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City of Cleveland
Financial Statements
September 30, 2015

Ellis & Hirsberg
Certified Public Accountants, PLLC
Clarksdale, Mississippi

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JUN 30 2015

CITY OF CLEVELAND, MISSISSIPPI

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cleveland, Mississippi's basic financial statements. The accompanying schedules in the other supplemental information section on pages 60 through 68, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information section on pages 60 through 68, as listed in the table of contents are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information section on pages 60 through 68, as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules in the statistical section on pages 69 through 79, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016 on our consideration of the City of Cleveland, Mississippi's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cleveland, Mississippi's internal control over financial reporting and compliance.

Ellis & Hirsberg CPA's PLLC

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

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

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

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements, presented on pages 12 through 15 are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cleveland, Mississippi is improving or deteriorating.

The statement of activities presents information showing the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cleveland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cleveland, assets and deferred outflows exceeded liabilities and deferred inflows by \$30,691,019.

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

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

(Table 1)
City of Cleveland's Net Position

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

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

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

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

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

(Table 2)
City of Cleveland Changes in Net Position

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

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

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

FUND FINANCIAL ANALYSIS

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

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

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

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

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

Major Fund Budgeting Highlights

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

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

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

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

Long-term Debt

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

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

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

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

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

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

Contacting the City's Finance Department

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

CITY OF CLEVELAND, MISSISSIPPI

BASIC FINANCIAL STATEMENTS

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

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

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

ASSETS

Cash and cash equivalents	\$ 2,657,614									
Receivables:										
Accounts	36,358									
Property taxes	2,478,199									
Franchise fee	21,664									
Intergovernmental	567,448									
Advances to other funds	570,000									
Lease receivable, current										
Inventory	95,452									
Restricted cash and cash equivalents										
Lease receivable, non-current										
Loan receivable, non-current										
Total Assets	\$ 6,426,735	635,424	1,561,161	666,270	2,323,327	2,211,558	961,828	1,958,996	16,745,299	

LIABILITIES AND FUND BALANCES

<u>LIABILITIES</u>										
Accounts payable	\$ 39,133	2,655								
Advances from other funds										
Deferred revenue										
Unearned revenue										
Due to bondholders										
Total Liabilities	39,133	2,655	5,000	663,104	0	0	1,367,948	197,429	2,275,269	

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

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

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

See accompanying notes to financial statements.

JUN 30 2015

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

The City reports the following proprietary funds.

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

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

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

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

D. Cash and Cash Equivalents

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

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

E. Inventories

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

F. Capital Assets, Depreciation, and Amortization

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

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

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

G. Long-Term Debt

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

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

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

H. Deferred Outflows/Inflows of Resources

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

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

I. Fund Equity

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

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

J. Compensated Employee Absences

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

K. Revenues – Exchange and Non-exchange Transactions

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

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

L. Risk Management

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

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

M. Estimates and Assumptions

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

N. Property Taxes

Property taxes attach as an enforceable lien on property as of January 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 2014 tax roll was 40.0 mills as: 24.50 mills for the general fund, 11.50 mills for the debt service fund, 2.00 mills for library maintenance, and 2.00 mills for park maintenance.

NOTE 2 BUDGET POLICY

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

- A. Prior to August 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.

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NOTE 3 PRIOR PERIOD ADJUSTMENT

Statement of Activities

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

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

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

NOTE 4 CASHCash

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

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

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

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

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

JUN 30 2015

Governmental Receivables

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

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

Loans and Lease Receivable

Faurecia Automotive Seating, Inc.

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

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

Baxter Healthcare Corporation

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

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

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

Year Ending September 30,	Principal Portion	Interest Portion	Total Lease
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	232,464	65,988	298,452
Totals	\$ 516,491	146,613	663,104

NOTE 6 OPERATING LEASES

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

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

NOTE 7 CAPITAL LEASES

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

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

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

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

NOTE 8 RESTRICTED ASSETS

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

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

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

NOTE 9 CAPITAL ASSETS

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

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

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

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

Depreciation expense was charged to City functions as follows:

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

NOTE 10 LONG-TERM DEBT

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

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

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

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

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

15% Limit
\$8,344,635

20% Limit
\$13,456,180

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

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

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

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

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

B. Other Loans

State of Mississippi (MDA Faurecia - City)	6/7/04	3.00%	6/1/23	750,000	220,866
State of Mississippi (MDA Faurecia - County)	6/7/04	3.00%	6/1/23	750,000	220,866
Cleveland State Bank (Street Sweeper Lease)	6/4/13	2.75%	12/10/17	239,595	123,552
Total Other Loans					<u>565,284</u>
Total Governmental Activities				\$	<u>7,555,284</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	827,029
State of Mississippi (MDEQ) #2	9/25/03	1.75%	9/1/24	1,557,801	776,784
State of Mississippi (MDEQ) #3	10/1/04	1.75%	1/1/26	1,213,503	696,676
State of Mississippi (MDEQ) #4	10/14/05	2.50%	4/1/27	1,905,000	1,083,390
State of Mississippi (MDEQ) #5	8/25/06	2.50%	8/25/32	1,630,000	887,358
Planters Bank	12/16/14	1.38%	12/16/15	838,653	42,000
Siemens Public, Inc. Lease payable	11/21/13	2.92%	8/21/28	3,357,802	2,991,154
Total Other Loans					<u>\$ 7,304,391</u>

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

Governmental Activities:

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

Business-type Activities:

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

NOTE 11 INTERFUND TRANSACTIONS

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

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

Balances at September 30, 2015 were as follows:

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

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

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

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

NOTE 12 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

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

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

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

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

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

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

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

Year ended September 30:

2016	\$ 564,618
2017	564,618
2018	451,033
2019	158,959
Total	<u>1,739,228</u>

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

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

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

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

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

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

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

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

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

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

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

NOTE 13 COMMITMENTS AND CONTINGENCIES

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

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

NOTE 14 SOLID WASTE DISPOSAL

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

NOTE 15 RISK MANAGEMENT

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

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

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

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

NOTE 16 DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

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

NOTE 17 SUBSEQUENT EVENTS

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

CITY OF CLEVELAND, MISSISSIPPI

REQUIRED SUPPLEMENTAL INFORMATION

RECEIVED

JUN 30 2013

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

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

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

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

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

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

JUN 30 2013

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

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

See accompanying notes to financial statements.

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

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

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

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

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See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

Notes to the Required Supplemental Information

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

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

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

E. Unbudgeted Funds.

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

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

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

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

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

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See accompanying notes to financial statements.

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

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

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

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

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI

OTHER SUPPLEMENTAL INFORMATION

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

SCHEDULE OF POOLED CERTIFICATES OF DEPOSIT:

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

See accompanying notes to financial statements.

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

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

Insurance Agent of Record - Bolivar Insurance Agency, Inc.

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

NOTE A – Basis of Presentation

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

* Denotes major federal award program.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI

STATISTICAL INFORMATION

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

CLEVELAND, MISSISSIPPI
JAN 22 2016

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

See accompanying notes to financial statements.

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

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

AUTHORIZED DEBT LIMIT:

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

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

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

JUN 30 2015

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

(1) Information obtained from Bolivar County Chancery Clerk.

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

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI

REPORTS SECTION

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

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

City's Response to Finding

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

Purpose of this Report

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

Ellis & Hirsberg CPA's PLLC

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

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

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

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, City of Cleveland, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Ellis & Hirsberg CPA's PLLC

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

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

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

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

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

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

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

Ellis & Hirsberg CPA's PLLC

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

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

Section 2: Financial Statement Findings

Significant deficiency

2015-1 Finding

Criteria

City policy prohibits prepayments for goods or services.

Condition

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

RECEIVED
JUN 30 2015

Cause

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

Effect

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

Recommendation

Comply with the City's purchasing policy

Response

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

Section 3: Federal Award Findings and Questioned Costs

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

Billy Nowell
Mayor

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

Farae Wolfe
City Manager/Human
Resources Director

Dominique Green
City Clerk

Charles Bingham
Chief of Police

John Trotter
Assistant Chief of Police

Jamie Jacks
City Attorney

Brett Moorman
Director of Community
Development

Ray Bell
Director of Public Works

Stephen Glorioso
Director of Parks
& Recreation

AUDITEE'S CORRECTIVE ACTION PLAN

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

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

Dominique Green
City Clerk

