                    | 21,206,080        | 46,448,133        |
| Additions                            |                       | 817,884                        |                                  | 381,333                      |                   | 1,199,217         |
| Deletions                            |                       |                                | (10,500)                         | (1,012,495)                  |                   | (1,022,995)       |
| Adjustments                          |                       |                                |                                  | 431,819                      |                   | 431,819           |
| Balance, 09/30/15                    | <u>4,605,367</u>      | <u>852,876</u>                 | <u>12,853,246</u>                | <u>7,538,605</u>             | <u>21,206,080</u> | <u>47,056,174</u> |
| Accumulated Depreciation             |                       |                                |                                  |                              |                   |                   |
| Balance 10/01/14                     | 0                     | 0                              | 3,551,770                        | 5,463,646                    | 6,277,740         | 15,293,156        |
| Additions                            |                       |                                | 470,838                          | 450,159                      | 522,843           | 1,443,840         |
| Deletions                            |                       |                                | (8,400)                          | (911,687)                    |                   | (920,087)         |
| Adjustments                          |                       |                                |                                  | 106,341                      |                   | 106,341           |
| Balance, 09/30/15                    | <u>0</u>              | <u>0</u>                       | <u>4,014,208</u>                 | <u>5,108,459</u>             | <u>6,800,583</u>  | <u>15,923,250</u> |
| Governmental Activities Assets, Net  | <u>4,605,367</u>      | <u>852,876</u>                 | <u>8,839,038</u>                 | <u>2,430,146</u>             | <u>14,405,497</u> | <u>31,132,924</u> |
| Business-type Activities:            |                       |                                |                                  |                              |                   |                   |
| Capital Assets                       |                       |                                |                                  |                              |                   |                   |
| Balance, 10/01/14                    | 1,259,935             | 0                              | 301,983                          | 1,441,760                    | 32,784,276        | 35,787,954        |
| Additions                            |                       |                                |                                  | 5,162                        |                   | 5,162             |
| Deletions                            |                       |                                |                                  | (116,537)                    |                   | (116,537)         |
| Adjustments                          |                       |                                |                                  | (139,693)                    |                   | (139,693)         |
| Balance, 09/30/15                    | <u>1,259,935</u>      | <u>0</u>                       | <u>301,983</u>                   | <u>1,190,692</u>             | <u>32,784,276</u> | <u>35,536,886</u> |
| Accumulated Depreciation             |                       |                                |                                  |                              |                   |                   |
| Balance, 10/01/14                    | 0                     | 0                              | 183,533                          | 1,089,478                    | 22,517,735        | 23,790,746        |
| Additions                            |                       |                                | 6,040                            | 62,638                       | 489,106           | 557,784           |
| Deletions                            |                       |                                |                                  | (93,220)                     |                   | (93,220)          |
| Adjustments                          |                       |                                |                                  | (110,859)                    |                   | (110,859)         |
| Balance, 09/30/15                    | <u>0</u>              | <u>0</u>                       | <u>189,573</u>                   | <u>948,037</u>               | <u>23,006,841</u> | <u>24,144,451</u> |
| Business-type Activities Assets, Net | <u>1,259,935</u>      | <u>0</u>                       | <u>112,410</u>                   | <u>242,655</u>               | <u>9,777,435</u>  | <u>11,392,435</u> |
| Total Capital Assets, Net            | <u>\$ 5,865,302</u>   | <u>852,876</u>                 | <u>8,951,448</u>                 | <u>2,672,801</u>             | <u>24,182,932</u> | <u>42,525,359</u> |

Commitments with respect to unfinished capital projects at September 30, 2015, consisted of the following:

| Description of commitment                 | Remaining<br>Financial<br>Commitment | Expected<br>Completion<br>Date |
|---|--------------------------------------|--------------------------------|
| Construction commitment - airport taxiway | \$ 35,544                            | December 2015                  |
| Engineering services - airport taxiway    | 37,323                               | December 2015                  |
| Wastewater treatment plant                | 79,485                               | September 2016                 |

Depreciation expense was charged to City functions as follows:

|                               |                         |
|-------------------------------|-------------------------|
| Governmental Activities:      |                         |
| General government            | \$ 7,054                |
| Public safety                 | 306,390                 |
| Public works                  | 608,605                 |
| Highways and streets          | 362,070                 |
| Health and sanitation         | 14,164                  |
| Economic Development          | 19,463                  |
| Education and recreation      | <u>126,094</u>          |
| <br>Total                     | <br>\$ <u>1,443,840</u> |
| <br>Business-type Activities: |                         |
| Water and Sewer               | \$ <u>557,784</u>       |

## NOTE 10 LONG-TERM DEBT

The City's long-term debt is made up of general obligation bonds, industrial revenue bonds, and notes payable. General obligation bonds are direct obligations, and are backed by the full faith and credit of the City. Industrial revenue bonds are payable solely from the revenues of the underlying facilities. The City also incurs debt in the form of various notes payable which are to be repaid through daily operations.

The City is subject to a general statutory debt limitation under which no City in the State may incur general obligation bonded indebtedness in the amount which will exceed 15 percent of the assessed value of the taxable property within the City according to the last completed assessment for taxation.

In computing general obligation bonded indebtedness for purposes of such 15 percent limitation, there may be deducted all bonds or other evidences of indebtedness issued for school, water, and sewerage systems, gas and light and power purposes and for construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying a City's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case may a City contract any indebtedness payable in whole or in part from proceeds of ad valorem taxes which, when added to all of its outstanding general obligation indebtedness, both bonded and floating, exceeds 20 percent of the assessed value of the taxable property within such City.

In arriving at the limitations set forth, bonds issued for school purposes, bonds payable exclusively from the revenues of any municipally-owned utility, general obligation industrial bonds issued under provisions of Sections 57-1-1 to 57-1-51, Mississippi Code of 1972, Annotated, Revised 1989 and special assessment improvement bonds issued under the provisions of Sections 21-41-1 to 21-41-53, Mississippi Code of 1972, Annotated, Revised 1990, are not included. Also excluded from both limitations are contract obligations subject to annual appropriations.

The margin for additional debt under the above debt limits as of September 30, 2015 is approximately:

|                  |                  |
|------------------|------------------|
| <u>15% Limit</u> | <u>20% Limit</u> |
| \$8,344,635      | \$13,456,180     |

The following is a summary of changes in long-term debt for the year ended September 30, 2015.

|                                      | Balance<br>10/1/2014 | Additions        | Reductions       | Balance<br>9/30/2015 | Due within<br>one year |
|--------------------------------------|----------------------|------------------|------------------|----------------------|------------------------|
| <b>Governmental Activities:</b>      |                      |                  |                  |                      |                        |
| General Obligation Bonds             | \$ 6,610,000         | 1,400,000        | 1,020,000        | 6,990,000            | 1,035,000              |
| Notes Payable - State of MS          | 550,902              |                  | 109,170          | 441,732              | 112,592                |
| Lease Payable - Cleveland State Bank | 176,032              |                  | 52,480           | 123,552              | 53,954                 |
| Compensated Absences                 | 315,443              |                  | 22,480           | 292,963              |                        |
| Total Governmental Activities        | <u>7,652,377</u>     | <u>1,400,000</u> | <u>1,204,130</u> | <u>7,848,247</u>     | <u>1,201,546</u>       |
| <b>Business-type Activities:</b>     |                      |                  |                  |                      |                        |
| Notes Payable - State of MS          | 4,646,144            |                  | 374,907          | 4,271,237            | 382,280                |
| Note Payable - Planters Bank         |                      | 42,000           |                  | 42,000               | 42,000                 |
| Lease Payable - Siemens              | 3,177,182            |                  | 186,028          | 2,991,154            | 191,598                |
| Compensated Absences                 | 14,715               |                  | 5,225            | 9,490                |                        |
| Total Business-type Activities       | <u>7,838,041</u>     | <u>42,000</u>    | <u>566,160</u>   | <u>7,313,881</u>     | <u>615,878</u>         |
| Total Long-term Debt                 | <u>\$ 15,490,418</u> | <u>1,442,000</u> | <u>1,770,290</u> | <u>15,162,128</u>    | <u>1,817,424</u>       |

The City's General Bond and Interest Fund liquidates the debt on public improvement bonds. The Baxter Bond Fund pays the general obligation indebtedness for the Baxter bond issue. The Special Industrial Project Fund liquidates the notes to State of MS on the Faurecia project. The Water and Sewer Fund liquidates the business-type activities indebtedness. The compensated absences are paid mainly by the general fund except the portion that relates to business-type activities which is liquidated by the Water and Sewer Fund.

At September 30, 2015 bonds and notes payable consisted of the following individual issues:

| Description and Purpose            | Date of<br>Issue | Interest<br>Rates | Maturity | Original<br>Issue<br>Amount | Amount<br>Outstanding |
|------------------------------------|------------------|-------------------|----------|-----------------------------|-----------------------|
| <b>Governmental Activities:</b>    |                  |                   |          |                             |                       |
| <b>A. General Obligation Bonds</b> |                  |                   |          |                             |                       |
| Public Improvement                 | 5/1/06           | 4.00 - 5.00%      | 3/1/16   | 1,110,000                   | 115,000               |
| Public Improvement                 | 3/1/07           | 4.25 - 5.25%      | 3/1/17   | 1,130,000                   | 230,000               |
| General Obligation                 | 3/1/07           | 6.00 - 8.50%      | 3/1/17   | 1,035,000                   | 595,000               |
| Public Improvement                 | 5/1/10           | 2.50 - 3.50%      | 3/1/20   | 1,370,000                   | 695,000               |
| Public Improvement                 | 5/1/11           | 2.25 - 3.125%     | 3/1/21   | 1,145,000                   | 690,000               |
| Public Improvement                 | 1/26/12          | 1.50 - 2.125%     | 3/1/22   | 1,390,000                   | 980,000               |
| Public Improvement                 | 4/15/13          | 1.50 - 2.00%      | 3/1/23   | 1,200,000                   | 1,005,000             |
| Public Improvement                 | 4/15/14          | 2.00 - 2.60%      | 3/1/24   | 1,400,000                   | 1,280,000             |
| Public Improvement                 | 8/1/15           | 2.00 - 2.125%     | 8/1/25   | 1,400,000                   | 1,400,000             |
| Total General Obligation Bonds     |                  |                   |          |                             | <u>6,990,000</u>      |

B. Other Loans

|  |        |       |          |         |                            |
|--|--------|-------|----------|---------|----------------------------|
| State of Mississippi (MDA Faurecia - City)   | 6/7/04 | 3.00% | 6/1/23   | 750,000 | 220,866                    |
| State of Mississippi (MDA Faurecia - County) | 6/7/04 | 3.00% | 6/1/23   | 750,000 | 220,866                    |
| Cleveland State Bank (Street Sweeper Lease)  | 6/4/13 | 2.75% | 12/10/17 | 239,595 | 123,552                    |
| Total Other Loans                            |        |       |          |         | <u>565,284</u>             |
| Total Governmental Activities                |        |       |          |         | \$ <u><u>7,555,284</u></u> |

Business-type Activities:

| Description and Purpose | Date of Issue | Interest Rates | Maturity | Original Issue Amount | Amount Outstanding |
|-------------------------|---------------|----------------|----------|-----------------------|--------------------|
|-------------------------|---------------|----------------|----------|-----------------------|--------------------|

Business-type Activities:

A. Other Loans

|                                    |          |       |          |           |                            |
|------------------------------------|----------|-------|----------|-----------|----------------------------|
| State of Mississippi (MDEQ) #1     | 8/1/03   | 1.75% | 6/1/23   | 1,898,911 | 827,029                    |
| State of Mississippi (MDEQ) #2     | 9/25/03  | 1.75% | 9/1/24   | 1,557,801 | 776,784                    |
| State of Mississippi (MDEQ) #3     | 10/1/04  | 1.75% | 1/1/26   | 1,213,503 | 696,676                    |
| State of Mississippi (MDEQ) #4     | 10/14/05 | 2.50% | 4/1/27   | 1,905,000 | 1,083,390                  |
| State of Mississippi (MDEQ) #5     | 8/25/06  | 2.50% | 8/25/32  | 1,630,000 | 887,358                    |
| Planters Bank                      | 12/16/14 | 1.38% | 12/16/15 | 838,653   | 42,000                     |
| Siemens Public, Inc. Lease payable | 11/21/13 | 2.92% | 8/21/28  | 3,357,802 | 2,991,154                  |
| Total Other Loans                  |          |       |          |           | \$ <u><u>7,304,391</u></u> |

The annual debt service requirements of long-term debt as of September 30, 2015 are as follows:

Governmental Activities:

| Year Ending September 30, | General Obligation         |                       | Other Loans           |                      |
|---------------------------|----------------------------|-----------------------|-----------------------|----------------------|
|                           | Principal                  | Interest              | Principal             | Interest             |
| 2016                      | \$ 1,035,000               | 165,026               | 166,546               | 14,477               |
| 2017                      | 950,000                    | 138,005               | 171,501               | 9,521                |
| 2018                      | 855,000                    | 114,533               | 133,656               | 4,823                |
| 2019                      | 870,000                    | 92,426                | 93,581                | 1,192                |
| 2020                      | 890,000                    | 69,282                |                       |                      |
| 2021-2025                 | <u>2,390,000</u>           | <u>100,786</u>        |                       |                      |
| Total                     | \$ <u><u>6,990,000</u></u> | <u><u>680,058</u></u> | <u><u>565,284</u></u> | <u><u>30,013</u></u> |

Business-type Activities:

|           |  |                            |                         |
|-----------|--|----------------------------|-------------------------|
| 2016      |  | \$ 615,878                 | 168,241                 |
| 2017      |  | 587,139                    | 154,402                 |
| 2018      |  | 600,724                    | 140,817                 |
| 2019      |  | 614,640                    | 126,902                 |
| 2020      |  | 628,895                    | 112,645                 |
| 2021-2025 |  | 3,014,894                  | 342,535                 |
| 2026-2030 |  | <u>1,242,221</u>           | <u>50,651</u>           |
| Total     |  | \$ <u><u>7,304,391</u></u> | <u><u>1,096,193</u></u> |

**NOTE 11 INTERFUND TRANSACTIONS**

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or

component unit to support and simplify the administration of various projects or programs. The governmental and business-type funds financial statements reflect such transactions as transfers.

Balances at September 30, 2015 were as follows:

| <u>Transfers In</u> | <u>Transfers Out</u>                  |    |                         |
|---------------------|---------------------------------------|----|-------------------------|
| General Fund        | Enterprise Fund                       | \$ | 463,490                 |
| General Fund        | Nonmajor Fund                         |    | 2,000                   |
| Baxter Bond Fund    | Economic Development and Tourism Fund |    | 20,500                  |
| Enterprise Fund     | General Fund                          |    | 463,489                 |
| Nonmajor Fund       | General Fund                          |    | <u>220,000</u>          |
| Total               |                                       | \$ | <u><u>1,169,479</u></u> |

Individual fund interfund advance balances at September 30, 2015 arising from these transactions were as follows:

| <u>Receivable Fund</u>              | <u>Payable Fund</u>             |    | <u>Amount</u>           |
|-------------------------------------|---------------------------------|----|-------------------------|
| General Fund                        | Nonmajor Governmental Fund      | \$ | 70,000                  |
| General Fund                        | Enterprise Fund                 |    | 500,000                 |
| Economic Development Revolving Fund | Special Industrial Project Fund |    | <u>465,348</u>          |
| Totals                              |                                 | \$ | <u><u>1,035,348</u></u> |

Advances represent amounts due to another fund not expected to be repaid within one year. The advances above occurred in previous years.

## **NOTE 12 DEFINED BENEFIT PENSION PLAN**

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

**Plan Description.** The City of Cleveland contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit public employee retirement system. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee's Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Benefits provided.** Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS's Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is

granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years of creditable service for employees who became members of PERS before July 1, 2011) plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who become members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. A COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary that City of Cleveland is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were \$701,340, \$697,754 and \$660,596, respectively, which equaled the required contribution for each year.

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

At September 30, 2015, the City reported a liability of \$10,866,994 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015 the City's proportion was .0703 percent.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$1,295,158. At September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
|  | <u>                    </u>                   | <u>                    </u>                  |
| Differences between expected and actual experience                       | \$ 167,237                                    | \$   |
| Changes in assumptions   | 936,155                                       |  |
| Net difference between projected and actual earnings on plan investments | 635,835                                       |  |
| Contributions subsequent to the measurement date                         | <u>193,980</u>                                |  |
| Total  | <u><u>1,933,207</u></u>                       | <u><u>-</u></u>                              |

Contributions subsequent to the measurement date of \$193,980 will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                          |                         |
|--------------------------|-------------------------|
| Year ended September 30: |                         |
| 2016                     | \$ 564,618              |
| 2017                     | 564,618                 |
| 2018                     | 451,033                 |
| 2019                     | 158,959                 |
| Total                    | <u><u>1,739,228</u></u> |

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.00 percent  |
| Salary increases          | 3.75 – 19.00 percent, including inflation                                 |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2014 Health Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

| Asset Class             | Target Allocation     | Long-term Expected Real Rate of Return |
|-------------------------|-----------------------|--|
| U.S. Broad              | 34.00%                | 5.20%                                  |
| International Equity    | 19.00%                | 5.00%                                  |
| Emerging Markets Equity | 8.00%                 | 5.45%                                  |
| Fixed Income            | 20.00%                | 0.25%                                  |
| Real Assets             | 10.00%                | 4.00%                                  |
| Private Equity          | 8.00%                 | 6.15%                                  |
| Cash                    | 1.00%                 | -0.50%                                 |
| Total                   | <u><u>100.00%</u></u> |  |

Discount rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan’s

fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

|  | 1% Decrease<br>(7.00%) | Current<br>Discount Rate<br>(8.00%) | 1% Increase<br>(9.00%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share<br>of the net pension liability | \$ 14,323,693          | \$ 10,866,994                       | \$ 7,998,579           |

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report.

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City, after consultation with counsel, that the resolution of the matters will not have a material adverse effect on the financial condition of the government.

In the normal course of operations, the City receives grant funds from various federal and state awarding agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability of reimbursement which may arise as the result of these audits is not believed to be material.

**NOTE 14 SOLID WASTE DISPOSAL**

On October 1, 2014, the City contracted with RES Inc. to provide residential garbage collection and disposal. The rate is \$16.22 per month per residence. The agreement will continue until September 30, 2017. The City adopted the Solid Waste Management Plan for Bolivar County on September 27, 1993.

**NOTE 15 RISK MANAGEMENT**

The City of Cleveland is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City established an internal service fund, the health insurance trust fund, to account for and finance employee medical benefit claims. The plan is funded by transfers from the general fund to cover claims, administrative fees, reinsurance premiums and group life insurance premiums. Administrative fees and reinsurance premiums are billed to the City once a month by the plan administrator. Weekly claim amounts are billed to the City based upon the claims processed by the administrator. The City has purchased a reinsurance policy which pays claims in excess of \$25,000 for an individual participant. Based on current rates and enrollment the City is anticipated to have funds available to pay claims of approximately \$640,000 per year.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). An analysis of claims activities is presented below:

|           | Beginning of<br>Fiscal Year<br>Liability | Current Year<br>Claims and<br>Changes in<br>Estimates | Claim<br>Payments | Balance<br>at Fiscal<br>Year End |
|-----------|--|---|-------------------|----------------------------------|
| 2013-2014 | \$ 74,808                                | 987,340   | 1,005,923         | 56,225                           |
| 2014-2015 | 56,225                                   | 400,896   | 431,976           | 25,145                           |

**NOTE 16 DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS**

The Special Industrial Project Fund reported a deficit in fund balances of \$406,120 at September 30, 2015.

**NOTE 17 SUBSEQUENT EVENTS**

Events that occurred after the statement of assets, liabilities and net position, modified cash basis, date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the City of Cleveland evaluated the activity of the City through June 30, 2016 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

CITY OF CLEVELAND, MISSISSIPPI

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF CLEVELAND, MISSISSIPPI**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL (NON-GAAP BASIS)**  
**For the Fiscal Year Ended September 30, 2015**

|                                 | 9/30/2015        |                  |                   |                            |
|---------------------------------|------------------|------------------|-------------------|----------------------------|
|                                 | Budgeted Amount  |                  | Actual            | Variance                   |
|                                 | Original         | Final            | Non-GAAP<br>Basis | Favorable<br>(Unfavorable) |
| <b><u>REVENUES:</u></b>         |                  |                  |                   |                            |
| Licenses and permits            | \$ 656,000       | 656,000          | 597,850           | (58,150)                   |
| Fines and forfeits              | 199,000          | 199,000          | 182,996           | (16,004)                   |
| Grants and intergovernmental    | 3,903,604        | 3,903,604        | 3,636,661         | (266,943)                  |
| Charges for services            | 548,000          | 548,000          | 581,608           | 33,608                     |
| Miscellaneous revenues          | 795,400          | 795,400          | 923,843           | 128,443                    |
| Ad valorem taxes                | 2,504,656        | 2,504,656        | 2,423,172         | (81,484)                   |
| Miscellaneous taxes             | 50,780           | 50,780           | 54,208            | 3,428                      |
| Interfund transfers             | 463,490          | 463,490          | 465,490           | 2,000                      |
| <b>Total revenues</b>           | <b>9,120,930</b> | <b>9,120,930</b> | <b>8,865,828</b>  | <b>(255,102)</b>           |
| <b><u>EXPENDITURES:</u></b>     |                  |                  |                   |                            |
| <b>General government</b>       |                  |                  |                   |                            |
| Personal services               | 398,488          | 398,488          | 374,021           | 24,467                     |
| Contractual services            | 777,513          | 777,513          | 832,653           | (55,140)                   |
| Consumable supplies             | 60,900           | 60,900           | 34,966            | 25,934                     |
| Capital outlay                  | 13,000           | 13,000           | 3,991             | 9,009                      |
| Grants and subsidies            | 137,753          | 137,753          | 130,477           | 7,276                      |
| <b>Total general government</b> | <b>1,387,654</b> | <b>1,387,654</b> | <b>1,376,108</b>  | <b>11,546</b>              |
| <b>Public Safety</b>            |                  |                  |                   |                            |
| <b>Municipal Court</b>          |                  |                  |                   |                            |
| Personal services               | 145,532          | 145,532          | 133,681           | 11,851                     |
| Contractual services            | 215,200          | 215,200          | 194,548           | 20,652                     |
| Consumable supplies             | 9,100            | 9,100            | (284)             | 9,384                      |
| <b>Total municipal court</b>    | <b>369,832</b>   | <b>369,832</b>   | <b>327,945</b>    | <b>41,887</b>              |
| <b>Police Department</b>        |                  |                  |                   |                            |
| Personal services               | 3,248,382        | 3,248,382        | 3,033,222         | 215,160                    |
| Contractual services            | 122,825          | 122,825          | 100,828           | 21,997                     |
| Consumable supplies             | 227,250          | 227,250          | 136,109           | 91,141                     |
| Capital outlay                  | 71,500           | 71,500           | 96,196            | (24,696)                   |

**CITY OF CLEVELAND, MISSISSIPPI  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL (NON-GAAP BASIS)  
For the Fiscal Year Ended September 30, 2015**

|                                | 9/30/2015       |           |                   |                            |
|--------------------------------|-----------------|-----------|-------------------|----------------------------|
|                                | Budgeted Amount |           | Actual            | Variance                   |
|                                | Original        | Final     | Non-GAAP<br>Basis | Favorable<br>(Unfavorable) |
| <b>Total Police Department</b> | 3,669,957       | 3,669,957 | 3,366,355         | 303,602                    |
| <b>Fire Department</b>         |                 |           |                   |                            |
| Personal services              | 193,764         | 193,764   | 196,877           | (3,113)                    |
| Contractual services           | 127,375         | 127,375   | 119,052           | 8,323                      |
| Consumable supplies            | 97,250          | 97,250    | 84,406            | 12,844                     |
| Capital outlay                 | 14,000          | 14,000    | 13,399            | 601                        |
| <b>Total Fire Department</b>   | 432,389         | 432,389   | 413,734           | 18,655                     |
| <b>Total Public Safety</b>     | 4,472,178       | 4,472,178 | 4,108,034         | 364,144                    |
| <b>Public Works</b>            |                 |           |                   |                            |
| Code Compliance                |                 |           |                   |                            |
| Personal services              | 407,519         | 407,519   | 401,036           | 6,483                      |
| Contractual services           | 79,150          | 79,150    | 49,569            | 29,581                     |
| Consumable supplies            | 47,650          | 47,650    | 39,491            | 8,159                      |
| Capital outlay                 | 3,500           | 3,500     | 3,499             | 1                          |
| <b>Total Code Compliance</b>   | 537,819         | 537,819   | 493,595           | 44,224                     |
| Cemetery                       |                 |           |                   |                            |
| Personal services              | 125,561         | 125,561   | 126,776           | (1,215)                    |
| Contractual services           | 3,250           | 3,250     | 712               | 2,538                      |
| Consumable supplies            | 25,425          | 25,425    | 18,806            | 6,619                      |
| Capital outlay                 | 2,723           | 2,723     | 2,602             | 121                        |
| <b>Total Cemetery</b>          | 156,959         | 156,959   | 148,896           | 8,063                      |
| Airport                        |                 |           |                   |                            |
| Personal services              | 134,852         | 134,852   | 123,753           | 11,099                     |
| Contractual services           | 41,595          | 41,595    | 33,421            | 8,174                      |
| Consumable supplies            | 52,450          | 52,450    | 29,295            | 23,155                     |
| Capital outlay                 | 13,500          | 13,500    | 11,230            | 2,270                      |
| <b>Total Airport</b>           | 242,397         | 242,397   | 197,699           | 44,698                     |
| Groundskeeper                  |                 |           |                   |                            |
| Personal services              | 107,735         | 107,735   | 130,608           | (22,873)                   |
| Contractual services           | 1,100           | 1,100     | 937               | 163                        |

**CITY OF CLEVELAND, MISSISSIPPI**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL (NON-GAAP BASIS)**  
**For the Fiscal Year Ended September 30, 2015**

|   | 9/30/2015           |                  |                   |                            |
|---|---------------------|------------------|-------------------|----------------------------|
|   | Budgeted Amount     |                  | Actual            | Variance                   |
|   | Original            | Final            | Non-GAAP<br>Basis | Favorable<br>(Unfavorable) |
| Consumable supplies   | 27,000              | 27,000           | 21,108            | 5,892                      |
| Capital outlay  | 13,127              | 13,127           | 13,127            | -                          |
| <b>Total Groundskeeper</b>  | <b>148,962</b>      | <b>148,962</b>   | <b>165,780</b>    | <b>(16,818)</b>            |
| <b>Total public works</b>   | <b>1,086,137</b>    | <b>1,086,137</b> | <b>1,005,970</b>  | <b>80,167</b>              |
| <b>Highways and Streets</b>   |                     |                  |                   |                            |
| Personal services   | 705,710             | 705,710          | 749,988           | (44,278)                   |
| Contractual services  | 207,125             | 207,125          | 179,565           | 27,560                     |
| Consumable supplies   | 307,750             | 305,750          | 258,396           | 47,354                     |
| Capital outlay  | 506,344             | 506,344          | 65,910            | 440,434                    |
| <b>Total Highways and Streets</b>   | <b>1,726,929</b>    | <b>1,724,929</b> | <b>1,253,859</b>  | <b>471,070</b>             |
| <b>Health and sanitation</b>  |                     |                  |                   |                            |
| Mosquito Control  |                     |                  |                   |                            |
| Contractual services  | 425,660             | 425,660          | 369,762           | 55,898                     |
| <b>Total Mosquito Control</b>   | <b>425,660</b>      | <b>425,660</b>   | <b>369,762</b>    | <b>55,898</b>              |
| <b>Shop Department</b>  |                     |                  |                   |                            |
| Personal services   | 93,708              | 93,708           | 91,798            | 1,910                      |
| Contractual services  | 1,700               | 1,700            | 1,423             | 277                        |
| Consumable supplies   | 12,528              | 12,528           | 7,557             | 4,971                      |
| Capital outlay  | 1,438               | 1,438            | 1,398             | 40                         |
| <b>Total Shop Department</b>  | <b>109,374</b>      | <b>109,374</b>   | <b>102,176</b>    | <b>7,198</b>               |
| <b>Total Expenditures</b>   | <b>9,207,932</b>    | <b>9,205,932</b> | <b>8,215,909</b>  | <b>990,023</b>             |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b>  | <b>(87,002)</b>     | <b>(85,002)</b>  | <b>649,919</b>    | <b>(734,921)</b>           |
| <b><u>OTHER FINANCING SOURCES (USES):</u></b>   |                     |                  |                   |                            |
| <b>Operating transfers in (out)</b>   | <b>(220,000)</b>    | <b>(220,000)</b> | <b>(221,625)</b>  | <b>1,625</b>               |
| <b>Total other financing sources (uses)</b>   | <b>(220,000)</b>    | <b>(220,000)</b> | <b>(221,625)</b>  | <b>1,625</b>               |
| <b>Excess (deficiency) of revenues and<br/>other financing sources over (under)<br/>expenditures and other financing uses</b> | <b>\$ (307,002)</b> | <b>(305,002)</b> | <b>428,294</b>    | <b>(733,296)</b>           |

**CITY OF CLEVELAND, MISSISSIPPI**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL (NON-GAAP BASIS)**  
**For the Fiscal Year Ended September 30, 2015**

|  | 9/30/2015       |       |                            |                            |
|--|-----------------|-------|----------------------------|----------------------------|
|  | Budgeted Amount |       | Actual                     | Variance                   |
|  | Original        | Final | Non-GAAP<br>Basis          | Favorable<br>(Unfavorable) |
| <b>Adjustments to Generally Accepted</b>               |                 |       |                            |                            |
| <b>Accounting Principles Basis</b>                     |                 |       |                            |                            |
| Revenue and other sources credited to designated funds |                 |       | 322,038                    |                            |
| Expenditures charged to designated funds               |                 |       | <u>(453,586)</u>           |                            |
| Net Change in Fund Balances - GAAP Basis               |                 |       | 296,746                    |                            |
| <b>Fund balances, October 1</b>                        |                 |       | 3,645,835                  |                            |
| <b>Increase (decrease) in reserve for inventory</b>    |                 |       | <u>(33,178)</u>            |                            |
| <b>Fund balances, September 30</b>                     |                 |       | <u><u>\$ 3,909,403</u></u> |                            |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**ECONOMIC DEVELOPMENT AND TOURISM FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL (NON-GAAP BASIS)**  
**For the Fiscal Year Ended September 30, 2015**

|  | 9/30/2015          |                    |                    |                            |
|--|--------------------|--------------------|--------------------|----------------------------|
|  | Budgeted Amount    |                    | Actual             | Variance                   |
|  | Original           | Final              | Non-GAAP<br>Basis  | Favorable<br>(Unfavorable) |
| <b><u>REVENUES:</u></b>  |                    |                    |                    |                            |
| Tourism taxes  | \$ 700,000         | 700,000            | 774,536            | 74,536                     |
| Miscellaneous revenues   | 13,000             | 13,000             | 21,882             | 8,882                      |
| Gift shop sales  | 1,000              | 1,000              | 855                | (145)                      |
| <b>Total revenues</b>  | <b>714,000</b>     | <b>714,000</b>     | <b>797,273</b>     | <b>83,273</b>              |
| <b><u>EXPENDITURES:</u></b>  |                    |                    |                    |                            |
| All departments  |                    |                    |                    |                            |
| Contractual services   | 5,700              | 5,700              |                    | 5,700                      |
| Appropriation  | 2,149,000          | 2,149,000          | 1,989,023          | 159,977                    |
| Interfund transfers  | 20,500             | 20,500             | 20,500             | 0                          |
| Capital outlay   |                    |                    | 46,205             | (46,205)                   |
| <b>Total all departments</b>   | <b>2,175,200</b>   | <b>2,175,200</b>   | <b>2,055,728</b>   | <b>119,472</b>             |
| Railroad Heritage Museum   |                    |                    |                    |                            |
| Personal services  | 63,913             | 63,913             | 63,661             | 252                        |
| Contractual services   | 79,000             | 79,000             | 76,684             | 2,316                      |
| Consumable supplies  | 7,500              | 7,500              | 9,198              | (1,698)                    |
| Capital outlay   | 15,000             | 15,000             | 58,606             | (43,606)                   |
| <b>Total</b>   | <b>165,413</b>     | <b>165,413</b>     | <b>208,149</b>     | <b>(42,736)</b>            |
| TE Grant - Bicycle Path  |                    |                    |                    |                            |
| Capital outlay   |                    |                    | 1,810              | (1,810)                    |
| <b>Total expenditures</b>  | <b>2,340,613</b>   | <b>2,340,613</b>   | <b>2,265,687</b>   | <b>74,926</b>              |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>(1,626,613)</b> | <b>(1,626,613)</b> | <b>(1,468,414)</b> | <b>158,199</b>             |

**CITY OF CLEVELAND, MISSISSIPPI**  
**ECONOMIC DEVELOPMENT AND TOURISM FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL (NON-GAAP BASIS)**  
**For the Fiscal Year Ended September 30, 2015**

|   | 9/30/2015       |             |                   |                            |
|---|-----------------|-------------|-------------------|----------------------------|
|   | Budgeted Amount |             | Actual            | Variance                   |
|   | Original        | Final       | Non-GAAP<br>Basis | Favorable<br>(Unfavorable) |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                 |             |                   |                            |
| Operating transfers in (out)  | 183,435         | 183,435     | 183,435           | 0                          |
| <b>Total other financing sources (uses):</b>  | 183,435         | 183,435     | 183,435           | 0                          |
| <b>Excess (deficiency) of revenues and<br/>other financing sources over (under)<br/>expenditures and other financing uses</b> | \$ (1,443,178)  | (1,443,178) | (1,284,979)       | 158,199                    |
| <b>Adjustments to Generally Accepted<br/>Accounting Principles Basis</b>  |                 |             |                   |                            |
| Revenue and other sources credited to designated funds  |                 |             | (174,667)         |                            |
| Expenditures charged to designated funds  |                 |             | 1,078             |                            |
| Net change in Fund Balances - GAAP Basis  |                 |             | (1,458,568)       |                            |
| Fund balances, October 1  |                 |             | 2,091,337         |                            |
| Fund balances, September 30   |                 |             | 632,769           |                            |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**PUBLIC IMPROVEMENT BOND FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL (NON-GAAP BASIS)**  
**For the Fiscal Year Ended September 30, 2015**

|   | 9/30/2015             |                    |                   |                            |
|---|-----------------------|--------------------|-------------------|----------------------------|
|   | Budgeted Amount       |                    | Actual            | Variance                   |
|   | Original              | Final              | Non-GAAP<br>Basis | Favorable<br>(Unfavorable) |
| <b>REVENUES:</b>  |                       |                    |                   |                            |
| Miscellaneous Revenues  | \$ 12,600             | 12,600             | 15,929            | 3,329                      |
| <b>Total revenues</b>   | <b>12,600</b>         | <b>12,600</b>      | <b>15,929</b>     | <b>3,329</b>               |
| <b>EXPENDITURES:</b>  |                       |                    |                   |                            |
| <b>Public Works</b>   |                       |                    |                   |                            |
| Contractual services  | 28,000                | 28,000             | 2,440             | (25,560)                   |
| Capital outlay  | 2,672,769             | 2,672,769          | 694,885           | (1,977,884)                |
| <b>Total expenditures</b>   | <b>2,700,769</b>      | <b>2,700,769</b>   | <b>697,325</b>    | <b>(2,003,444)</b>         |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b>  | <b>(2,688,169)</b>    | <b>(2,688,169)</b> | <b>(681,396)</b>  | <b>2,006,773</b>           |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                       |                    |                   |                            |
| Bond proceeds   | 1,355,000             | 1,355,000          | 1,400,000         | 45,000                     |
| <b>Total other financing sources (uses):</b>  | <b>1,355,000</b>      | <b>1,355,000</b>   | <b>1,400,000</b>  | <b>45,000</b>              |
| <b>Excess (deficiency) of revenues and<br/>other financing sources over (under)<br/>expenditures and other financing uses</b> | <b>\$ (1,333,169)</b> | <b>(1,333,169)</b> | <b>718,604</b>    | <b>2,051,773</b>           |
| <b>Adjustments to Generally Accepted<br/>Accounting Principles Basis</b>  |                       |                    |                   |                            |
| Revenue and other sources credited to designated funds  |                       |                    | 210               |                            |
| Expenditures charged to designated funds  |                       |                    | 210               |                            |
| <b>Net change in Fund Balances - GAAP Basis</b>   |                       |                    | <b>718,814</b>    |                            |
| <b>Fund balances, October 1</b>   |                       |                    | <b>1,604,513</b>  |                            |
| <b>Fund balances, September 30</b>  |                       |                    | <b>2,323,327</b>  |                            |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**ECONOMIC DEVELOPMENT REVOLVING FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL (NON-GAAP BASIS)**  
**For the Fiscal Year Ended September 30, 2015**

|   | 9/30/2015           |                  |                 |                            |
|---|---------------------|------------------|-----------------|----------------------------|
|   | Budgeted Amount     |                  | Actual          | Variance                   |
|   | Original            | Final            | GAAP<br>Basis   | Favorable<br>(Unfavorable) |
| <b><u>REVENUES:</u></b>   |                     |                  |                 |                            |
| Federal Grants -CDBG  | \$ 1,107,360        | 1,107,360        |                 | (1,107,360)                |
| County Match  | 138,420             | 138,420          |                 | (138,420)                  |
| Miscellaneous revenues  | 15,950              | 15,950           | 20,081          | 4,131                      |
| <b>Total revenues</b>   | <b>1,261,730</b>    | <b>1,261,730</b> | <b>20,081</b>   | <b>(1,241,649)</b>         |
| <b><u>EXPENDITURES:</u></b>   |                     |                  |                 |                            |
| Contractual services  | 40,000              | 40,000           |                 | (40,000)                   |
| Capital Outlay  | 1,344,200           | 1,344,200        |                 | (1,344,200)                |
| <b>Total expenditures</b>   | <b>1,384,200</b>    | <b>1,384,200</b> | <b>0</b>        | <b>(1,384,200)</b>         |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b>  | <b>(122,470)</b>    | <b>(122,470)</b> | <b>20,081</b>   | <b>142,551</b>             |
| <b><u>OTHER FINANCING SOURCES (USES):</u></b>   |                     |                  |                 |                            |
| Operating transfers in  | 101,346             | 101,346          | 101,346         | 0                          |
| Operating transfers (out)   | (183,435)           | (183,435)        | (183,435)       |                            |
| <b>Total other financing sources (uses):</b>  | <b>(82,089)</b>     | <b>(82,089)</b>  | <b>(82,089)</b> | <b>0</b>                   |
| <b>Excess (deficiency) of revenues and<br/>other financing sources over (under)<br/>expenditures and other financing uses</b> | <b>\$ (204,559)</b> | <b>(204,559)</b> | <b>(62,008)</b> | <b>142,551</b>             |
| <b>Adjustments to Generally Accepted<br/>Accounting Principles Basis</b>  |                     |                  |                 |                            |
| Revenue and other sources credited to designated funds  |                     |                  | (101,346)       |                            |
| Expenditures charged to designated funds  |                     |                  | 183,435         |                            |
| Net change in Fund Balances - GAAP Basis  |                     |                  | 20,081          |                            |
| Fund balances, October 1  |                     |                  | 2,191,477       |                            |
| Fund balances, September 30   |                     |                  | 2,211,558       |                            |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**SPECIAL INDUSTRIAL PROJECT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL (NON-GAAP BASIS)**  
**For the Fiscal Year Ended September 30, 2015**

|   | 9/30/2015       |           |           |               |
|---|-----------------|-----------|-----------|---------------|
|   | Budgeted Amount |           | Actual    | Variance      |
|   | Original        | Final     | Non-GAAP  | Favorable     |
|   |                 |           | Basis     | (Unfavorable) |
| <b><u>REVENUES:</u></b>   |                 |           |           |               |
| Lease payment   | \$ 225,650      | 225,650   | 225,650   | 0             |
| Miscellaneous revenues  | 800             | 800       | 1,054     | 254           |
| <b>Total revenues</b>   | 226,450         | 226,450   | 226,704   | 254           |
| <b><u>EXPENDITURES:</u></b>   |                 |           |           |               |
| Contractual services  | 124,304         | 124,304   | 124,304   | 0             |
| <b>Total expenditures</b>   | 124,304         | 124,304   | 124,304   | 0             |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b>  | 102,146         | 102,146   | 102,400   | 254           |
| <b><u>OTHER FINANCING SOURCES (USES):</u></b>   |                 |           |           |               |
| Operating transfers in (out)  | (101,346)       | (101,346) | (101,346) | 0             |
| <b>Total other financing sources (uses):</b>  | (101,346)       | (101,346) | (101,346) | 0             |
| <b>Excess (deficiency) of revenues and<br/>other financing sources over (under)<br/>expenditures and other financing uses</b> | \$ 800          | 800       | 1,054     | 254           |
| <b>Adjustments to Generally Accepted<br/>Accounting Principles Basis</b>  |                 |           |           |               |
| Revenue and other sources credited to designated funds  |                 |           | 101,346   |               |
| Expenditures charged to designated funds  |                 |           | (101,346) |               |
| Net change in Fund Balances - GAAP Basis  |                 |           | 102,400   |               |
| Fund balances, October 1  |                 |           | (508,420) |               |
| Fund balances, September 30   |                 |           | (406,020) |               |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION**  
**For the Year Ended September 30, 2015**

Notes to the Required Supplemental Information

A. Budgetary Information.

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the City Clerk or chief administrative officer prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the originally legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

These differences have been reconciled at the end of each fund's comparison.

D. Excess of Actual Expenditures Over Budget in Individual Funds.

There were no funds with an excess of actual expenditures over budget for the year ended September 30, 2015.

E. Unbudgeted Funds.

There were no unbudgeted funds for the year ended September 30, 2015.

**City of Cleveland, Mississippi**  
**Required Supplementary Information**  
**Schedule of the City's Proportionate Share of the Net Pension Liability PERS**  
**Last 10 Fiscal Years**

|  | <b>2015</b> |
|--|-------------|
| City's proportion of the net pension liability   | 0.0703%     |
| City's proportionate share of the net pension liability  | 10,866,994  |
| City's covered employee payroll  | 4,390,822   |
| City's proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 247.49%     |
| Plan fiduciary net position as a percentage of the total pension<br>liability                              | 61.70%      |

The notes to the required supplementary information are an integral part of this schedule.

1. The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.
2. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and until a full 10 year trend is compiled, the City has only presented information for the years in which the information is available.

See accompanying notes to financial statements.

**City of Cleveland Mississippi**  
**Required Supplementary Information**  
**Schedule of City's Contributions**  
**PERS**  
**Last 10 years**

|  | <u><b>2015</b></u> |
|--|--------------------|
| Contractually required contribution                                  | \$ 701,340         |
| Contributions in relation to the contractually required contribution | <u>701,340</u>     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>        |
| City's covered-employee payroll                                      | 4,452,949          |
| Contributions as a percentage of covered-employee payroll            | 15.75%             |

The notes to the required supplementary information are an integral part of this schedule.

1. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and until a full 10 year trend is compiled, the City has only presented information for the years in which the information is available.

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI

OTHER SUPPLEMENTAL INFORMATION

**CITY OF CLEVELAND, MISSISSIPPI  
SCHEDULE OF CERTIFICATES OF DEPOSIT  
September 30, 2015**

SCHEDULE OF POOLED CERTIFICATES OF DEPOSIT:

The City did not have any certificates of deposit at September 30, 2015. Excess funds were maintained in money market accounts rather than certificates of deposit due to low interest rate conditions.

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**SCHEDULE OF MONTHLY BOND AND INTEREST REQUIREMENTS - GENERAL OBLIGATION BONDS**  
**September 30, 2015**

Monthly Bond and Interest Requirements - General Obligation Bond and Interest Fund  
For the Year Ended September 30, 2016

| <u>Date of Issue</u>                    | <u>Description</u>              | <u>Average Rate</u> | <u>Due Date</u> | <u>Where Payable</u>    | <u>Total Payable</u> | <u>Total Principal</u> | <u>Total Interest</u> |
|---|---------------------------------|---------------------|-----------------|-------------------------|----------------------|------------------------|-----------------------|
| <u>February - 2016</u>                  |                                 |                     |                 |                         |                      |                        |                       |
| 05/01/06                                | Public improvement bond         | 4.173%              | 03/01/15        | Trustmark National Bank | 117,300              | 115,000                | 2,300                 |
| 03/01/07                                | Public improvement bond         | 3.797%              | 03/01/15        | Trustmark National Bank | 119,456              | 115,000                | 4,456                 |
| 12/28/06                                | General obligation, series 2006 | 6.344%              | 11/01/14        | First National Bank     | 87,850               | 70,000                 | 17,850                |
| 05/01/10                                | Public improvement bond         | 3.181%              | 03/01/15        | Trustmark National Bank | 146,216              | 135,000                | 11,216                |
| 05/01/11                                | Public improvement bond         | 2.476%              | 03/01/15        | Trustmark National Bank | 123,984              | 115,000                | 8,984                 |
| 01/26/12                                | Public improvement bond         | 1.790%              | 03/01/15        | Trustmark National Bank | 148,225              | 140,000                | 8,225                 |
| 04/15/13                                | Public improvement bond         | 1.678%              | 03/01/15        | Bank Plus               | 118,719              | 110,000                | 8,719                 |
| 04/15/14                                | Public improvement bond         | 2.250%              | 03/01/15        | Hancock Bank            | 133,928              | 120,000                | 13,928                |
| 08/01/15                                | Public improvement bond         | 2.042%              | 03/01/16        | Planters Bank           | 129,016              | 115,000                | 14,016                |
| Total - March 2016                      |                                 |                     |                 |                         | <u>1,124,694</u>     | <u>1,035,000</u>       | <u>89,694</u>         |
| <u>August - 2016</u>                    |                                 |                     |                 |                         |                      |                        |                       |
| 05/01/06                                | Public improvement bond         | 4.173%              | 09/01/15        | Trustmark National Bank | 0                    |                        | 0                     |
| 03/01/07                                | Public improvement bond         | 3.797%              | 09/01/15        | Trustmark National Bank | 2,228                |                        | 2,228                 |
| 12/28/06                                | General obligation, series 2006 | 6.344%              | 05/01/15        | First National Bank     | 15,750               |                        | 15,750                |
| 05/01/10                                | Public improvement bond         | 3.181%              | 09/01/15        | Trustmark National Bank | 9,275                |                        | 9,275                 |
| 05/01/11                                | Public improvement bond         | 2.476%              | 09/01/15        | Trustmark National Bank | 7,691                |                        | 7,691                 |
| 01/26/12                                | Public improvement bond         | 1.790%              | 09/01/15        | Trustmark National Bank | 7,175                |                        | 7,175                 |
| 04/15/13                                | Public improvement bond         | 1.678%              | 09/01/15        | Bank Plus               | 7,619                |                        | 7,619                 |
| 04/15/13                                | Public improvement bond         | 2.250%              | 09/01/15        | Hancock Bank            | 12,728               |                        | 12,728                |
| 08/01/15                                | Public improvement bond         | 2.042%              | 09/01/16        | Planters Bank           | 12,866               |                        | 12,866                |
| Total - September 2016                  |                                 |                     |                 |                         | <u>75,332</u>        | <u>0</u>               | <u>75,332</u>         |
| Grand Totals - General Obligation Bonds |                                 |                     |                 |                         | <u>\$ 1,200,026</u>  | <u>1,035,000</u>       | <u>165,026</u>        |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**SCHEDULE OF LONG-TERM DEBT**  
**For the Fiscal Year Ended September 30, 2015**

| Date of<br>Issue                       | Description                                 | Balance<br>Outstanding<br>10/01/14 | Issued           | Redeemed         | Balance<br>Outstanding<br>09/30/15 |
|--|---|------------------------------------|------------------|------------------|------------------------------------|
| <b><u>GENERAL OBLIGATION BONDS</u></b> |   |                                    |                  |                  |                                    |
| 05/01/05                               | Public improvement bond                     | 110,000                            |                  | 110,000          | 0                                  |
| 05/01/06                               | Public improvement bond                     | 230,000                            |                  | 115,000          | 115,000                            |
| 12/28/06                               | General obligation, series 2006             | 345,000                            |                  | 115,000          | 230,000                            |
| 03/01/07                               | Public improvement bond                     | 660,000                            |                  | 65,000           | 595,000                            |
| 05/01/10                               | Public improvement bond                     | 830,000                            |                  | 135,000          | 695,000                            |
| 05/01/11                               | Public improvement bond                     | 805,000                            |                  | 115,000          | 690,000                            |
| 01/26/12                               | Public improvement bond                     | 1,120,000                          |                  | 140,000          | 980,000                            |
| 04/15/13                               | Public improvement bond                     | 1,110,000                          |                  | 105,000          | 1,005,000                          |
| 04/15/14                               | Public improvement bond                     | 1,400,000                          |                  | 120,000          | 1,280,000                          |
| 08/01/15                               | Public improvement bond                     |                                    | 1,400,000        |                  | 1,400,000                          |
|  | Total General Obligation Bonds              | <u>6,610,000</u>                   | <u>1,400,000</u> | <u>1,020,000</u> | <u>6,990,000</u>                   |
| <b><u>OTHER DEBT ISSUED</u></b>        |   |                                    |                  |                  |                                    |
| 08/01/03                               | MDEQ - Capital improvements                 | 925,809                            |                  | 98,779           | 827,030                            |
| 08/01/03                               | MDA - RLF Financing (City Faurecia)         | 275,451                            |                  | 54,585           | 220,866                            |
| 08/01/03                               | MDA - RLF Financing (County Faurecia)       | 275,451                            |                  | 54,585           | 220,866                            |
| 09/25/03                               | MDEQ - Capital improvements                 | 855,787                            |                  | 79,003           | 776,784                            |
| 04/21/06                               | MDEQ - Capital improvements                 | 756,772                            |                  | 60,096           | 696,676                            |
| 10/14/05                               | MDEQ - Capital improvements                 | 1,163,045                          |                  | 79,654           | 1,083,391                          |
| 08/25/06                               | MDEQ - Capital improvements                 | 944,731                            |                  | 57,372           | 887,359                            |
| 08/03/12                               | Siemens Public, Inc. (Water Meter Lease)    | 3,177,182                          |                  | 186,028          | 2,991,154                          |
| 12/16/14                               | Planters Bank                               |                                    | 42,000           |                  | 42,000                             |
| 06/04/13                               | Cleveland State Bank (Street Sweeper Lease) | 176,032                            |                  | 52,480           | 123,552                            |
|  | Total Other Debt Issued                     | <u>8,550,260</u>                   | <u>42,000</u>    | <u>722,582</u>   | <u>7,869,678</u>                   |
|  | Grand Total                                 | <u>\$ 15,160,260</u>               | <u>1,442,000</u> | <u>1,742,582</u> | <u>14,859,678</u>                  |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS**  
**September 30, 2015**

Insurance Agent of Record - Bolivar Insurance Agency, Inc.

| Coverage                | Amounts<br>Or Limits | Term<br>In Years | Expires | Company    | Comments           |
|-------------------------|----------------------|------------------|---------|------------|--------------------|
| Clint Johnson           | 50,000               | 1                | Aug-16  | Brierfield | Airport Director   |
| Maurice Smith           | 100,000              | 4                | Jul-17  | Brierfield | Alderman Ward 1    |
| Robert L. Sanders       | 100,000              | 1                | Jul-16  | Brierfield | Alderman Ward 2    |
| Danny Abraham           | 100,000              | 4                | Jul-17  | Brierfield | Alderman Ward 3    |
| Kirkham Povall          | 100,000              | 4                | Jul-17  | Brierfield | Alderman Ward 4    |
| James Paul Janoush      | 100,000              | 4                | Jul-17  | Brierfield | Alderman Ward 5    |
| Theodore Campbell       | 100,000              | 4                | Jul-17  | Brierfield | Alderman Ward 6    |
| Gary Gainspoletti       | 100,000              | 4                | Jul-17  | Brierfield | Alderman-At-Large  |
| Jamie Ferguson Jacks    | 50,000               | 1                | Jul-16  | St. Paul   | City Attorney      |
| Billy Trotter           | 50,000               | 1                | Mar-16  | St. Paul   | City Inspector     |
| Kimberly Hudson         | 50,000               | 1                | Jan-16  | St. Paul   | City Inspector     |
| Farae Wolfe             | 65,000               | 1                | Jun-16  | Western    | City Manager, HR   |
| Cindy Duffee            | 50,000               | 1                | Nov-16  | Brierfield | Code Compliance    |
| Brett Moorman           | 50,000               | 1                | Oct-16  | Brierfield | Code Director      |
| Jodie W Felton          | 50,000               | 1                | Jul-16  | Brierfield | Court Clerk        |
| Michele Lucas           | 50,000               | 1                | Mar-16  | St. Paul   | Court Clerk        |
| Patsy Lawson            | 50,000               | 1                | Jul-16  | St. Paul   | Court Clerk        |
| Linda Brown             | 65,000               | 1                | Oct-16  | St. Paul   | Deputy Clerk       |
| Billy Nowell            | 100,000              | 4                | Jul-17  | Brierfield | Mayor              |
| Barbara Robinson        | 50,000               | 1                | Aug-16  | Brierfield | Park Commission    |
| Stephen Glorioso        | 50,000               | 1                | Aug-16  | Brierfield | Park Commission    |
| Betha Watson            | 50,000               | 1                | Jul-16  | St. Paul   | Payroll            |
| Charles Bingham         | 50,000               | 1                | Oct-15  | St. Paul   | Police Chief       |
| Brandy Murphy           | 50,000               | 1                | Jan-16  | St. Paul   | Public Works Clerk |
| Hope Johnson            | 50,000               | 1                | Mar-16  | St. Paul   | Public Works Clerk |
| Rose Walters            | 50,000               | 1                | Jun-16  | Western    | Water Clerk        |
| Samantha Franklin Milum | 50,000               | 1                | Jun-16  | Brierfield | Water Clerk        |
| Marilyn D Adams Cox     | 50,000               | 1                | Aug-16  | St. Paul   | Water Supervisor   |
| Greg Jackson            | 50,000               | 1                | Jun-16  | Brierfield | Fire Inspector     |
| Britonya Goint          | 50,000               | 1                | Apr-16  | Western    | Collections Clerk  |
| Danita Staples          | 50,000               | 1                | Jan-16  | Brierfield | Home Inspector     |
| Tiffany Watson          | 50,000               | 1                | Jan-16  | Brierfield | Asst. City Clerk   |
| Dominique Green         | 50,000               | 1                | Sep-16  | Brierfield | City Clerk         |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended September 30, 2015**

| Federal Agency /<br>Pass-Through Entity /<br>Program Title   | Federal<br>CFDA<br>Number | Agency or<br>Pass-through<br>Number | Federal<br>Expenditures |
|--|---------------------------|-------------------------------------|-------------------------|
| U.S. Department of Housing and Urban Development<br>Office of Community Planning and Development<br>Passed Through Mississippi Development Authority<br>HOME Investment Partnerships Program | 14.239                    | 1220-MO8-SG-280-153                 | <u>103,425</u>          |
| U. S. Department of Transportation<br>Passed Through Mississippi Department of Transportation<br>Federal Aviation Administration   |                           |                                     |                         |
| Airport Improvement Program  | 20.106                    | 3-28-0015-018-2012                  | * 9,161                 |
| Airport Improvement Program  | 20.106                    | 3-28-0015-019-2014                  | * 559,946               |
| Airport Improvement Program  | 20.106                    | 3-28-0015-020-2015                  | * <u>166,990</u>        |
| Total Federal Aviation Administration  |                           |                                     | * <u>736,097</u>        |
| Passed Through Mississippi Department of Transportation<br>Highway Administration  |                           |                                     |                         |
| Recreational Trails Program  | 20.219                    | STP 0090-00-007-LPA                 | <u>1,810</u>            |
| Total Highway Planning and Construction Cluster  |                           |                                     | <u>1,810</u>            |
| Grand Total  |                           |                                     | <u>\$ 841,332</u>       |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended September 30, 2015**

**NOTE A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the grant activity of the City of Cleveland, Mississippi and is presented on the accrual basis of accounting. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the governmental fund financial statements.

\* Denotes major federal award program.

**CITY OF CLEVELAND, MISSISSIPPI**  
**GENERAL BOND AND INTEREST FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL (NON-GAAP BASIS)**  
**For the Fiscal Year Ended September 30, 2015**

|   | 9/30/2015        |                  |                       |                            |
|---|------------------|------------------|-----------------------|----------------------------|
|   | Budgeted Amount  |                  | Actual                | Variance                   |
|   | Original         | Final            | Non-GAAP<br>Basis     | Favorable<br>(Unfavorable) |
| <b><u>REVENUES:</u></b>   |                  |                  |                       |                            |
| Taxes   | \$ 1,175,656     | 1,175,656        | 1,142,530             | (33,126)                   |
| Interest Income   | 2,900            | 2,900            | 3,705                 | 805                        |
| <b>Total revenues</b>   | <u>1,178,556</u> | <u>1,178,556</u> | <u>1,146,235</u>      | <u>(32,321)</u>            |
| <b><u>EXPENDITURES:</u></b>   |                  |                  |                       |                            |
| Debt service  | 1,129,772        | 1,129,772        | 1,102,671             | 27,101                     |
| Total debt service  | <u>1,129,772</u> | <u>1,129,772</u> | <u>1,102,671</u>      | <u>27,101</u>              |
| <b>Total Expenditures</b>   | <u>1,129,772</u> | <u>1,129,772</u> | <u>1,102,671</u>      | <u>27,101</u>              |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b>  | <u>48,784</u>    | <u>48,784</u>    | <u>43,564</u>         | <u>(59,422)</u>            |
| <b>Excess (deficiency) of revenues and<br/>other financing sources over (under)<br/>expenditures and other financing uses</b> | <u>\$ 48,784</u> | <u>48,784</u>    | 43,564                | <u>(59,422)</u>            |
| <b>Adjustments to Generally Accepted<br/>Accounting Principles Basis</b>  |                  |                  |                       |                            |
| Revenue and other sources credited to designated funds  |                  |                  | <u>1,108</u>          |                            |
| Net change in Fund Balances - GAAP Basis  |                  |                  | 44,672                |                            |
| Fund balances, October 1  |                  |                  | <u>348,253</u>        |                            |
| Fund balances, September 30   |                  |                  | <u><u>392,925</u></u> |                            |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**BAXTER BOND FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL (NON-GAAP BASIS)**  
**For the Fiscal Year Ended September 30, 2015**

|   | 9/30/2015       |                |                             |  |
|---|-----------------|----------------|-----------------------------|--|
|   | Budgeted Amount |                | Actual<br>Non-GAAP<br>Basis | Variance<br>Favorable<br>(Unfavorable) |
|   | Original        | Final          |                             |  |
| <b><u>REVENUES:</u></b>   |                 |                |                             |  |
| Lease payment   | \$ 168,259      | 168,259        | 168,259                     | 0                                      |
| Interest income   | 20,500          | 20,500         | 520                         | (19,980)                               |
| <b>Total revenues</b>   | <b>188,759</b>  | <b>188,759</b> | <b>168,779</b>              | <b>(19,980)</b>                        |
| <b><u>EXPENDITURES:</u></b>   |                 |                |                             |  |
| Debt service  | 188,780         | 188,780        | 188,720                     | 60                                     |
| Total debt service  | 188,780         | 188,780        | 188,720                     | 60                                     |
| <b>Total Expenditures</b>   | <b>188,780</b>  | <b>188,780</b> | <b>188,720</b>              | <b>60</b>                              |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b>  | <b>(21)</b>     | <b>(21)</b>    | <b>(19,941)</b>             | <b>(20,040)</b>                        |
| <b><u>OTHER FINANCING SOURCES (USES):</u></b>   |                 |                |                             |  |
| Operating transfers in (out)  |                 |                | 20,500                      | (20,500)                               |
| <b>Excess (deficiency) of revenues and<br/>other financing sources over (under)<br/>expenditures and other financing uses</b> | <b>\$ (21)</b>  | <b>(21)</b>    | <b>559</b>                  | <b>(40,540)</b>                        |
| <b>Adjustments to Generally Accepted<br/>Accounting Principles Basis</b>  |                 |                |                             |  |
| Revenue and other sources credited to designated funds  |                 |                |                             |  |
| Expenditures charged to designated funds  |                 |                |                             |  |
| Net change in Fund Balances - GAAP Basis  |                 |                | 559                         |  |
| Fund balances, October 1  |                 |                | 2,607                       |  |
| Fund balances, September 30   |                 |                | 3,166                       |  |

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI

STATISTICAL INFORMATION

**CITY OF CLEVELAND, MISSISSIPPI  
GOVERNMENTAL REVENUES BY SOURCE  
Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>Taxes</u> | <u>Licenses and Permits</u> | <u>Intergovernmental</u> | <u>Charges for Services</u> | <u>Fines and Forfeits</u> | <u>Miscellaneous Operating</u> | <u>Miscellaneous Non-Operating</u> | <u>Total</u> |
|--------------------|--------------|-----------------------------|--------------------------|-----------------------------|---------------------------|--------------------------------|------------------------------------|--------------|
| 2006               | 2,390,655    | 628,911                     | 5,446,777                | 542,489                     | 526,676                   | 811,559                        | 645,925                            | 10,992,992   |
| 2007               | 3,044,352    | 551,935                     | 10,119,304               | 1,380,278                   | 443,128                   | 454,349                        | 1,088,964                          | 17,082,310   |
| 2008               | 3,072,979    | 576,794                     | 6,592,328                | 1,597,921                   | 367,369                   | 428,186                        | 852,864                            | 13,488,441   |
| 2009               | 3,136,119    | 423,952                     | 7,212,995                | 1,737,822                   | 331,428                   | 216,569                        | 630,619                            | 13,689,504   |
| 2010               | 3,168,545    | 658,900                     | 6,146,587                | 1,825,170                   | 330,514                   | 29,030                         | 631,132                            | 12,789,878   |
| 2011               | 3,452,491    | 563,313                     | 5,786,887                | 1,884,367                   | 328,199                   | 30,857                         | 643,627                            | 12,689,741   |
| 2012               | 3,476,266    | 496,899                     | 6,415,166                | 1,922,129                   | 256,203                   | 45,755                         | 985,932                            | 13,598,350   |
| 2013               | 3,639,795    | 529,054                     | 10,361,838               | 2,077,427                   | 258,168                   | 63,957                         | 579,861                            | 17,510,100   |
| 2014               | 3,616,307    | 646,311                     | 5,470,529                | 2,071,062                   | 205,363                   | 65,761                         | 848,337                            | 12,923,670   |
| 2015               | 3,776,839    | 475,514                     | 6,095,298                | 2,072,728                   | 223,795                   | 71,447                         | 685,368                            | 13,400,989   |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**GOVERNMENTAL EXPENDITURES BY FUNCTION**  
**Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Highways and Streets</u> | <u>Health and Sanitation</u> | <u>Shop Department</u> | <u>Education and Recreation</u> | <u>Economic and Community Development</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Total</u> |
|--------------------|---------------------------|----------------------|---------------------|-----------------------------|------------------------------|------------------------|---------------------------------|---|-------------------------|---------------------|--------------|
| 2006               | 1,078,977                 | 3,813,984            | 808,449             | 1,346,786                   | 1,141,386                    | 98,806                 | 843,848                         | 373,609                                   | 1,645,002               | 1,472,010           | 12,622,857   |
| 2007               | 1,305,441                 | 3,329,556            | 623,039             | 1,816,697                   | 1,151,741                    | 102,973                | 940,943                         | 393,205                                   | 6,585,219               | 1,620,539           | 17,869,353   |
| 2008               | 1,189,489                 | 3,761,879            | 709,770             | 1,690,601                   | 1,292,494                    | 109,574                | 1,105,603                       | 452,682                                   | 1,953,008               | 2,700,166           | 14,965,266   |
| 2009               | 1,352,733                 | 3,965,360            | 589,833             | 1,969,169                   | 1,418,983                    | 116,234                | 863,474                         | 1,937,488                                 | 1,784,719               | 2,180,873           | 16,178,866   |
| 2010               | 1,155,818                 | 4,425,880            | 969,987             | 1,232,154                   | 1,429,977                    | 117,916                | 564,985                         | 815,055                                   | 1,038,348               | 1,240,046           | 12,990,166   |
| 2011               | 1,223,615                 | 5,042,335            | 872,287             | 2,492,573                   | 1,463,742                    | 123,066                | 901,062                         | 604,798                                   | 902,879                 | 1,297,752           | 14,924,109   |
| 2012               | 1,181,600                 | 4,601,551            | 1,031,015           | 1,675,949                   | 1,551,409                    | 125,821                | 961,954                         | 789,551                                   | 1,259,822               | 1,346,284           | 14,524,956   |
| 2013               | 1,321,087                 | 4,304,466            | 898,637             | 2,242,434                   | 1,580,199                    | 123,724                | 883,663                         | 578,485                                   | 5,922,445               | 1,357,386           | 19,212,526   |
| 2014               | 1,359,258                 | 4,500,937            | 1,171,089           | 1,186,603                   | 1,570,646                    | 104,147                | 839,559                         | 735,750                                   | 797,409                 | 1,394,289           | 13,659,687   |
| 2015               | 1,412,720                 | 4,136,760            | 1,224,153           | 1,603,993                   | 1,580,391                    | 101,974                | 786,258                         | 2,345,934                                 | 817,882                 | 1,386,976           | 15,397,041   |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI  
PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years**

| Fiscal<br>Year | Total<br>Tax Levied | Current Tax<br>Collected | Percent<br>of Current<br>Taxes<br>Collected | Delinquent<br>Tax<br>Collected | Total Tax<br>Collected | Ratio of<br>Total Tax<br>Collected to<br>Total Tax Levied |
|----------------|---------------------|--------------------------|---|--------------------------------|------------------------|---|
| 2006           | 2,701,179           | 2,613,734                | 96.76%                                      | 41,319                         | 2,655,053              | 98.29%  |
| 2007           | 3,311,431           | 3,167,821                | 95.66%                                      | 51,800                         | 3,219,621              | 97.23%  |
| 2008           | 3,326,236           | 3,206,836                | 96.41%                                      | 63,189                         | 3,270,025              | 98.31%  |
| 2009           | 3,373,958           | 3,273,406                | 97.02%                                      | 37,515                         | 3,310,921              | 98.13%  |
| 2010           | 3,433,550           | 3,284,346                | 95.65%                                      | 78,440                         | 3,362,786              | 97.94%  |
| 2011           | 3,713,975           | 3,576,696                | 96.30%                                      | 71,102                         | 3,647,798              | 98.22%  |
| 2012           | 3,716,427           | 3,618,747                | 97.37%                                      | 34,727                         | 3,653,474              | 98.31%  |
| 2013           | 3,821,837           | 3,804,545                | 99.55%                                      | 13,141                         | 3,817,686              | 99.89%  |
| 2014           | 3,889,580           | 3,771,840                | 96.97%                                      | 24,797                         | 3,796,637              | 97.61%  |
| 2015           | 4,089,236           | 3,957,333                | 96.77%                                      | 66,571                         | 4,023,904              | 98.40%  |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**ASSESSED VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**

| Fiscal<br>Year | Real Property<br>Assessed<br>Value | Personal Property<br>Assessed<br>Value | Motor Vehicle<br>Assessed<br>Value | Public Utilities<br>Assessed<br>Value | Total<br>Assessed<br>Value |
|----------------|------------------------------------|--|------------------------------------|---------------------------------------|----------------------------|
| 2006           | 47,821,369                         | 8,970,980                              | 12,702,865                         | 3,509,612                             | 73,004,826                 |
| 2007           | 63,032,452                         | 10,392,286                             | 12,674,700                         | 3,398,694                             | 89,498,132                 |
| 2008           | 63,572,390                         | 9,705,900                              | 13,289,295                         | 3,300,677                             | 89,868,262                 |
| 2009           | 64,414,331                         | 10,852,788                             | 12,731,735                         | 3,189,205                             | 91,188,059                 |
| 2010           | 64,902,556                         | 12,162,372                             | 12,630,842                         | 3,102,890                             | 92,798,660                 |
| 2011           | 68,971,162                         | 12,295,337                             | 12,188,012                         | 3,012,374                             | 96,466,885                 |
| 2012           | 69,284,238                         | 11,638,556                             | 12,415,313                         | 3,192,476                             | 96,530,583                 |
| 2013           | 69,159,913                         | 11,023,004                             | 12,051,264                         | 3,311,755                             | 95,545,936                 |
| 2014           | 69,908,831                         | 10,315,033                             | 13,623,460                         | 3,392,180                             | 97,239,504                 |
| 2015           | 72,563,725                         | 11,951,331                             | 14,323,666                         | 3,392,180                             | 102,230,902                |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI  
PROPERTY TAX RATES  
Last Ten Fiscal Years**

| Fiscal<br>Year | General Fund<br>Millage | Library Fund<br>Millage | Park Fund<br>Millage | Debt Service<br>Millage | Total<br>Millage |
|----------------|-------------------------|-------------------------|----------------------|-------------------------|------------------|
| 2006           | 22.00                   | 3.00                    | 2.00                 | 10.00                   | 37.00            |
| 2007           | 20.00                   | 2.75                    | 1.75                 | 12.50                   | 37.00            |
| 2008           | 20.00                   | 2.75                    | 1.75                 | 12.50                   | 37.00            |
| 2009           | 23.50                   | 1.25                    | 1.75                 | 10.50                   | 37.00            |
| 2010           | 23.50                   | 1.25                    | 2.00                 | 10.25                   | 37.00            |
| 2011           | 23.50                   | 1.50                    | 2.00                 | 11.50                   | 38.50            |
| 2012           | 23.50                   | 1.50                    | 2.00                 | 11.50                   | 38.50            |
| 2013           | 24.50                   | 2.00                    | 2.00                 | 11.50                   | 40.00            |
| 2014           | 24.50                   | 2.00                    | 2.00                 | 11.50                   | 40.00            |
| 2015           | 24.50                   | 2.00                    | 2.00                 | 11.50                   | 40.00            |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS**  
**Last Ten Fiscal Years**

| <u>Fiscal<br/>Year</u> | <u>Special<br/>Assessment<br/>Billings</u> | <u>Special<br/>Assessment<br/>Collections</u> |
|------------------------|--|---|
| 2006                   | 26,354                                     | 13,303  |
| 2007                   | 61,076                                     | 23,379  |
| 2008                   | 44,753                                     | 3,414   |
| 2009                   | 52,560                                     | 17,305  |
| 2010                   | 51,748                                     | 7,803   |
| 2011                   | 44,295                                     | 20,341  |
| 2012                   | 27,225                                     | 5,475   |
| 2013                   | 51,873                                     | 23,667  |
| 2014                   | 44,884                                     | 38,566  |
| 2015                   | 57,413                                     | 36,267  |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI  
COMPUTATION OF LEGAL DEBT MARGIN  
For the Fiscal Year Ended September 30, 2015**

| Date of<br>Issue                                   | Description                               | Total<br>Outstanding<br>G/O Debt | Bonds<br>Subject<br>To 15%<br>Limitation | Bonds<br>Subject<br>To 20%<br>Limitation |
|--|---|----------------------------------|--|--|
| <b><u>OUTSTANDING GENERAL OBLIGATION DEBT:</u></b> |   |                                  |  |  |
| 05/01/06   | Public Improvement Bond                   | 115,000                          | 115,000                                  | 115,000                                  |
| 03/01/07   | Public Improvement Bond                   | 230,000                          | 230,000                                  | 230,000                                  |
| 05/01/06   | General Obligation-Baxter Bond            | 595,000                          | 595,000                                  | 595,000                                  |
| 05/01/10   | Public Improvement Bond                   | 695,000                          | 695,000                                  | 695,000                                  |
| 05/01/11   | Public Improvement Bond                   | 690,000                          | 690,000                                  | 690,000                                  |
| 01/26/12   | Public Improvement Bond                   | 980,000                          | 980,000                                  | 980,000                                  |
| 04/15/13   | Public Improvement Bond                   | 1,005,000                        | 1,005,000                                | 1,005,000                                |
| 04/15/14   | Public Improvement Bond                   | 1,280,000                        | 1,280,000                                | 1,280,000                                |
| 08/01/15   | Public Improvement Bond                   | 1,400,000                        | 1,400,000                                | 1,400,000                                |
|  | Total Outstanding General Obligation Debt | \$ 6,990,000                     | 6,990,000                                | 6,990,000                                |

**AUTHORIZED DEBT LIMIT:**

|   |               |               |            |
|---|---------------|---------------|------------|
| Assessed Value for the fiscal year ended<br>September 30, 2015                  | \$102,230,902 | \$ 15,334,635 | 20,446,180 |
| Present Debt<br>(Subject to 15% and 20% Limitation, respectively)               |               | 6,990,000     | 6,990,000  |
| Margin for Further Indebtedness<br>(Under 15% and 20% Limitation, respectively) |               | \$ 8,344,635  | 13,456,180 |

**LIMITATION OF INDEBTEDNESS - SECTION 21-33-303 AS AMENDED**

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%) of the assessed value of taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore, or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE**  
**AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA**  
**Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>Population</u> | <u>Total Assessed Value</u> | <u>Gross Bonded Debt</u> | <u>Less Debt Service Fund</u> | <u>Net Bonded Debt</u> | <u>Net Bonded Debt To Assessed Value</u> | <u>Net Bonded Debt Per Capita</u> |
|--------------------|-------------------|-----------------------------|--------------------------|-------------------------------|------------------------|--|-----------------------------------|
| 2006               | 13,841            | 73,004,826                  | 5,485,000                | 2,052,146                     | 3,432,854              | 4.70%                                    | 248.02                            |
| 2007               | 13,841            | 89,498,132                  | 6,780,000                | 2,155,552                     | 4,624,448              | 5.17%                                    | 334.11                            |
| 2008               | 13,841            | 89,868,262                  | 5,820,000                | 1,283,414                     | 4,536,586              | 5.05%                                    | 327.76                            |
| 2009               | 13,841            | 91,188,059                  | 4,900,000                | 354,799                       | 4,545,201              | 4.98%                                    | 328.39                            |
| 2010               | 12,334            | 92,798,660                  | 5,410,000                | 323,661                       | 5,086,339              | 5.48%                                    | 412.38                            |
| 2011               | 12,334            | 96,466,885                  | 5,640,000                | 392,811                       | 5,247,189              | 5.44%                                    | 425.42                            |
| 2012               | 12,334            | 96,530,583                  | 6,065,000                | 409,398                       | 5,655,602              | 5.86%                                    | 458.54                            |
| 2013               | 12,334            | 95,545,936                  | 6,230,000                | 371,587                       | 5,858,413              | 6.13%                                    | 474.98                            |
| 2014               | 12,334            | 97,239,504                  | 6,610,000                | 350,860                       | 6,259,140              | 6.44%                                    | 507.47                            |
| 2015               | 12,334            | 102,230,902                 | 6,990,000                | 396,091                       | 6,593,909              | 6.45%                                    | 534.61                            |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION**  
**BONDED DEBT TO TOTAL GOVERNMENTAL EXPENDITURES**  
**Last Ten Fiscal Years**

| Fiscal<br>Year | Principal | Interest | Total<br>Debt Service | Total<br>Governmental<br>Expenditures | Ratio of<br>Debt Service to<br>Governmental<br>Expenditures |
|----------------|-----------|----------|-----------------------|---------------------------------------|---|
| 2006           | 755,000   | 193,853  | 948,853               | 12,622,857                            | 7.52%   |
| 2007           | 870,000   | 222,475  | 1,092,475             | 17,869,353                            | 6.11%   |
| 2008           | 960,000   | 294,166  | 1,254,166             | 14,965,266                            | 8.38%   |
| 2009           | 920,000   | 230,814  | 1,150,814             | 16,178,866                            | 7.11%   |
| 2010           | 860,000   | 193,393  | 1,053,393             | 12,990,166                            | 8.11%   |
| 2011           | 915,000   | 200,440  | 1,115,440             | 14,924,109                            | 7.47%   |
| 2012           | 965,000   | 214,967  | 1,179,967             | 14,524,956                            | 8.12%   |
| 2013           | 1,035,000 | 198,082  | 1,233,082             | 19,212,526                            | 6.42%   |
| 2014           | 1,020,000 | 193,093  | 1,213,093             | 13,659,687                            | 8.88%   |
| 2015           | 1,020,000 | 174,322  | 1,194,322             | 15,397,041                            | 7.76%   |

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
**GENERAL OBLIGATION BONDS**  
**September 30, 2015**

| <u>Jurisdiction</u>            | <u>Net General<br/>Obligated Bonded<br/>Debt Outstanding</u> | <u>Percentage<br/>Applicable<br/>To City</u> | <u>Amount<br/>Applicable<br/>To City</u> |
|--------------------------------|--|--|--|
| Direct Bonded Debt:            |  |  |  |
| City of Cleveland, Mississippi | \$ 6,593,909   | 100.00%                                      | \$ 6,593,909                             |
| Overlapping Bonded Debt:       |  |  |  |
| Bolivar County, Mississippi    | <u>7,495,916 (1)</u>   | 34.87% (2)                                   | <u>2,613,826</u>                         |
| Total                          | <u>\$ 14,089,825</u>   |  | <u>\$ 9,207,735</u>                      |

(1) Information obtained from Bolivar County Chancery Clerk.

(2) Applicable percentage based on total assessed valuation of taxable property in Bolivar County of \$293,203,682 (1) to \$102,230,902 in City of Cleveland.

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI

REPORTS SECTION

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

Honorable Mayor and Board of Aldermen  
City of Cleveland  
Cleveland, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Cleveland, Mississippi's basic financial statements and have issued our report thereon dated June 30, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Cleveland, Mississippi'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 of Cleveland, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cleveland, Mississippi's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2015-1 to be a significant deficiency.

## **Compliance and Other Matters**

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

## **City's Response to Finding**

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

## **Purpose of this Report**

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

*Ellis & Hirsberg CPA's PLLC*

Ellis & Hirsberg CPA's PLLC  
Clarksdale, Mississippi  
June 30, 2016

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

Honorable Mayor and Board of Aldermen  
City of Cleveland  
Cleveland, Mississippi

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

We have audited the City of Cleveland, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on City of Cleveland, Mississippi's major federal program for the year ended September 30, 2015. The City of Cleveland, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with 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 City of Cleveland, Mississippi's major federal program 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 City of Cleveland, Mississippi'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 the major federal program. However, our audit does not provide a legal determination of City of Cleveland, Mississippi's compliance.

## Opinion on the Major Federal Program

In our opinion, City of Cleveland, Mississippi complied, in all material respects, with the types 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, 2015.

## Report on Internal Control Over Compliance

Management of City of Cleveland, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Cleveland, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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, to 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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. However, this report is a matter of public record and its distribution is not limited.

*Ellis & Hirsberg CPA's PLLC*

Ellis & Hirsberg CPA's PLLC  
Clarksdale, Mississippi  
June 30, 2016

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Aldermen  
City of Cleveland  
Cleveland, Mississippi

In planning and performing our audit of the financial statements of City of Cleveland, Mississippi for the year ended September 30, 2015, we considered City of Cleveland, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to City of Cleveland, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 30, 2016, on the financial statements of City of Cleveland, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and test cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and test of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, Board of Aldermen, State Auditor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ellis & Hirsberg CPA's PLLC*

Ellis & Hirsberg CPA's PLLC  
Clarksdale, Mississippi  
June 30, 2016

**CITY OF CLEVELAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

**Section 1: Summary of Auditor’s Results**

**Financial Statements:**

- |    |  |            |
|----|--|------------|
| 1. | Type of auditor’s report issued on the primary governments financial statements.       | Unmodified |
| 2. | Internal control over financial reporting:   |            |
|    | a. Material weaknesses identified?   | No         |
|    | b. Significant deficiency identified that is not considered to be a material weakness? | Yes        |
| 3. | Material noncompliance relating to the primary government financial statements?        | No         |

**Federal Awards:**

- |    |   |               |
|----|---|---------------|
| 4. | Internal control over major federal programs:   |               |
|    | a. Material weaknesses identified?  | No            |
|    | b. Significant deficiencies identified?   | None reported |
| 5. | Type of auditor’s report issued on compliance for major federal programs:   | Unmodified    |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section_.510(a) of OMB Circular A-133? | No            |
| 7. | Identification of major federal programs:   |               |
|    | a. Airport Improvement Program CFDA #20.106   |               |
| 8. | Dollar threshold used to distinguish between type A and type B programs:  | \$300,000     |
| 9. | Auditee qualified as low-risk auditee?  | No            |

**Section 2: Financial Statement Findings**

**Significant deficiency**

2015-1 Finding

Criteria

City policy prohibits prepayments for goods or services.

Condition

Garbage bags consisting of 6,666 rolls were paid for on September 30, 2015. The bags were not received by the City until October and November of 2015. The amount of the purchase was \$44,995.50.

Cause

A lack of understanding of the City's policy regarding prepayments appears to be the cause of the early prepayment.

Effect

The effect is a violation of the City's purchasing policy.

Recommendation

Comply with the City's purchasing policy

Response

The Public Works secretary submitted the garbage bags invoice to City Hall for pre-payment with the intent to expend the funds out of the fiscal year end 2015 budget before the close of the fiscal year on September 30th. The Public Works secretary was later educated on the City's purchasing policy after discovery of the pre-payment.

**Section 3: Federal Award Findings and Questioned Costs**

The results of our tests did not disclose any findings and questioned costs related to federal awards.

**Billy Nowell**  
 Mayor

**Maurice Smith**  
**Robert Sanders**  
**Danny Abraham**  
**Kirkham Povall**  
**Paul Janoush**  
**Ted Campbell**  
**Gary Gainspoletti**  
 Board of Aldermen

**Farae Wolfe**  
 City Manager/Human  
 Resources Director

**Dominique Green**  
 City Clerk

**Charles Bingham**  
 Chief of Police

**John Trotter**  
 Assistant Chief of Police

**Jamie Jacks**  
 City Attorney

**Brett Moorman**  
 Director of Community  
 Development

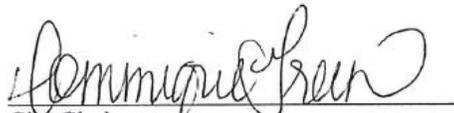
**Ray Bell**  
 Director of Public Works

**Stephen Glorioso**  
 Director of Parks  
 & Recreation

AUDITEE'S CORRECTIVE ACTION PLAN

The City of Cleveland, Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2015.

| <u>Finding</u> | <u>Corrective Action Plan Detail</u>   |
|----------------|--|
| 2015-1         | <p>a. Name of the person responsible for corrective action:</p> <p>Name: Dominique Green<br/>                     Title: City Clerk<br/>                     Phone: 662-846-1471</p> <p>b. Corrective Action Planned:</p> <p>The City's policy regarding prepayments of goods will be reviewed with the inventory clerk.</p> <p>c. Anticipated Completion Date:</p> <p>July 31, 2016</p> |

  
 City Clerk

