

City of Cleveland
Financial Statements
September 30, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 and 46 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 56 through 63, 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 56 through 63, 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 56 through 63, 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 64 through 74, 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 July 24, 2015 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
July 24, 2015

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014**

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, 2014. 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 \$40,761,082 (net position). Of this amount \$4,168,344 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The remaining net position of the City includes: \$27,991,929 net investment in capital assets and \$8,600,809 restricted (for Home Program, economic development, debt service and other).
- Total assets decreased \$474,880 or 0.77% under 2013. Cash balances in the governmental activities and business-type activities increased \$326,010 during the year.
- Total liabilities and deferred inflows of resources decreased \$266,752 or 1.61% under 2013. New debt in the amount of \$1,400,000 was issued during the year. Payments on outstanding bonds, notes and leases payable were \$1,725,124.
- The City's net position decreased \$399,798 from 2013. Governmental funds net position increased by \$981 while the water and sewer funds net position decreased by \$400,781.

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) other 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 14 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, 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 15 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 44, 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 on pages 45 through 55.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. At the end of the most recent fiscal year, the assets of the City of Cleveland exceeded its liabilities by \$40,761,084.

By far the largest portion of the City of Cleveland’s net position, \$27,991,929 or 68.67% 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.

(Table 1)
City of Cleveland’s Net Position

	Governmental Activities		Business-type Activities		Total		Increase (Decrease)	Percentage Change
	2014	2013	2014	2013	2014	2013		
Assets								
Current and other assets	\$ 17,342,403	16,864,042	610,646	999,285	17,953,049	17,863,327	89,722	0.50%
Capital assets, net	31,154,977	31,260,786	11,997,208	12,456,001	43,152,185	43,716,787	(564,602)	-1.29%
Total assets	<u>48,497,380</u>	<u>48,124,828</u>	<u>12,607,854</u>	<u>13,455,286</u>	<u>61,105,234</u>	<u>61,580,114</u>	<u>(474,880)</u>	<u>-0.77%</u>
Long-term debt	6,470,619	6,213,450	7,277,105	7,846,165	13,747,724	14,059,615	(311,891)	-2.22%
Other liabilities	1,543,375	1,620,643	963,817	841,408	2,507,192	2,462,051	45,141	1.83%
Total liabilities	<u>8,013,994</u>	<u>7,834,093</u>	<u>8,240,922</u>	<u>8,687,573</u>	<u>16,254,916</u>	<u>16,521,666</u>	<u>(266,750)</u>	<u>-1.61%</u>
Deferred inflows of resources	4,089,236	3,897,566			4,089,236	3,897,566	191,670	4.92%
Total liabilities and deferred inflows of resources	<u>12,103,230</u>	<u>11,731,659</u>	<u>8,240,922</u>	<u>8,687,573</u>	<u>20,344,152</u>	<u>20,419,232</u>	<u>(75,080)</u>	<u>-0.37%</u>
Net Position:								
Net investment in capital assets	23,818,043	24,147,022	4,173,886	4,084,384	27,991,929	28,231,406	(239,477)	-0.85%
Restricted	8,600,809	8,329,015			8,600,809	8,329,015	271,794	3.26%
Unrestricted	3,975,298	3,917,132	193,046	683,329	4,168,344	4,600,461	(432,117)	-9.39%
Total net position	<u>\$ 36,394,150</u>	<u>36,393,169</u>	<u>4,366,932</u>	<u>4,767,713</u>	<u>40,761,082</u>	<u>41,160,882</u>	<u>(399,800)</u>	<u>-0.97%</u>

The City’s total assets decreased \$474,880 during 2014 with business-type activities showing a decrease of \$847,432 and governmental activities showing an increase of \$372,552.

The City’s total liabilities decreased \$266,750. Proceeds of \$1,400,000 were received from the issuance of public improvement bonds. Payments on long-term debt of \$1,176,830 were made from governmental funds and \$548,294 was paid from business-type activities fund.

The City’s net position decreased \$399,800.

(Table 2)
City of Cleveland Changes in Net Position

	Governmental Activities		Business-type Activities		Totals		Increase	Percentage
	2014	2013	2014	2013	2014	2013	(Decrease)	Change
Program Revenues:								
Charges for services	\$ 2,071,062	2,077,427	2,997,415	3,012,946	5,068,477	5,090,373	(21,896)	-0.43%
Grants and contributions	393,956	5,224,128			393,956	5,224,128	(4,830,172)	-92.46%
General Revenues:								
Property taxes	4,026,448	4,043,654			4,026,448	4,043,654	(17,206)	-0.43%
Sales and tourism taxes	4,183,535	4,130,992			4,183,535	4,130,992	52,543	1.27%
Other taxes and other	2,133,966	2,038,231	132,208	168,178	2,266,174	2,206,409	59,765	2.71%
Total Revenues	12,808,967	17,514,432	3,129,623	3,181,124	15,938,590	20,695,556	(4,756,966)	-22.99%
Program Expenses:								
General government	1,450,432	1,342,090			1,450,432	1,342,090	108,342	8.07%
Public safety	4,483,923	4,409,806			4,483,923	4,409,806	74,117	1.68%
Public works	1,723,954	1,312,961			1,723,954	1,312,961	410,993	31.30%
Highways and streets	1,572,512	2,344,028			1,572,512	2,344,028	(771,516)	-32.91%
Health and sanitation	1,573,515	1,590,472			1,573,515	1,590,472	(16,957)	-1.07%
Shop department	98,350	121,324			98,350	121,324	(22,974)	-18.94%
Education and recreation	953,476	957,884			953,476	957,884	(4,408)	-0.46%
Economic and community dev.	735,902	578,485			735,902	578,485	157,417	27.21%
Interest on long-term debt	215,922	217,719			215,922	217,719	(1,797)	-0.83%
Water and sewer			3,530,404	3,123,914	3,530,404	3,123,914	406,490	13.01%
Total Expenses	12,807,986	12,874,769	3,530,404	3,123,914	16,338,390	15,998,683	339,707	2.12%
Increase (Decrease) in Net Position	\$ 981	4,639,663	(400,781)	57,210	(399,800)	4,696,873	(5,096,673)	108.51%

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 33%, charges for services 16%, and grants and contributions 3%. The major expense activities were public safety, public works, health and sanitation, and highways and streets which comprise 35%, 13%, 12% and 12% 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 \$10,778,722 which is \$826,419 above last year's total of \$9,952,303. Total revenues were down \$4,586,430 and total expenditures were down \$5,552,842. These large dollar changes result in part from federal grants and the related expenditures related to airport improvement projects. In addition, less expenditures were made in the area of highways and street improvements in 2014.

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, Economic Development Revolving Fund and Special Industrial Project Fund. Remaining governmental funds were combined and reported as non-major governmental funds.

The General fund reflected a net change in fund balance of \$271,056. The previous year reflected an increase in fund balance of \$182,452. General fund revenues were down \$325,181 and expenditures were down \$825,724 from prior year levels. Federal grant revenue and capital outlay were the areas with the greatest of the changes in the general fund. Federal capital projects were completed in the prior year and no new projects were started during the year for the general fund.

The Economic Development and Tourism Fund had a net change in fund balance of \$177,836 compared to (\$170,513) in the prior year. The fund's revenues were down \$334,360 and expenditures were down \$680,709. A construction of a walking trail at one of the City's parks was underway during the prior year. This project was completed in October of 2014. The project was financed in part by federal funds.

The General Bond and Interest Fund had a net change in fund balance of (\$21,024) compared to (\$37,507) in the prior year. Revenues and expenditures were fairly consistent when compared with the previous year's results.

The Baxter Bond Fund had a net change in fund balance of \$297 compared to (\$304) the prior year.

The Economic Development Revolving Fund had a net change in fund balance of \$20,429 compared to \$20,154 in the previous year.

The Special Industrial Project fund had a net change in fund balance of \$102,026 compared to \$168,764 in the prior year. The fund primarily accounts for a lease payment from Faurecia Automotive Seating, Inc. and services the associated debt payments.

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 2014, 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 increased budgeted expenditures by \$28,300.

Budget revisions were minor in the Economic Development and Tourism 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 \$43,152,185 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 \$564,602 or 1.29 percent under the prior year.

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

	Governmental Activities		Business-type Activities		Totals		Increase	Percentage
	2014	2013	2014	2013	2014	2013	(Decrease)	Change
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	9,311,976	9,782,730	118,450	124,490	9,430,426	9,907,220	(476,794)	-4.81%
Equipment and fixtures	2,274,302	2,173,713	352,282	299,920	2,626,584	2,473,633	152,951	6.18%
Infrastructure	14,928,340	7,590,634	10,266,541	7,413,854	25,194,881	15,004,488	10,190,393	67.92%
Construction in progress	34,992	7,108,342		3,357,802	34,992	10,466,144	(10,431,152)	-99.67%
	<u>\$ 31,154,977</u>	<u>31,260,786</u>	<u>11,997,208</u>	<u>12,456,001</u>	<u>43,152,185</u>	<u>43,716,787</u>	<u>(564,602)</u>	<u>-1.29%</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 projects for the fiscal year of 2014-2013:

- 1) Phases of the airport runway extension project were completed during the year. Expenditures during the year totaled \$388,409. This amount added to prior years cost totaled \$6,299,198 which was closed out of construction in progress and moved to depreciable assets. The project was financed largely with federal grants providing 90 to 95% of the funding and state grants providing 2.5% to 5% of funding.
- 3) Work on the bicycle trail at Bearpen Park was completed in October of 2014. The final cost of the project of \$1,222,247 was closed out of construction in progress and moved to depreciable assets. A grant through the Department of Transportation provided funding for approximately 80% of the cost.
- 4) The City replaced approximately 6,000 water meters across the City with more modern electronic meters. The projects total cost of \$3,357,802 was closed out of construction in progress and moved to depreciable assets.

Long-term Debt

At year-end, the City had \$15,160,260 in bonds, notes and leases outstanding compared to \$15,485,384 last year, a decrease of \$325,124. Of the total debt outstanding \$6,610,000 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 \$550,902 (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 \$4,646,144 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, 2014 is \$176,032.

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, 2014 is \$3,177,182.

The following table illustrates the total Long-term Debt of the City of Cleveland as of September 30, 2014:

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

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2014	2013	2014	2013	2014	2013		
General Obligation Bonds	\$ 6,610,000	6,230,000			6,610,000	6,230,000	380,000	6.10%
Capital Leases Payable	176,032	227,070	3,177,182	3,357,802	3,353,214	3,584,872	(231,658)	-6.46%
Notes Payable	550,902	656,694	4,646,144	5,013,818	5,197,046	5,670,512	(473,466)	-8.35%
	<u>\$ 7,336,934</u>	<u>7,113,764</u>	<u>7,823,326</u>	<u>8,371,620</u>	<u>15,160,260</u>	<u>15,485,384</u>	<u>(325,124)</u>	<u>-2.10%</u>

New debt issued consisted of a \$1,400,000 public improvement bond. More detailed information about the City’s long-term liabilities is presented in Note 9 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 2014 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, 2014

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,127,270		4,127,270
Accounts receivable	149,339	278,769	428,108
Current portion of lease receivable	311,963		311,963
Intergovernmental receivable	874,402		874,402
Property taxes receivable	4,089,236		4,089,236
Franchise taxes receivable	144,272		144,272
Interest receivable	18,694		18,694
Inventory	128,630	67,241	195,871
Restricted assets:			
Cash and cash equivalents	5,865,076	264,636	6,129,712
Lease receivable, non-current	1,563,521		1,563,521
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	34,992		34,992
Other capital assets, net	26,514,618	10,737,273	37,251,891
Total Assets	48,497,380	12,607,854	61,105,234
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	84,627	69,657	154,284
Claims and judgments payable	56,225		56,225
Unearned revenue	215,765		215,765
Due to bondholders	5,000		5,000
Due within one year:			
Capital related debt	1,181,758	560,932	1,742,690
Liabilities payable from restricted assets:			
Customer deposits		333,228	333,228
Due in more than one year:			
Capital related debt	6,155,176	7,262,390	13,417,566
Non-capital related debt	315,443	14,715	330,158
Total Liabilities	8,013,994	8,240,922	16,254,916
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property tax for future reporting period	4,089,236		4,089,236
<u>NET POSITION</u>			
Net investment in capital assets	23,818,043	4,173,886	27,991,929
Restricted for:			
HOME program	2,384		2,384
Economic development	4,793,819		4,793,819
Education and recreation	346,093		346,093
Debt service	932,880		932,880
Health and sanitation	435,337		435,337
Public safety	286,770		286,770
Public works	1,604,513		1,604,513
Unemployment	23,627		23,627

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2014

	Governmental Activities	Business-type Activities	Total
Capital improvement	175,386		175,386
Unrestricted	3,975,298	193,046	4,168,344
Total Net Position	\$ 36,394,150	4,366,932	40,761,082

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF ACTIVITIES
September 30, 2014

	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	
FUNCTIONS / PROGRAMS							
Governmental activities:							
General government	\$ 1,450,432				(1,450,432)		(1,450,432)
Public safety	4,483,923				(4,483,923)		(4,483,923)
Public works	1,723,954	639,000		384,356	(700,598)		(700,598)
Highways and streets	1,572,512				(1,572,512)		(1,572,512)
Health and sanitation	1,573,515	1,430,702			(142,813)		(142,813)
Shop department	98,350				(98,350)		(98,350)
Education and recreation	953,476	1,360			(952,116)		(952,116)
Economic and community development	735,902			9,600	(726,302)		(726,302)
Interest on long-term debt	215,922				(215,922)		(215,922)
Total governmental activities	<u>12,807,986</u>	<u>2,071,062</u>	<u>0</u>	<u>393,956</u>	<u>(10,342,968)</u>	<u>0</u>	<u>(10,342,968)</u>
Business-type activities:							
Water and sewer	3,530,404	2,997,415				(532,989)	(532,989)
Total business-type activities	<u>3,530,404</u>	<u>2,997,415</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(532,989)</u>	<u>(532,989)</u>
Total primary government	<u>\$ 16,338,390</u>	<u>5,068,477</u>	<u>0</u>	<u>393,956</u>	<u>(10,342,968)</u>	<u>(532,989)</u>	<u>(10,875,957)</u>
General revenues:							
Property taxes					\$ 4,026,448		4,026,448
Sales and tourism taxes					4,183,535		4,183,535
Franchise taxes					534,725		534,725
Other taxes and other					1,578,795		1,578,795
Unrestricted interest income					105,840	7,865	113,705
Interest income on capital lease-sale of building					38,949		38,949
Transfers					(124,343)	124,343	0
Total general revenues and transfers					<u>10,343,949</u>	<u>132,208</u>	<u>10,476,157</u>
Change in net position					981	(400,781)	(399,800)
Net position, beginning					<u>36,393,169</u>	<u>4,767,713</u>	<u>41,160,882</u>
Net position, ending					<u>\$ 36,394,150</u>	<u>4,366,932</u>	<u>40,761,082</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2014

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>								
Cash and cash equivalents	\$ 2,728,027						907,212	3,635,239
Receivables:								
Accounts	38,150						87,545	125,695
Property taxes	2,504,656		1,175,656				408,924	4,089,236
Franchise fee	144,272							144,272
Intergovernmental	584,499	139,993	11,720				138,190	874,402
Advances to other funds	70,000	183,435			383,259			636,694
Lease receivable, current				86,313		225,650		311,963
Inventory	128,630							128,630
Restricted cash and cash equivalents		1,771,641	341,533	2,607	1,808,218	58,174	1,882,903	5,865,076
Lease receivable, non-current				660,921		902,600		1,563,521
Loan receivable, non-current							70,000	70,000
Total Assets	\$ 6,198,234	2,095,069	1,528,909	749,841	2,191,477	1,186,424	3,494,774	17,444,728
<u>LIABILITIES AND FUND BALANCES</u>								
<u>LIABILITIES</u>								
Accounts payable	\$ 47,743	3,732					8,117	59,592
Advances from other funds						566,694	70,000	636,694
Deferred revenue				582,020		1,077,699		1,659,719
Unearned revenue				165,214		50,551		215,765
Due to bondholders			5,000					5,000
Total Liabilities	47,743	3,732	5,000	747,234	0	1,694,944	78,117	2,576,770

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2014

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>DEFERRED INFLOWS OF RESOURCES</u>								
Unavailable revenue - property taxes	2,504,656		1,175,656				408,924	4,089,236
Total deferred inflows of resources	2,504,656	0	1,175,656	0	0	0	408,924	4,089,236
<u>FUND BALANCES</u>								
Non-Spendable:								
Inventory	128,630							128,630
Advances	70,000	183,435			383,259			636,694
Restricted for:								
HOME program							2,384	2,384
Economic development		1,907,902			1,808,218			3,716,120
Education and recreation							346,093	346,093
Debt service			348,253	2,607				350,860
Health and sanitation							435,337	435,337
Public safety							286,770	286,770
Public works							1,604,513	1,604,513
Unemployment							23,627	23,627
Capital improvement							175,386	175,386
Assigned:								
Public safety							133,623	133,623
Unassigned	3,447,205					(508,520)		2,938,685
Total Fund Balances	3,645,835	2,091,337	348,253	2,607	2,191,477	(508,520)	3,007,733	10,778,722
Total Liabilities and Fund Balances	\$ 6,198,234	2,095,069	1,528,909	749,841	2,191,477	1,186,424	3,494,774	17,444,728

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, 2014

Total fund balance - total governmental funds	\$	10,778,722
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 \$15,293,156		31,154,977
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds		1,659,719
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(7,652,377)
Interest accrued on capital leases receivable not reported on governmental fund financial statements		18,694
Interest accrued on long-term liabilities not reported on governmental fund financial statements		(25,035)
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>459,450</u>
Net position of governmental activities	\$	<u><u>36,394,150</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, 2014

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>								
Taxes	\$ 2,220,655		1,035,495				360,157	3,616,307
Licenses and permits	111,586							111,586
Intergovernmental								
Federal grants							390,397	390,397
State of Mississippi								
Grants							3,559	3,559
General sales tax	3,470,789							3,470,789
Tourism tax		712,746						712,746
Liquor licenses	12,150							12,150
Amusement licenses	783							783
Fire protection							67,217	67,217
Gasoline tax	11,329							11,329
Homestead reimbursement	109,734		51,508				17,916	179,158
Grand gulf	126,910							126,910
Transportation	35,239							35,239
Bolivar County								
Road maintenance	363,987							363,987
Privilege tax	46,154							46,154
Animal shelter							50,111	50,111
Charges for services	1,077,969						993,093	2,071,062
Franchise tax	494,409						40,316	534,725

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
September 30, 2014

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
Fines and forfeits	197,697						7,666	205,363
Interest income	28,319	16,747	3,690	19,127	20,429	20,545	31,666	140,523
Plant and airport rentals							65,761	65,761
Miscellaneous	280,179	222,187	5,254				200,194	707,814
Total revenues:	8,587,889	951,680	1,095,947	19,127	20,429	20,545	2,228,053	12,923,670
<u>EXPENDITURES:</u>								
Current:								
General government	1,292,406		12,938				53,914	1,359,258
Public safety	4,053,978						446,959	4,500,937
Public works	898,480						272,609	1,171,089
Highways and streets	1,085,295						101,308	1,186,603
Health and sanitation	425,636						1,145,010	1,570,646
Shop department	104,147							104,147
Education and recreation							839,559	839,559
Economic and community development		726,150					9,600	735,750
Capital projects		24,694					772,715	797,409
Debt service:								
Principal	51,038		955,000	65,000		105,792		1,176,830
Interest and fees	5,854		149,033	44,060		18,512		217,459
Total expenditures	7,916,834	750,844	1,116,971	109,060	0	124,304	3,641,674	13,659,687

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
September 30, 2014

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over (under) expenditures	671,055	200,836	(21,024)	(89,933)	20,429	(103,759)	(1,413,621)	(736,017)
<u>OTHER FINANCING SOURCES (USES):</u>								
Transfers in from other funds	463,490			23,000			400,000	886,490
Donations & gift shop sales							5,374	5,374
Proceeds of long-term debt							1,400,000	1,400,000
Lease principal payments				67,230		205,785		273,015
Transfers out to other funds	(863,489)	(23,000)					(124,344)	(1,010,833)
Net other financing sources (uses)	(399,999)	(23,000)	0	90,230	0	205,785	1,681,030	1,554,046
Net change in fund balances	271,056	177,836	(21,024)	297	20,429	102,026	267,409	818,029
Fund balances, beginning	3,366,389	1,913,501	369,277	2,310	2,171,048	(610,546)	2,740,324	9,952,303
Increase (decrease) in reserve for inventory	8,390							8,390
Fund balances, ending	<u>\$ 3,645,835</u>	<u>2,091,337</u>	<u>348,253</u>	<u>2,607</u>	<u>2,191,477</u>	<u>(508,520)</u>	<u>3,007,733</u>	<u>10,778,722</u>

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, 2014

Net changes in fund balances - total governmental funds	\$	818,029
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 \$1,387,066 exceeded capital outlays of \$1,283,819.		(103,247)
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.		(2,562)
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 \$1,176,830 .		(223,170)
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		(38,665)
Change in accrued interest on long-term debt		1,537
Principal payments received on capital lease receivable is not considered revenue on the statement of activities.		(273,015)
Change in interest income accrual adjustment on statement of activities.		(1,148)
An internal service fund is used by management to account for employee health insurance. The net expense is reported within governmental activities.		(185,168)
Inventory adjustment included in statement of activities for government wide financial statements.		<u>8,390</u>
Change in net position of governmental activities	\$	<u><u>981</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, 2014

	Business-Type Activities - Enterprise Fund Water & Sewer Fund	Governmental Activity Internal Service Fund
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$	492,031
Accounts receivable	278,769	23,644
Inventory	67,241	
Total Current Assets	346,010	515,675
Restricted assets:		
Cash and cash equivalents	264,636	
Total Restricted Assets	264,636	
Non-current assets:		
Capital assets		
Land	1,259,935	
Other capital assets, net	10,737,273	
Total Non-Current Assets	11,997,208	
Total Assets	12,607,854	515,675
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	69,657	
Claims and judgments		56,227
Current portion obligations under capital lease	186,028	
Current portion of long-term debt	374,904	
Total Current Liabilities	630,589	56,227
Liabilities payable from restricted assets:		
Customer deposits	333,228	
Total Liabilities Payable from Restricted Assets	333,228	
Non-current liabilities:		
Notes payable	4,271,236	
Obligations under capital lease	2,991,154	
Compensated absences	14,715	
Total Non-Current Liabilities	7,277,105	
Total liabilities	8,240,922	56,227
<u>NET POSITION</u>		
Net investment in capital assets	4,173,886	
Unrestricted	193,046	459,448
Total Net Position	\$ 4,366,932	459,448

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, 2014

	Business-Type Activities - Enterprise Fund Water & Sewer Fund	Governmental Activity Internal Service Fund
<u>OPERATING REVENUES:</u>		
Charges for services:		
Water sales	\$ 1,581,689	
Sewer sales	1,309,806	
Premiums		642,587
Reinsurance reimbursement		430,213
Other	105,920	
Total Operating Revenues	2,997,415	1,072,800
<u>OPERATING EXPENSES:</u>		
Personal services	485,820	
Contractual services	2,111,431	
Consumable supplies	153,943	
Depreciation expense	585,963	
Health claim payments		987,340
Administrative fees		38,271
Reinsurance premiums		218,930
Life insurance premiums		18,841
Total Operating Expenses	3,337,157	1,263,382
Operating Income (Loss)	(339,742)	(190,582)
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Interest income	7,865	5,414
Interest expense	(193,247)	
Total Nonoperating Revenues (Expenses)	(185,382)	5,414
Net Income (Loss) Before Operating Transfers	(525,124)	(185,168)
<u>OPERATING TRANSFERS:</u>		
Operating transfers in	587,833	
Operating transfers out	(463,490)	
Net Operating Transfers	124,343	-
Net Income (Loss)	(400,781)	(185,168)
Total net position, beginning	4,767,713	644,616
Total net position, ending	\$ 4,366,932	459,448

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2014

	<u>Business-Type Activities Enterprise Fund Water & Sewer Fund</u>	<u>Governmental Activities Internal Service Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers and users	\$ 2,943,342	
Receipts for premiums		642,587
Other receipts	105,920	439,796
Payments to suppliers for goods and services	(2,213,425)	
Payments to employees	(493,947)	
Payments for health claims		(1,005,923)
Payments for administrative fees		(38,271)
Payments for premiums		(237,771)
Net Cash Provided (Used) by Operating Activities	<u>341,890</u>	<u>(199,582)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Operating transfers in	463,490	
Operating transfers out	(463,490)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition of property and equipment	(2,826)	
Principal payments on long-term debt	(548,294)	
Interest paid	(193,247)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(744,367)</u>	
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest received on invested funds	<u>7,865</u>	<u>5,416</u>
Net Cash Provided (Used) by Investing Activities	<u>7,865</u>	<u>5,416</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(394,612)	(194,166)
Cash and Cash Equivalents, October 1	<u>659,248</u>	<u>686,197</u>
Cash and Cash Equivalents, September 30	<u>\$ 264,636</u>	<u>492,031</u>

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2014

	<u>Business-Type Activities Enterprise Fund Water & Sewer Fund</u>	<u>Governmental Activities Internal Service Fund</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ <u>(339,742)</u>	<u>(190,582)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	585,963	
(Increase) decrease in accounts receivable	(7,844)	9,583
(Increase) decrease in inventories	1,871	
Increase (decrease) in water deposits	59,690	
Increase (decrease) in accounts payable	50,079	(18,583)
Increase (decrease) in claims and judgments		
Increase (decrease) in compensated absences	<u>(8,127)</u>	
Total adjustments	<u>681,632</u>	<u>(9,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 341,890</u>	<u>(199,582)</u>
Unrestricted	\$	492,031
Restricted	<u>264,636</u>	
Total	<u>\$ 264,636</u>	<u>492,031</u>
Supplemental schedule of Non-cash financing activities:		
Equipment purchased in public improvement bond fund account	124,344	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2014

	Agency Funds
<u>ASSETS</u>	
Cash and investments	\$ <u>91,060</u>
Total Assets	\$ <u><u>91,060</u></u>
<u>LIABILITIES</u>	
Intergovernmental payables	\$ <u>91,060</u>
Total Liabilities	\$ <u><u>91,060</u></u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City does not apply FASB pronouncements or APB opinions issued after November 30, 1989. 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 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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.

Airport Improvement Fund - This fund accounts for the proceeds and expenditures of grant proceeds and City matching funds being utilized to improve the City's airport.

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 – 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 1st. Taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st 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 2013 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 1st, 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 1st. 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 15th, 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 CASH

Cash

The carrying amount of the City’s total deposits with financial institutions at September 30, 2014 was \$10,348,042 and the bank balance was \$11,487,768. 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 4 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, 2014 were \$333,228.

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, 2014 include the following:

<u>State of Mississippi:</u>	Sales Tax	\$ 551,259
	Tourism Tax	122,460
<u>Bolivar County:</u>	Auto Ad Valorem	40,764
	Privilege tax	2,097
	Delinquent taxes	650
	Road maintenance	5,525
<u>Federal Grants:</u>	Airport - FAA	132,365
	Bicycle Trail - Department of Transportation	17,533
<u>State Grants:</u>	Other	<u>1,749</u>
	Total Intergovernmental Receivables	\$ <u><u>874,402</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, 2014 were:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u> <u>Portion</u>	<u>Interest</u> <u>Portion</u>	<u>Total</u> <u>Lease</u>
2015	\$ 208,970	16,680	225,650
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>1,077,699</u></u>	<u><u>50,551</u></u>	<u><u>1,128,250</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, 2014 were:

Year Ending <u>September 30,</u>	Principal <u>Portion</u>	Interest <u>Portion</u>	Total <u>Lease</u>
2015	\$ 65,529	18,601	84,130
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>\$ 582,020</u>	<u>165,214</u>	<u>747,234</u>

NOTE 5 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>
2015	\$ 18,300
2016	18,300
2017	18,575
2018	18,900
2019	18,900
2020-2024	74,800
2025-2029	65,275
2030-2034	43,150
2035-2039	18,000
Total Minimum Payments Required	<u>\$ 294,200</u>

NOTE 6 CAPITAL LEASES

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Equipment and Fixtures (Street sweeper)	\$ 239,595	
Infrastructure (Water meters)		3,357,802
Total	239,595	3,357,802
Less: accumulated depreciation	(46,208)	(107,450)
Leased property under capital leases	<u>\$ 193,387</u>	<u>3,250,352</u>

The following is a schedule by years of the total payments due as of September 30, 2014:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 52,480	4,239	186,028	92,023
2016	53,954	2,765	191,598	86,454
2017	55,485	1,233	197,334	80,717
2018	14,113	65	203,243	74,809
2019-2023			1,111,218	279,040
2024-2028			1,287,761	102,425
Total	<u>\$ 176,032</u>	<u>8,302</u>	<u>3,177,182</u>	<u>715,468</u>

NOTE 7 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 2014 the City had the following restricted cash:

	<u>Economic Development and Tourism Fund</u>	<u>General Bond and Interest Fund</u>	<u>Baxter Bond Fund</u>	<u>Economic Development Revolving Fund</u>	<u>Special Industrial Project Fund</u>	<u>Water and Sewer</u>	<u>Other</u>
Capital improvements	\$				58,174		174,895
Crime prevention							77,274
Customer deposits						264,636	
Debt service		341,533	2,607				
Economic development	1,771,641			1,808,218			
HOME Program							2,384
Public works							1,604,723
Unemployment							23,627
Totals	<u>\$ 1,771,641</u>	<u>341,533</u>	<u>2,607</u>	<u>1,808,218</u>	<u>58,174</u>	<u>264,636</u>	<u>1,882,903</u>

NOTE 8 CAPITAL ASSETS

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

	Not Being Depreciated		Being Depreciated			Total
	Land	Construction in Progress	Buildings and Improvements	Equipment and Fixtures	Infrastructure	
Governmental Activities:						
Capital Assets						
Balance, 10/01/13	\$ 4,605,367	7,108,342	12,863,746	7,277,162	13,335,321	45,189,938
Additions		448,094		486,410	349,315	1,283,819
Deletions				(25,624)		(25,624)
Adjustments		(7,521,444)			7,521,444	0
Balance, 09/30/14	<u>4,605,367</u>	<u>34,992</u>	<u>12,863,746</u>	<u>7,737,948</u>	<u>21,206,080</u>	<u>46,448,133</u>
Accumulated Depreciation						
Balance 10/01/13	0	0	3,081,016	5,103,449	5,744,687	13,929,152
Additions			470,754	383,259	533,053	1,387,066
Deletions				(23,062)		(23,062)
Adjustments						0
Balance, 09/30/14	<u>0</u>	<u>0</u>	<u>3,551,770</u>	<u>5,463,646</u>	<u>6,277,740</u>	<u>15,293,156</u>
Governmental Activities Assets, Net	<u>4,605,367</u>	<u>34,992</u>	<u>9,311,976</u>	<u>2,274,302</u>	<u>14,928,340</u>	<u>31,154,977</u>
Business-type Activities:						
Capital Assets						
Balance, 10/01/13	1,259,935	3,357,802	301,983	1,314,590	29,426,474	35,660,784
Additions				127,170		127,170
Deletions						0
Adjustments		(3,357,802)			3,357,802	0
Balance, 09/30/14	<u>1,259,935</u>	<u>0</u>	<u>301,983</u>	<u>1,441,760</u>	<u>32,784,276</u>	<u>35,787,954</u>
Accumulated Depreciation						
Balance, 10/01/13	0	0	177,493	1,014,670	22,012,620	23,204,783
Additions			6,040	74,808	505,115	585,963
Deletions						0
Adjustments						0
Balance, 09/30/14	<u>0</u>	<u>0</u>	<u>183,533</u>	<u>1,089,478</u>	<u>22,517,735</u>	<u>23,790,746</u>
Business-type Activities Assets, Net	<u>1,259,935</u>	<u>0</u>	<u>118,450</u>	<u>352,282</u>	<u>10,266,541</u>	<u>11,997,208</u>
Total Capital Assets, Net	<u>\$ 5,865,302</u>	<u>34,992</u>	<u>9,782,100</u>	<u>2,274,910</u>	<u>25,194,881</u>	<u>43,152,185</u>

Commitments with respect to unfinished capital projects at September 30, 2014, consisted of the following:

Description of commitment	Remaining Financial Commitment	Expected Completion Date
Engineering services	\$ 65,895	September 2015

Depreciation expense was charged to City functions as follows:

Governmental Activities:		
General government	\$ 5,520	
Public safety	271,090	
Public works	595,613	
Highways and streets	381,800	
Health and sanitation	11,662	
Education and recreation	<u>121,381</u>	
Total	<u>\$ 1,387,066</u>	
Business-type Activities:		
Water and Sewer	<u>\$ 585,963</u>	

NOTE 9 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, 2014 is approximately:

<u>15% Limit</u>	<u>20% Limit</u>
\$7,975,926	\$12,837,901

The following is a summary of changes in long-term debt for the year ended September 30, 2014.

	Balance 10/1/2013	Additions	Reductions	Balance 9/30/2014	Due within one year
Governmental Activities:					
General Obligation Bonds	\$ 6,230,000	1,400,000	1,020,000	6,610,000	1,020,000
Notes Payable - State of MS	656,694		105,792	550,902	109,278
Lease Payable - Cleveland State Bank	227,070		51,038	176,032	52,480
Compensated Absences	276,778	38,665		315,443	
Total Governmental Activities	<u>7,390,542</u>	<u>1,438,665</u>	<u>1,176,830</u>	<u>7,652,377</u>	<u>1,181,758</u>
Business-type Activities:					
Notes Payable - State of MS	5,013,818		367,674	4,646,144	374,904
Lease Payable - Siemens	3,357,802		180,620	3,177,182	186,028
Compensated Absences	22,842		8,127	14,715	
Total Business-type Activities	<u>8,394,462</u>	<u>-</u>	<u>556,421</u>	<u>7,838,041</u>	<u>560,932</u>
Total Long-term Debt	<u>\$ 15,785,004</u>	<u>1,438,665</u>	<u>1,733,251</u>	<u>15,490,418</u>	<u>1,742,690</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, 2014 bonds and notes payable consisted of the following individual issues:

<u>Description and Purpose</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
Governmental Activities:					
A. General Obligation Bonds					
Public Improvement	5/1/05	3.75%	3/1/15	1,100,000	110,000
Public Improvement	5/1/06	4.00 - 5.00%	3/1/16	1,110,000	230,000
Public Improvement	3/1/07	4.25 - 5.25%	3/1/17	1,130,000	345,000
General Obligation	3/1/07	6.00 - 8.50%	3/1/17	1,035,000	660,000
Public Improvement	5/1/10	2.50 - 3.50%	3/1/20	1,370,000	830,000
Public Improvement	5/1/11	2.25 - 3.125%	3/1/21	1,145,000	805,000
Public Improvement	1/26/12	1.50 - 2.125%	3/1/22	1,390,000	1,120,000
Public Improvement	4/15/13	1.50 - 2.00%	3/1/23	1,200,000	1,110,000
Public Improvement	4/15/14	2.00 - 2.60%	3/1/24	1,400,000	1,400,000
Total General Obligation Bonds				<u>15,490,418</u>	<u>6,610,000</u>

B. Other Loans

State of Mississippi (MDA Faurecia - City)	6/7/04	3.00%	6/1/23	750,000	275,451
State of Mississippi (MDA Faurecia - County)	6/7/04	3.00%	6/1/23	750,000	275,451
Cleveland State Bank (Street Sweeper Lease)	6/4/13	2.75%	12/10/17	239,595	176,032
Total Other Loans					<u>726,934</u>
Total Governmental Activities					\$ <u><u>7,336,934</u></u>

Business-type Activities:

Description and Purpose	Date of Issue	Interest Rates	Maturity	Original Issue Amount	Amount Outstanding
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Business-type Activities:

A. Other Loans

State of Mississippi (MDEQ) #1	8/1/03	1.75%	6/1/23	1,898,911	925,805
State of Mississippi (MDEQ) #2	9/25/03	1.75%	9/1/24	1,557,801	855,787
State of Mississippi (MDEQ) #3	10/1/04	1.75%	1/1/26	1,213,503	756,772
State of Mississippi (MDEQ) #4	10/14/05	2.50%	4/1/27	1,905,000	1,163,045
State of Mississippi (MDEQ) #5	8/25/06	2.50%	8/25/32	1,630,000	944,731
Siemens Public, Inc. Lease payable	11/21/13	2.92%	8/21/28	3,357,802	3,177,182
Total Other Loans					\$ <u><u>7,823,322</u></u>

The annual debt service requirements of long-term debt as of September 30, 2014 are as follows:

Governmental Activities:

Year Ending September 30,	General Obligation		Other Loans	
	Principal	Interest	Principal	Interest
2015	\$ 1,020,000	166,485	161,758	19,263
2016	920,000	138,144	166,556	14,467
2017	825,000	113,523	171,513	9,509
2018	725,000	92,601	133,668	4,811
2019	735,000	73,144	93,439	1,182
2020-2024	<u>2,385,000</u>	<u>113,588</u>		
Total	\$ <u><u>6,610,000</u></u>	<u><u>697,485</u></u>	<u><u>726,934</u></u>	<u><u>49,232</u></u>

Business-type Activities:

2015		\$ 560,932	180,609
2016		573,878	167,663
2017		587,139	154,402
2018		600,724	140,817
2019		614,640	126,902
2020-2024		3,149,952	415,018
2025-2029		<u>1,736,057</u>	<u>90,817</u>
Total		\$ <u><u>7,823,322</u></u>	<u><u>1,276,228</u></u>

NOTE 10 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, 2014 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>		
General Fund	Enterprise Fund	\$	463,490
Baxter Bond Fund	Economic Development and Tourism Fund		23,000
Enterprise Fund	General Fund		463,489
Enterprise Fund	Nonmajor Fund		124,344
Nonmajor Fund	General Fund		<u>400,000</u>
Total		\$	<u><u>1,474,323</u></u>

Individual fund interfund advance balances at September 30, 2014 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
Economic Development and Tourism Fund	Special Industrial Project Fund		183,435
Economic Development Revolving Fund	Special Industrial Project Fund		<u>383,259</u>
Totals		\$	<u><u>636,694</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 11 DEFINED BENEFIT 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 pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State Law and may be amended only by the State of 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 Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The City's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$697,754, \$660,596, and \$602,721, respectively.

NOTE 12 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.

The City has a gain contingency associated with water collections. New water meters were installed throughout the City this year. The agreement with the Company installing the meters provided for certain revenue guarantees. A number of the meters were defective and did not measure water used correctly. The City collected \$175,000 in November 2014 in settlement of the condition. No revenue was accrued in the September 30, 2014 financial statements in relation to this contingency.

NOTE 13 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 14 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 Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2012-2013	\$ 71,213	561,974	558,379	74,808
2013-2014	74,808	987,340	1,005,923	56,225

NOTE 15 DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

The Special Industrial Project Fund reported a deficit in fund balances of \$508,520 at September 30, 2014.

NOTE 16 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 July 24, 2015 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

The City obtained a General Obligation Public Improvement Note from Planters Bank & Trust Company, Indianola, Mississippi. The amount available under the note is \$838,653 and carries an interest rate of 1.375 percent. The note was dated December 16, 2014 and has a maturity date of December 15, 2015.

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, 2014

	9/30/2014			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Licenses and permits	\$ 491,800	491,800	614,524	122,724
Fines and forfeits	260,000	260,000	184,832	(75,168)
Grants and intergovernmental	3,920,004	3,920,094	3,774,928	(145,166)
Charges for services	545,200	545,200	568,739	23,539
Miscellaneous revenues	834,900	834,900	860,497	25,597
Ad valorem taxes	2,385,895	2,385,895	2,327,577	(58,318)
Miscellaneous taxes	40,875	40,875	47,040	6,165
Interfund transfers	463,490	463,490	463,490	-
Total revenues	8,942,164	8,942,254	8,841,627	(100,627)
<u>EXPENDITURES:</u>				
General government				
Personal services	364,804	364,804	369,848	(5,044)
Contractual services	744,203	744,203	733,468	10,735
Consumable supplies	59,900	70,400	26,271	44,129
Capital outlay	13,000	13,000	9,492	3,508
Grants and subsidies	139,953	139,953	132,571	7,382
Total general government	1,321,860	1,332,360	1,271,650	60,710
Public Safety				
Municipal Court				
Personal services	138,850	138,850	130,169	8,681
Contractual services	214,880	214,880	206,224	8,656
Consumable supplies	9,300	9,300	4,839	4,461
Total municipal court	363,030	363,030	341,232	21,798
Police Department				
Personal services	3,182,260	3,182,260	2,684,253	498,007
Contractual services	105,630	117,630	382,415	(264,785)
Consumable supplies	224,000	224,000	176,682	47,318
Capital outlay	62,500	62,500	56,314	6,186

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, 2014

	9/30/2014			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Total Police Department	3,574,390	3,586,390	3,299,664	286,726
Fire Department				
Personal services	197,616	197,616	223,767	(26,151)
Contractual services	114,920	120,720	109,602	11,118
Consumable supplies	85,450	85,450	75,255	10,195
Capital outlay	14,000	14,000	13,472	528
Total Fire Department	411,986	417,786	422,096	(4,310)
Total Public Safety	4,349,406	4,367,206	4,062,992	304,214
Public Works				
Code Compliance				
Personal services	364,375	364,375	355,294	9,081
Contractual services	55,700	55,700	60,956	(5,256)
Consumable supplies	21,150	21,150	18,938	2,212
Capital outlay	2,500	2,500	2,422	78
Total Code Compliance	443,725	443,725	437,610	6,115
Cemetery				
Personal services	116,700	116,700	116,927	(227)
Contractual services	2,250	2,250	888	1,362
Consumable supplies	20,925	20,925	18,706	2,219
Capital outlay	897	897	902	(5)
Total Cemetery	140,772	140,772	137,423	3,349
Airport				
Personal services	121,446	121,446	115,751	5,695
Contractual services	40,375	40,375	32,560	7,815
Consumable supplies	46,450	46,450	38,053	8,397
Total Airport	208,271	208,271	186,364	21,907
Groundskeeper				
Personal services	99,575	99,575	92,585	6,990
Contractual services	1,100	1,100	1,060	40
Consumable supplies	32,000	32,000	29,695	2,305

**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, 2014**

	9/30/2014			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Capital outlay	13,500	13,500	13,488	12
Total Groundskeeper	<u>146,175</u>	<u>146,175</u>	<u>136,828</u>	<u>9,347</u>
Total public works	<u>938,943</u>	<u>938,943</u>	<u>898,225</u>	<u>40,718</u>
Highways and Streets				
Personal services	678,563	678,563	635,192	43,371
Contractual services	193,125	189,125	192,036	(2,911)
Consumable supplies	281,950	285,950	258,769	27,181
Capital outlay	497,845	497,845	56,892	440,953
Total Highways and Streets	<u>1,651,483</u>	<u>1,651,483</u>	<u>1,142,889</u>	<u>508,594</u>
Health and sanitation				
Mosquito Control				
Contractual services	426,160	426,160	425,636	524
Total Mosquito Control	<u>426,160</u>	<u>426,160</u>	<u>425,636</u>	<u>524</u>
Shop Department				
Personal services	88,995	88,995	87,736	1,259
Contractual services	1,700			-
Consumable supplies	12,200	13,900	8,225	5,675
Capital outlay	8,000	8,000	7,984	16
Total Shop Department	<u>110,895</u>	<u>110,895</u>	<u>103,945</u>	<u>6,950</u>
Total Expenditures	<u>8,798,747</u>	<u>8,827,047</u>	<u>7,905,337</u>	<u>921,710</u>
Excess (deficiency) of revenues over (under) expenditures	<u>143,417</u>	<u>115,207</u>	<u>936,290</u>	<u>(821,083)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in (out)	<u>(400,000)</u>	<u>(415,000)</u>	<u>(415,000)</u>	<u>0</u>
Total other financing sources (uses)	<u>(400,000)</u>	<u>(415,000)</u>	<u>(415,000)</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (256,583)</u>	<u>(299,793)</u>	521,290	<u>(821,083)</u>

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, 2014

	9/30/2014			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			209,752	
Expenditures charged to designated funds			<u>(459,986)</u>	
Net Change in Fund Balances - GAAP Basis			271,056	
Fund balances, October 1			3,366,389	
Increase (decrease) in reserve for inventory			<u>8,390</u>	
Fund balances, September 30			<u><u>\$ 3,645,835</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, 2014

	9/30/2014			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Tourism taxes	\$ 707,000	707,000	711,864	4,864
Miscellaneous revenues	11,600	11,600	18,935	7,335
Land sale			220,000	220,000
Bicycle Path Grant	17,533	17,533		(17,533)
Total revenues	736,133	736,133	950,799	214,666
<u>EXPENDITURES:</u>				
All departments				
Appropriation	625,637	630,637	598,912	31,725
Interfund transfers	23,000	23,000	23,000	0
Capital outlay	5,700	5,700	3,908	1,792
Total all departments	654,337	659,337	625,820	33,517
Railroad Heritage Museum				
Personal services	61,236	61,236	60,751	485
Contractual services	78,400	78,400	67,996	10,404
Consumable supplies	8,000	8,000	5,179	2,821
Capital outlay	15,000	15,000	12,043	2,957
Total	162,636	162,636	145,969	16,667
TE Grant - Bicycle Path				
Capital outlay	24,695	30,195	24,694	5,501
Total expenditures	841,668	852,168	796,483	55,685
Excess (deficiency) of revenues over (under) expenditures	(105,535)	(116,035)	154,316	270,351

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, 2014

	9/30/2014			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	32,937	32,937		(32,937)
Total other financing sources (uses):	32,937	32,937	0	(32,937)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (72,598)	(83,098)	154,316	237,414
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			882	
Expenditures charged to designated funds			22,638	
Net change in Fund Balances - GAAP Basis			177,836	
Fund balances, October 1			1,913,501	
Fund balances, September 30			2,091,337	

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, 2014

	9/30/2014			
	Budgeted Amount		Actual	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Federal Grants -CDBG	\$ 1,107,360	1,107,360		(1,107,360)
County Match	138,420	138,420		(138,420)
Miscellaneous revenues	20,200	20,200	20,429	229
Total revenues	1,265,980	1,265,980	20,429	(1,245,551)
<u>EXPENDITURES:</u>				
Contractual services	40,000	40,000		(40,000)
Capital Outlay	1,344,200	1,344,200		(1,344,200)
Total expenditures	1,384,200	1,384,200	0	(1,384,200)
Excess (deficiency) of revenues over (under) expenditures	(118,220)	(118,220)	20,429	138,649
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	68,409	68,409		(68,409)
Total other financing sources (uses):	68,409	68,409	0	(68,409)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (49,811)	(49,811)	20,429	70,240
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds				
Expenditures charged to designated funds				
Net change in Fund Balances - GAAP Basis			20,429	
Fund balances, October 1			2,171,048	
Fund balances, September 30			2,191,477	

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, 2014

	9/30/2014			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP	Favorable
			Basis	(Unfavorable)
<u>REVENUES:</u>				
Lease payment	\$ 225,650	225,650	225,650	0
Miscellaneous revenues	1,400	1,400	680	(720)
Total revenues	227,050	227,050	226,330	(720)
<u>EXPENDITURES:</u>				
Contractual services	124,304	124,304	124,304	0
Total expenditures	124,304	124,304	124,304	0
Excess (deficiency) of revenues over (under) expenditures	102,746	102,746	102,026	(720)
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in (out)	(101,346)	(101,346)	(101,346)	0
Total other financing sources (uses):	(101,346)	(101,346)	(101,346)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,400	1,400	680	(720)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			101,346	
Expenditures charged to designated funds			(101,346)	
Net change in Fund Balances - GAAP Basis			102,026	
Fund balances, October 1			(610,546)	
Fund balances, September 30			(508,520)	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended September 30, 2014

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.

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2014.

<u>Fund</u>	<u>Excess</u>
Crime Prevention Fund	\$34,268
Health Insurance Fund	\$309,213
Sanitation Fund	\$17,949
Water and Sewer Fund	\$97,704

All of the funds listed above, (Crime Prevention Fund, Health Insurance Fund, Sanitation Fund and Water and Sewer Fund) are in violation of Section 21-35-14 Miss. Code Ann. (1972). However, the City has no liability associated with these violations.

See Schedule of Findings and Responses Finding 2014-1.

E. Unbudgeted Funds.

There were no unbudgeted funds for the year ended September 30, 2014.

CITY OF CLEVELAND, MISSISSIPPI

OTHER SUPPLEMENTAL INFORMATION

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF CERTIFICATES OF DEPOSIT
September 30, 2014

SCHEDULE OF POOLED CERTIFICATES OF DEPOSIT:

The City did not have any certificates of deposit at September 30, 2014. 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, 2014

Monthly Bond and Interest Requirements - General Obligation Bond and Interest Fund
For the Year Ended September 30, 2015

<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 - 2015</u>							
05/01/05	Public improvement bond	3.750%	03/01/15	Trustmark National Bank	112,063	110,000	2,063
05/01/06	Public improvement bond	4.173%	03/01/15	Trustmark National Bank	119,600	115,000	4,600
03/01/07	Public improvement bond	3.797%	03/01/15	Trustmark National Bank	121,641	115,000	6,641
12/28/06	General obligation, series 2006	6.344%	11/01/14	First National Bank	84,800	65,000	19,800
05/01/10	Public improvement bond	3.181%	03/01/15	Trustmark National Bank	147,903	135,000	12,903
05/01/11	Public improvement bond	2.476%	03/01/15	Trustmark National Bank	125,278	115,000	10,278
01/26/12	Public improvement bond	1.790%	03/01/15	Trustmark National Bank	149,625	140,000	9,625
04/15/13	Public improvement bond	1.678%	03/01/15	Bank Plus	114,769	105,000	9,769
04/15/14	Public improvement bond	2.250%	03/01/15	Hancock Bank	135,128	120,000	15,128
Total - March 2015					<u>1,110,807</u>	<u>1,020,000</u>	<u>90,807</u>
<u>August - 2015</u>							
05/01/05	Public improvement bond	3.750%	09/01/15	Trustmark National Bank	0		0
05/01/06	Public improvement bond	4.173%	09/01/15	Trustmark National Bank	2,300		2,300
03/01/07	Public improvement bond	3.797%	09/01/15	Trustmark National Bank	4,456		4,456
12/28/06	General obligation, series 2006	6.344%	05/01/15	First National Bank	17,850		17,850
05/01/10	Public improvement bond	3.181%	09/01/15	Trustmark National Bank	11,216		11,216
05/01/11	Public improvement bond	2.476%	09/01/15	Trustmark National Bank	8,984		8,984
01/26/12	Public improvement bond	1.790%	09/01/15	Trustmark National Bank	8,225		8,225
04/15/13	Public improvement bond	1.678%	09/01/15	Bank Plus	8,719		8,719
04/15/13	Public improvement bond	2.250%	09/01/15	Hancock Bank	13,928		13,928
Total - September 2015					<u>75,678</u>	<u>0</u>	<u>75,678</u>
Grand Totals - General Obligation Bonds					<u>\$ 1,186,485</u>	<u>1,020,000</u>	<u>166,485</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the Fiscal Year Ended September 30, 2014

Date of Issue	Description	Balance Outstanding 10/01/13	Issued	Redeemed	Balance Outstanding 09/30/14
<u>GENERAL OBLIGATION BONDS</u>					
03/01/04	Public improvement bond	145,000		145,000	0
05/01/05	Public improvement bond	220,000		110,000	110,000
05/01/06	Public improvement bond	340,000		110,000	230,000
12/28/06	General obligation, series 2006	460,000		115,000	345,000
03/01/07	Public improvement bond	725,000		65,000	660,000
05/01/10	Public improvement bond	965,000		135,000	830,000
05/01/11	Public improvement bond	920,000		115,000	805,000
01/26/12	Public improvement bond	1,255,000		135,000	1,120,000
04/15/13	Public improvement bond	1,200,000		90,000	1,110,000
04/15/14	Public improvement bond		1,400,000		1,400,000
	Total General Obligation Bonds	<u>6,230,000</u>	<u>1,400,000</u>	<u>1,020,000</u>	<u>6,610,000</u>
<u>OTHER DEBT ISSUED</u>					
08/01/03	MDEQ - Capital improvements	1,022,876		97,067	925,809
08/01/03	MDA - RLF Financing (City Faurecia)	328,347		52,896	275,451
08/01/03	MDA - RLF Financing (County Faurecia)	328,347		52,896	275,451
09/25/03	MDEQ - Capital improvements	933,420		77,633	855,787
04/21/06	MDEQ - Capital improvements	815,679		58,907	756,772
10/14/05	MDEQ - Capital improvements	1,240,735		77,690	1,163,045
08/25/06	MDEQ - Capital improvements	1,001,108		56,377	944,731
08/03/12	Siemens Public, Inc. (Water Meter Lease)	3,357,802		180,620	3,177,182
06/04/13	Cleveland State Bank (Street Sweeper Lease)	227,070		51,038	176,032
	Total Other Debt Issued	<u>9,255,384</u>	<u>0</u>	<u>705,124</u>	<u>8,550,260</u>
	Grand Total	<u>\$ 15,485,384</u>	<u>1,400,000</u>	<u>1,725,124</u>	<u>15,160,260</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF SURETY BONDS
September 30, 2014

Insurance Agent of Record - Bolivar Insurance Agency, Inc.

Coverage	Amounts Or Limits	Term In Years	Expires	Company	Comments
Clint Johnson	50,000	1	Aug-15	Brierfield	Airport Director
Maurice Smith	100,000	4	Jul-17	Brierfield	Alderman Ward 1
Robert L. Sanders	100,000	1	Jul-15	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-15	St. Paul	City Attorney
John K Lindsey	65,000	1	Apr-15	St. Paul	City Clerk
Greg Korb	50,000	1	Oct-14	Brierfield	City Engineer
Billy Trotter	50,000	1	Mar-15	St. Paul	City Inspector
Kimberly Hudson	50,000	1	Jan-15	St. Paul	City Inspector
Farae Wolfe	65,000	1	Jun-15	Western	City Manager, HR
Cindy Duffee	50,000	1	Nov-14	Brierfield	Code Compliance
Brett Moorman	50,000	1	Oct-14	Brierfield	Code Director
Helen Ann Brewer	50,000	1	Jun-15	Brierfield	Court Clerk
Jodie W Felton	50,000	1	Jul-15	Brierfield	Court Clerk
Michele Hamilton	50,000	1	Mar-15	St. Paul	Court Clerk
Misty Wilson	50,000	1	May-15	St. Paul	Court Clerk
Patsy Lawson	50,000	1	Jul-15	St. Paul	Court Clerk
Linda Brown	65,000	1	Oct-14	St. Paul	Deputy Clerk
Gene Bishop	50,000	1	Oct-14	Brierfield	Fire Chief
Billy Nowell	100,000	4	Jul-17	Brierfield	Mayor
Barbara Robinson	50,000	1	Aug-15	Brierfield	Park Commission
Stephen Glorioso	50,000	1	Aug-15	Brierfield	Park Commission
Betha Watson	50,000	1	Jul-15	St. Paul	Payroll
Charles Bingham	50,000	1	Oct-14	St. Paul	Police Chief
Frank Caswell	50,000	1	Jun-15	Western	Police Officer
Joe Wayne Smith	50,000	1	Jun-15	Brierfield	Police Officer
Kenneth Earl Allen	50,000	1	Jun-15	Western	Police Officer
Michael Walls	50,000	1	Jun-15	Western	Police Officer
Michael D Pointer	50,000	1	Jun-15	Western	Police Officer
Robert Burns Livingston	50,000	1	Jun-15	Brierfield	Police Officer

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF SURETY BONDS
September 30, 2014

Insurance Agent of Record - Bolivar Insurance Agency, Inc.

Coverage	Amounts Or Limits	Term In Years	Expires	Company	Comments
Brandy Murphy	50,000	1	Jan-15	St. Paul	Public Works Clerk
Hope Johnson	50,000	1	Mar-15	St. Paul	Public Works Clerk
Rose Walters	50,000	1	May-15	Western	Water Clerk
Samantha Franklin Milum	50,000	1	Jun-15	Brierfield	Water Clerk
Marilyn D Adams Cox	50,000	1	Aug-15	St. Paul	Water Supervisor

See accompanying notes to financial statements.

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, 2014

	9/30/2014			
	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
<u>REVENUES:</u>				
Taxes	\$ 1,121,613	1,121,613	1,085,683	(35,930)
Interest Income	3,800	3,800	3,689	(111)
Total revenues	1,125,413	1,125,413	1,089,372	(36,041)
<u>EXPENDITURES:</u>				
Debt service	1,126,972	1,126,972	1,111,716	15,256
Total debt service	1,126,972	1,126,972	1,111,716	15,256
Total Expenditures	1,126,972	1,126,972	1,111,716	15,256
Excess (deficiency) of revenues over (under) expenditures	(1,559)	(1,559)	(22,344)	(51,297)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (1,559)	(1,559)	(22,344)	(51,297)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			1,320	
Net change in Fund Balances - GAAP Basis			(21,024)	
Fund balances, October 1			369,277	
Fund balances, September 30			348,253	

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, 2014

	9/30/2014			
	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
<u>REVENUES:</u>				
Lease payment	\$ 172,627	172,627	172,627	0
Interest income			43	43
Total revenues	172,627	172,627	172,670	43
<u>EXPENDITURES:</u>				
Debt service	195,433	195,433	195,373	60
Total debt service	195,433	195,433	195,373	60
Total Expenditures	195,433	195,433	195,373	60
Excess (deficiency) of revenues over (under) expenditures	(22,806)	(22,806)	(22,703)	(17)
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	23,000	23,000	23,000	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 194	194	297	(17)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds				
Expenditures charged to designated funds				
Net change in Fund Balances - GAAP Basis			297	
Fund balances, October 1			2,310	
Fund balances, September 30			2,607	

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>
2005	\$ 2,276,915	562,176	6,493,928	696,663	347,019	701,224	666,385	11,744,310
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

See accompanying notes to financial statements.

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

Fiscal Year	General Government	Public Safety	Public Works	Highways and Streets	Health and Sanitation	Shop Department	Education and Recreation	Economic and Community Development	Capital Projects	Debt Service	Total
2005	1,042,967	3,519,226	478,712	819,215	929,580	111,704	796,719	1,335,002	3,500,318	1,394,186	13,927,629
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

See accompanying notes to financial statements.

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

Fiscal Year	Total Tax Levied	Current Tax Collected	Percent of Current Taxes Collected	Delinquent Tax Collected	Total Tax Collected	Ratio of Total Tax Collected to Total Tax Levied
2005	\$ 2,443,410	2,360,006	96.59%	36,527	2,396,533	98.08%
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%

See accompanying notes to financial statements.

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

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Motor Vehicle Assessed Value	Public Utilities Assessed Value	Total Assessed Value
2005	45,701,906	8,996,003	13,554,479	3,318,498	71,570,886
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

See accompanying notes to financial statements.

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

Fiscal Year	General Fund Millage	Library Fund Millage	Park Fund Millage	Debt Service Millage	Total Millage
2005	19.00	3.00	2.00	10.00	34.00
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

See accompanying notes to financial statements.

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

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections</u>
2005	0	0
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

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI
COMPUTATION OF LEGAL DEBT MARGIN
For the Fiscal Year Ended September 30, 2014**

Date of Issue	Description	Total Outstanding G/O Debt	Bonds Subject To 15% Limitation	Bonds Subject To 20% Limitation
<u>OUTSTANDING GENERAL OBLIGATION DEBT:</u>				
05/01/05	Public Improvement Bond	110,000	110,000	110,000
05/01/06	Public Improvement Bond	230,000	230,000	230,000
03/01/07	Public Improvement Bond	345,000	345,000	345,000
05/01/06	General Obligation-Baxter Bond	660,000	660,000	660,000
05/01/10	Public Improvement Bond	830,000	830,000	830,000
05/01/11	Public Improvement Bond	805,000	805,000	805,000
01/26/12	Public Improvement Bond	1,120,000	1,120,000	1,120,000
04/15/13	Public Improvement Bond	1,110,000	1,110,000	1,110,000
04/15/14	Public Improvement Bond	1,400,000	1,400,000	1,400,000
	Total Outstanding General Obligation Debt	\$ 6,610,000	6,610,000	6,610,000

AUTHORIZED DEBT LIMIT:

Assessed Value for the fiscal year ended September 30, 2014	\$ 97,239,504	\$ 14,585,926	19,447,901
Present Debt (Subject to 15% and 20% Limitation, respectively)		6,610,000	6,610,000
Margin for Further Indebtedness (Under 15% and 20% Limitation, respectively)		\$ 7,975,926	12,837,901

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

Fiscal Year	Population	Total Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
2005	13,841	71,570,886	5,130,000	2,139,617	2,990,383	4.18%	216.05
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

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 Year	Principal	Interest	Total Debt Service	Total Governmental Expenditures	Ratio of Debt Service to Governmental Expenditures
2005	675,000	176,937	851,937	13,927,629	6.12%
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%

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
September 30, 2014

<u>Jurisdiction</u>	<u>Net General Obligated Bonded Debt Outstanding</u>	<u>Percentage Applicable To City</u>	<u>Amount Applicable To City</u>
Direct Bonded Debt:			
City of Cleveland, Mississippi	\$ 6,259,140	100.00%	\$ 6,259,140
Overlapping Bonded Debt:			
Bolivar County, Mississippi	<u>7,573,408</u> (1)	32.96% (2)	<u>2,496,195</u>
Total	<u>\$ 13,832,548</u>		<u>\$ 8,755,335</u>

(1) Information obtained from Bolivar County Chancery Clerk.

(2) Applicable percentage based on total assessed valuation of taxable property in Bolivar County of \$295,025,339 (1) to \$97,239,504 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, 2014, 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 July 24, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses 2014-1 and 2014-2.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a significant deficiency 2014-3.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2014-1.

City's Response to Findings

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

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
July 24, 2015

**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, 2014, 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 July 24, 2015, on the financial statements of City of Cleveland, Mississippi.

Due to the reduced scope, these review procedures and compliance test cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be material 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.

The results of our review procedures and compliance tests identified an instance of noncompliance described in Finding 2014-1 in the Schedule of Findings and Responses.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding to insure that corrective action has been taken.

The City's response to the finding included in the Schedule of Findings and Responses was not audited and, accordingly, we express no opinion on it.

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
July 24, 2015

**CITY OF CLEVELAND
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Section 1: Summary of Auditor’s Results

Financial Statements:

1. Type of auditor’s report issued on the primary governments financial statements. Unqualified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified that is not considered to be a material weakness? Yes
3. Material noncompliance relating to the primary government financial statements? Yes

Section 2: Financial Statement Findings

Material weakness/noncompliance

2014-1 Finding

Criteria

Section 21-35-17 Miss. Code Ann. (1972) provides that governing authorities shall not approve any claim for an expenditure which is in excess of budgeted appropriations with certain exceptions.

Condition

The following funds had expenditures in excess of budgeted amounts:

<u>Fund</u>	<u>Amount</u>
Crime Prevention Fund	\$34,268
Health Insurance Fund	\$309,213
Sanitation Fund	\$17,949
Water and Sewer Fund	\$97,704

Cause

The City Clerk resigned during the year and was not replaced until after year end. Properly trained personnel were not on staff to detect the situation.

Effect

The condition presents a danger to the health of the City’s financial condition if left unchecked. The condition is also a violation of the above state law.

Recommendation

Our recommendation is to comply with Section 21-35-17 Miss. Code Ann. (1972).

Response

The City of Cleveland has always fully complied with Mississippi Code Section 21-35-17 in prior years. This deviation was an oversight caused by the absence of a City Clerk for the period in question. The largest overage was in the Health Insurance Fund that was caused by a change in our health insurance contract in the middle of 2013. This was a contractual arrangement that was approved in the minutes but not recorded in the budget. Additionally, the overage in the Water and Sewer Fund resulted from a contractual arrangement with engineering services in conjunction with the Department of Environmental Quality mandate to upgrade our sewer treatment facility. This arrangement was also approved in the minutes but budgetary changes were not properly adjusted in the records of the City of Cleveland. We will make every effort to avoid this finding in the future.

Material weakness

2014-2 Finding

Criteria

Software packages for water and sewer billing purposes typically generate reports for each month's billing that can either be printed or saved in electronic form for future use or future audit needs. A billing report should reflect the amount of consumption billed for the month along with the dollar amount billed for the consumption. Collections against the amounts billed can then be compared to ensure amounts billed are collected and deposited. When collections on accounts are received, they should be deposited daily.

Condition

In order to conserve paper, monthly billing printouts are not printed. The ability to go back and view a particular month's billing requires the involvement of the computer software company. There is not a sufficient audit trail to be able to reconcile what was billed against what was collected. A cash journal report was used this year in an attempt to ensure amounts billed were collected and deposited into the City's bank account. The amount billed on the billing report does not match the amount reflected on the cash journal report. A test of deposits was conducted which revealed instances of daily receipts not being credited to the City's bank account the following business day. The billing reports also indicate billing errors. These errors appear to result from consumption readings which are not in line with what the software anticipates. No follow-up is conducted to address the possible consumption errors.

Effect

These conditions create an opportunity for misappropriation of funds. In addition, there may be instances of input errors for consumption resulting in a loss of revenue to the City.

Recommendation

A better understanding of the software billing program and the reports generated is needed. An onsite visit from the software company could greatly improve the understanding of how to address the error messages, how to electronically save and retrieve billing reports, and how to understand the reports generated by the software so that it can be reconciled with general ledger collections. Receipts should be deposited and credited to the City's bank the following business day.

Response

The City of Cleveland engaged in a contract with Siemens Corporation for a new meter reading system for water services in 2012. This system was installed in 2013. Unfortunately, the City has experienced great difficulty in the proper operation of the system and continues to work with Siemens to correct the problems. This finding should be resolved with the cooperation of Siemens and the City's computer service company, Delta Computers.

Significant deficiency

2014-3 Finding

Criteria

The water and sewer fund reports customer deposits on the financial statements as a liability. The fund should have enough cash at all times to cover the liability for customer deposits. Some utilities have a separate bank account dedicated to and equaling the amount of the customer deposits.

Condition

The financial statements of the water and sewer fund reported customer deposits of \$333,228. The cash balance of the water and sewer fund at September 30, 2014 was \$264,636. Thus, insufficient funds were in the fund to cover the amount of the customer deposits.

Effect

The condition could lead to the City spending funds that it needs to cover the customer deposits. Customer deposits are contractually due back to the customer upon termination of the customer utility service.

Recommendation

The general fund has enough funds to cover the shortage of cash in the water and sewer fund. However, reliance on the general fund cash is not the best approach. The cash balance in the water and sewer fund should be monitored more closely to ensure funds exist to cover the customer deposits. A separate bank account for this purpose would alleviate having to constantly monitor the bank balance.

Response

During the 2013 year the City engaged in an engineering study to enhance our Sewer Treatment Facility. The cost of this contact presented a huge drain on financial resources. As such, the City acquired a line of credit from Planters Bank in the amount of \$800,000 to provide temporary financing for the project. This project when fully complete will be financed with SRF moneys from the State of Mississippi which will eventually require the line of credit. During the fiscal year of this finding the City chose not to draw on the line of credit in an effort to reduce interest cost. Had the City chosen to use this line of credit, sufficient funds would still remain in the Water and Sewer Fund bank account to retire any and all obligations resulting from meter deposits.