



CITY OF CLEVELAND, MISSISSIPPI
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2016

Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

CITY OF CLEVELAND, MISSISSIPPI

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CITY OF CLEVELAND

FINANCIAL SECTION



DAVID I. BRIDGERS, JR., CPA
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MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S
GOVERNMENT AUDIT QUALITY CENTER

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, 2016, 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 design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 judgement, 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 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 of our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of September 30, 2016, 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 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 purposes 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 61 through 65, 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 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, 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 66 through 69 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, 2017, 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.

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

June 30, 2017

CITY OF CLEVELAND, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016

Our discussion and analysis of the City of Cleveland's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2016. Readers should also review the basic financial statements and disclosures to enhance their understanding of the City's financial performance.

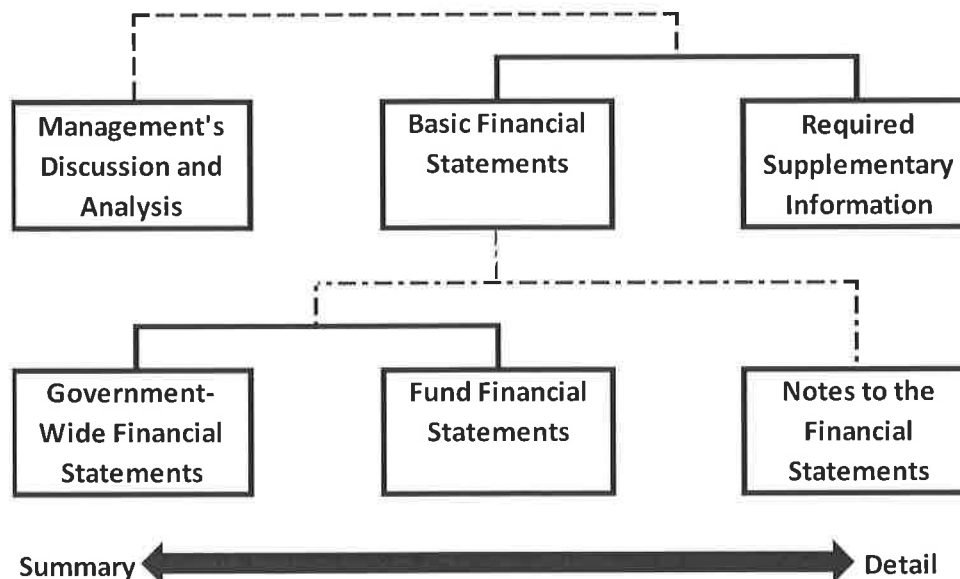
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2016 by \$27,894,159 (net position), this amount represents a decrease of \$2,796,860, which includes a prior period adjustment of (\$343,805) from fiscal year 2015. Of this amount the unrestricted net position showed a deficit balance of (\$6,477,718).
- Total assets decreased \$1,526,180 from 2015.
- Total liabilities increased \$1,973,962 from 2015.
- The City had \$17,147,598 in total revenues. Property tax revenues account for \$3,831,742 or 22 percent of total revenues. Sales and tourism taxes account for \$4,472,436 or 26 percent of total revenues. Charges for services account for \$5,730,375 or 34 percent of total revenues. The remainder of revenue is from federal and state grants, franchise taxes, and other sources and accounts for \$3,113,045 or 18 percent of total revenues.
- The City had \$19,600,653 in total expenses which represents an increase of \$883,208 or 4.72 percent over the prior fiscal year. Expenses of \$5,981,488 were offset by grants and charges for services. General revenues of \$10,427,109 were not adequate to provide for the remainder of the expenses.

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.

Figure 1: Required Components of the City's Annual Report – This figure shows how required parts of this annual report are arranged and relate to one another.



CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016

Figure 2: Major Features of the City's Government-Wide and Fund Financial Statements – This figure summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	All activities of the City that are not business-type or fiduciary in nature	Activities of the City that operate similar to private businesses	The City is the trustee or agent for someone else's resources
Required Financial Statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Assets and Liabilities
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset, Deferred Outflow, Liability, and Deferred Inflow information	All assets, deferred outflows, liabilities, and deferred inflows; both financial and capital and short and long term	Only assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, and short and long term	All assets, deferred outflows, liabilities, and deferred inflows, both short and long term
Type of Inflow/ Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year regardless of when cash is received or paid

CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016

Government-wide Financial Statements. The government-wide financial statements, presented on pages 16 through 27 are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The **Statement of Net Position** presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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, culture and recreation, economic, and debt service.

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 are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the governmentwide 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 18 through 22.

CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016

The City of Cleveland adopts an annual budget. A budgetary comparison schedule has been provided on pages 51 through 56 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, and sanitation operations. These funds are 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 24 through 26.

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 27.

Notes to the financial statements. The notes, presented on pages 28 through 49, 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.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the City's budget process and pension standards, as well as the notes to the Required Supplementary Information, on pages 50 through 60.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2016, the assets and deferred outflows of the City of Cleveland exceeded liabilities and deferred inflows by \$27,894,159.

By far the largest portion of the City of Cleveland's net position (\$26,725,186 or 95.81%) 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.

CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016

The following table presents a summary of the City's net position for the fiscal year ended September 30, 2016.

	Governmental Activities		Business-type Activities		Total		Increase	Percentage
	2016	2015	2016	2015	2016	2015	(Decrease)	Change
Assets								
Current and other assets	\$ 15,548,472	16,848,202	1,317,568	186,508	16,866,040	17,034,710	(168,670)	-0.99%
Capital assets, net	30,657,316	31,132,924	11,010,533	11,392,435	41,667,849	42,525,359	(857,510)	-2.02%
Total Assets	46,205,788	47,981,126	12,328,101	11,578,943	58,533,889	59,560,069	(1,026,180)	-1.72%
Deferred Outflows								
	2,702,715	1,831,471	164,584	101,736	2,867,299	1,933,207	934,092	48.32%
Liabilities								
Current & other liabilities	102,586	403,720	848,497	38,278	951,083	441,998	509,085	115.18%
Net pension liability	12,240,637	10,295,106	745,399	571,888	12,986,036	10,866,994	2,119,042	19.50%
Long-term debt	8,592,077	7,848,247	6,700,984	7,598,979	15,293,061	15,447,226	(154,165)	-1.00%
Total Liabilities	20,935,300	18,547,073	8,294,880	8,209,145	29,230,180	26,756,218	2,473,962	9.25%
Deferred Inflows								
	4,263,999	4,046,039	12,850		4,276,849	4,046,039	230,810	5.70%
Net Position								
Invested in capital assets, net of related debt	22,403,172	23,577,640	4,322,014	4,088,044	26,725,186	27,665,684	(940,498)	-3.40%
Restricted	7,426,857	7,705,517	219,834		7,646,691	7,705,517	(58,826)	-0.76%
Unrestricted	(6,120,825)	(4,063,672)	(356,893)	(616,510)	(6,477,718)	(4,680,182)	(1,797,536)	38.41%
Total Net Position	\$ 23,709,204	27,219,485	4,184,955	3,471,534	27,894,159	30,691,019	(2,796,860)	-9.11%

The City's total assets decreased \$1,026,180 during 2016 with business-type activities showing an increase of \$749,158 and governmental activities showing a decrease of \$1,775,338.

The City's total liabilities increased \$2,473,962. Proceeds of \$1,900,000 were received from the issuance of public improvement bonds. Payments on long-term debt of \$1,201,140 were made from governmental funds and \$615,872 from business-type activities.

The City's net position decreased \$2,796,860 for the year ended September 30, 2016.

Additional information on unrestricted net position:

In connection with the standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (6,477,718)
Less: unrestricted deficit in net position resulting from recognition of GASB 68 & 71	10,342,598
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,864,880</u>

CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016

The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2016.

	Governmental Activities		Business-type Activities		Totals		Increase	Percentage
	2016	2015	2016	2015	2016	2015	(Decrease)	Change
Program Revenues:								
Charges for services	\$ 1,128,133	2,072,728	4,602,242	3,312,155	5,730,375	5,384,883	345,492	6.42%
Grants and contributions	251,113	849,473			251,113	849,473	(598,360)	-70.44%
General Revenues:								
Property taxes	3,831,742	4,214,032			3,831,742	4,214,032	(382,290)	-9.07%
Sales and tourism taxes	4,472,436	4,324,199			4,472,436	4,324,199	148,237	3.43%
Other taxes and other	2,503,862	1,974,658	358,070	(47,568)	2,861,932	1,927,090	934,842	48.51%
Total Revenues	12,187,286	13,435,090	4,960,312	3,264,587	17,147,598	16,699,677	447,921	2.68%
Program Expenses:								
General government	1,866,945	1,386,355			1,866,945	1,386,355	480,590	34.67%
Public safety	3,873,178	4,636,473			3,873,178	4,636,473	(763,295)	-16.46%
Public works	3,374,681	2,035,938			3,374,681	2,035,938	1,338,743	65.76%
Highways and streets	1,336,400	2,012,466			1,336,400	2,012,466	(676,066)	-33.59%
Health and sanitation	652,090	1,606,338			652,090	1,606,338	(954,248)	-59.41%
Culture and recreation	890,284	895,006			890,284	895,006	(4,722)	-0.53%
Economic development	1,171,236	2,220,092			1,171,236	2,220,092	(1,048,856)	-47.24%
Interest on long-term debt	203,357	204,165			203,357	204,165	(808)	-0.40%
Pension expense	1,737,166		105,785		1,842,951	-	1,842,951	N/A
Water and sewer			3,233,812	3,720,612	3,233,812	3,720,612	(486,800)	-13.08%
Sanitation			1,155,719		1,155,719	-	1,155,719	N/A
Total Expenses	15,105,337	14,996,833	4,495,316	3,720,612	19,600,653	18,717,445	883,208	4.72%
Increase (Decrease) in Net Position	\$ (2,918,051)	(1,561,743)	464,996	(456,025)	(2,453,055)	(2,017,768)	(435,287)	21.57%

The City's governmental activities continue to be funded by sources other than property taxes, which comprise 22.35% of the total revenues. The other major revenue sources were sales and tourism taxes 26.08%, charges for services 33.42%, and grants and contributions 1.46%. The major expense activities were public safety, public works, highways and streets, economic development, and pension expense which comprise 25.64%, 22.34%, 8.85%, 7.75%, 11.50% of total expenses, respectively.

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 \$9,616,269, a decrease of \$807,722, which includes a prior period adjustment and fund reclassification of (\$352,625).

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.

CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016

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 2016, the City amended its general fund budget. All recommendations for budget changes come from the City Clerk and are presented to the 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2016, the City had \$41,667,849 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. This amount represents a net decrease (including additions and deductions) of approximately \$857,510 from 2015.

The following is a summary of changes in capital assets as of September 30, 2016

	Government Activities		Business-type Activities		Totals		Increase	Percentage
	2016	2015	2016	2015	2016	2015	(Decrease)	Change
Land	\$ 4,605,367	4,605,367	1,259,935	1,259,935	5,865,302	5,865,302	-	0.00%
Construction in progress	852,876	852,876			852,876	852,876	-	0.00%
Infrastructure	13,892,302	14,405,497	9,297,908	9,777,435	23,190,210	24,182,932	(992,722)	-4.11%
Buildings and improvements	8,503,800	8,839,038	106,371	112,410	8,610,171	8,951,448	(341,277)	-3.81%
Equipment and fixtures	2,802,971	2,430,146	346,319	242,655	3,149,290	2,672,801	476,489	17.83%
Totals	\$ 30,657,316	31,132,924	11,010,533	11,392,435	41,667,849	42,525,359	(857,510)	-2.02%

Long-term Debt

The following table illustrates the total Long-term Debt of the City as of September 30, 2016:

	Governmental Activities		Business-type Activities		Totals		Increase	Percentage
	2016	2015	2016	2015	2016	2015	(Decrease)	Change
General obligation bonds	\$ 7,855,000	6,990,000			7,855,000	6,990,000	865,000	12.37%
Other loans	329,546	441,732	3,888,957	4,313,237	4,218,503	4,754,969	(536,466)	-11.28%
Capital leases	69,598	123,552	2,799,562	2,991,154	2,869,160	3,114,706	(245,546)	-7.88%
Compensated absences	337,933	292,963	12,465	9,490	350,398	302,453	47,945	15.85%
Totals	\$ 8,592,077	7,848,247	6,700,984	7,313,881	15,293,061	15,162,128	130,933	0.86%

New debt issued consisted of a \$1,900,000 public improvement. More detailed information about the City's long-term liabilities is presented in Note 10 of the Notes to Financial Statements.

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2016 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, 2016

	Primary Government Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,833,441	131,165	3,964,606
Accounts receivable	53,660	424,711	478,371
Accrued interest receivable	18,301		18,301
Property tax receivable	3,905,208		3,905,208
Lease receivable	1,252,949		1,252,949
Intergovernmental receivable	812,817	824	813,641
Internal balances	500,000	(500,000)	-
Inventory	72,922	168,758	241,680
Restricted assets:			
Cash and cash equivalents	5,099,174	592,110	5,691,284
Capital assets, net			-
Land and construction in progress	5,458,243	1,259,935	6,718,178
Other capital assets, net	25,199,073	9,750,598	34,949,671
Total Assets	46,205,788	11,828,101	58,033,889
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,702,715	164,584	2,867,299
Total Deferred Outflows of Resources	2,702,715	164,584	2,867,299
LIABILITIES			
Accounts payable and accrued expenses	48,856	40,610	89,466
Claims and judgments payable	16,836		16,836
Accrued interest payable	36,894	12,426	49,320
Liabilities payable from restricted assets-Customer deposits		295,461	295,461
Long-term liabilities:			
Net pension liability	12,240,637	745,399	12,986,036
Due within one year:			
Capital related debt	1,261,875	587,133	1,849,008
Due in more than one year:			
Capital related debt	6,992,269	6,101,386	13,093,655
Non-capital related debt	337,933	12,465	350,398
Total Liabilities	20,935,300	7,794,880	28,730,180
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	211,011	12,850	223,861
Deferred revenues-property tax	3,905,208		3,905,208
Unavailable revenue-interest on capital lease	147,780		147,780
Total Deferred Inflows of Resources	4,263,999	12,850	4,276,849
NET POSITION			
Invested in capital assets, net of related debt	22,403,172	4,322,014	26,725,186
Non-spendable			
Inventories	72,922		72,922
Internal balances	500,000		500,000
Restricted:			
Home program	104,386		104,386
Public safety	258,237		258,237
Public works	2,143,658	219,834	2,363,492
Health and sanitation	95,055		95,055
Culture and recreation	287,504		287,504
Economic development	2,840,209		2,840,209
Debt service	840,179		840,179
Capital projects	212,013		212,013
Unemployment	72,694		72,694
Unrestricted	(6,120,825)	(356,893)	(6,477,718)
Total Net Position	\$ 23,709,204	4,184,955	27,894,159

The notes to the financial statements are an integral part of this statement.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary	Business-type Activities	Total
				Governmental Activities		
Governmental activities:						
General government	\$ 1,866,945	224,954		(1,641,991)		(1,641,991)
Public safety	3,873,178	141,268		(3,731,910)		(3,731,910)
Public works	3,374,681	199,400	148,588	(3,026,693)		(3,026,693)
Highways and streets	1,336,400			(1,336,400)		(1,336,400)
Health and sanitation	652,090	451,910		(200,180)		(200,180)
Culture and recreation	890,284	110,601		(779,683)		(779,683)
Economic development	1,171,236		102,525	(1,068,711)		(1,068,711)
Interest on long-term debt	203,357			(203,357)		(203,357)
Pension expense	1,737,166			(1,737,166)		(1,737,166)
Total governmental activities	15,105,337	1,128,133	251,113	(13,726,091)		(13,726,091)
Business-type activities:						
Water and sewer	2,891,750	3,457,590			565,840	565,840
Sanitation	864,565	1,144,652			280,087	280,087
Total business-type activities	3,756,315	4,602,242			845,927	845,927
Total primary government	\$ 18,861,652	5,730,375	251,113	(13,726,091)	845,927	(12,880,164)
General revenues:						
Property taxes				\$ 3,831,742		3,831,742
Sales and tourism tax				4,472,436		4,472,436
Franchise taxes				401,254		401,254
Other taxes				866,059		866,059
Administrative charges				639,000	(639,000)	-
Unrestricted interest income				108,800	4,373	113,173
Other income				348,518	353,697	702,215
Internal service fund				95,439		95,439
Gain (Loss) on sale of capital assets				(55,209)		(55,209)
Transfers				100,001	(100,001)	-
Total general revenues and transfers				10,808,040	(380,931)	10,427,109
Change in net position				(2,918,051)	464,996	(2,453,055)
Net Position-Beginning, as previously stated				27,219,485	3,471,534	30,691,019
Prior Period Adjustments				(352,488)	8,683	(343,805)
Fund reclassification				(239,742)	239,742	-
Net Position - beginning, as restated				26,627,255	3,719,959	30,347,214
Net Position, ending				\$ 23,709,204	4,184,955	27,894,159

The notes to the financial statements are an integral part of this statement.

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2016

	Major Funds		
	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund
ASSETS			
Cash and cash equivalents	\$ 2,463,398		
Receivables:			
Accounts	37,623		
Property taxes	2,334,147		1,211,961
Franchise Fee	22,017		
Intergovernmental	640,912	131,375	13,735
Advances to other funds	500,000	117,561	
Lease receivable, current			
Inventory	72,922		
Restricted assets - cash		142,472	418,248
Lease receivable, non-current			
Total Assets	<u>6,071,019</u>	<u>391,408</u>	<u>1,643,944</u>
LIABILITIES			
Accounts payable	32,407	3,028	
Advances from other funds			
Due to bondholders			5,000
Total Liabilities	<u>32,407</u>	<u>3,028</u>	<u>5,000</u>
Deferred Inflows of Resources			
Unavailable revenue-property taxes	2,334,147		1,211,961
Unavailable revenue-lease payments			
Total Deferred Inflows of Resources	<u>2,334,147</u>	<u>-</u>	<u>1,211,961</u>
FUND BALANCES			
Non-spendable:			
Inventories	72,922		
Advances	500,000	117,561	
Restricted for:			
Home program			
Economic development		270,819	
Culture and recreation			
Debt service			426,983
Health and sanitation			
Public safety			
Public works			
Unemployment			
Capital improvement			
Assigned:			
Public safety			
Unassigned	3,131,543		
Total Fund Balances	<u>3,704,465</u>	<u>388,380</u>	<u>426,983</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,071,019</u>	<u>391,408</u>	<u>1,643,944</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2016

Major Funds					
Baxter Bond Fund	Public Improvement Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
				679,191	3,142,589
					-
					37,623
				359,100	3,905,208
					22,017
				4,778	790,800
		246,441			864,002
89,918			225,650		315,568
					72,922
1,445	2,143,658	1,912,866	126,144	354,341	5,099,174
486,081			451,300		937,381
577,444	2,143,658	2,159,307	803,094	1,397,410	15,187,284
				8,421	43,856
			364,002		364,002
					5,000
-	-	-	364,002	8,421	412,858
				359,100	3,905,208
575,999			676,950		1,252,949
575,999	-	-	676,950	359,100	5,158,157
					72,922
		246,441			864,002
				104,386	104,386
		1,912,866			2,183,685
				287,504	287,504
1,445					428,428
				95,055	95,055
				122,010	122,010
	2,143,658				2,143,658
				72,694	72,694
				212,013	212,013
				136,227	136,227
			(237,858)		2,893,685
1,445	2,143,658	2,159,307	(237,858)	1,029,889	9,616,269
577,444	2,143,658	2,159,307	803,094	1,397,410	15,187,284

The notes to the financial statements are an integral part of this statement.

CITY OF CLEVELAND, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2016

	<u>Amount</u>
Total fund balance - Governmental Funds	\$ 9,616,269
Amounts reported for governmental services in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$.	30,657,316
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(8,592,077)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(36,894)
Capital leases are not available to pay for current period expenditures and, therefore, are not reported in the funds.	1,105,169
Accrued interest receivable is not available in the current period and, therefore, is not reported in the funds.	18,301
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(12,240,637)
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions	2,702,715
Deferred inflows of resources related to pensions	(211,011)
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>690,053</u>
Total Net Position - Governmental Activities	\$ <u><u>23,709,204</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2016

	Major Funds		
	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund
REVENUES:			
Taxes	\$ 2,357,269		1,093,964
Licenses and permits	68,249		
Intergovernmental:			
Federal grants			
State of Mississippi:			
Grants			
General sales tax	3,669,692		
Tourism tax		802,744	
Liquor Licenses	15,225		
Gasoline tax	16,089		
Fire protection			
Homestead reimbursement	116,270		54,576
Grand gulf	125,300		
Other state revenue	98,138		
Bolivar County:			
Road maintenance	387,295		
Privilege tax	53,217		
Animal shelter			
Charges for services	714,326		
Franchise tax	401,254		
Fines and forfeitures	140,971		
Interest income	21,879	1,480	3,370
Plant and airport rentals			
Miscellaneous	182,799	2,981	
Total revenues:	<u>8,367,973</u>	<u>807,205</u>	<u>1,151,910</u>
EXPENDITURES:			
General government	1,851,609		12,938
Public safety	3,907,635		
Public works	1,219,957		
Highways and streets	1,236,959		
Health and sanitation	491,503		
Culture and recreation			
Economic development		1,002,162	
Debt service:			
Principal paid	53,954		965,000
Interest & fees paid	2,765		139,914
Total expenditures	<u>8,764,382</u>	<u>1,002,162</u>	<u>1,117,852</u>
Excess of Revenues over (under) Expenditures	<u>(396,409)</u>	<u>(194,957)</u>	<u>34,058</u>
OTHER FINANCING SOURCES (USES):			
Administrative charge revenue	639,000		
Long-term capital debt issued			
Lease principal payments			
Transfers in	463,490		
Transfers out	(818,489)	(16,495)	
Net other financing sources (uses)	<u>284,001</u>	<u>(16,495)</u>	<u>-</u>
Net change in fund balances	<u>(112,408)</u>	<u>(211,452)</u>	<u>34,058</u>
Fund balances , beginning as previously reported	3,909,403	632,769	392,925
Prior period adjustment	(70,000)	(32,937)	
Fund reclassification	(23,153)		
Fund balances - beginning, as restated	<u>3,816,250</u>	<u>599,832</u>	<u>392,925</u>
Increase (decrease) in reserve for inventory	623		
Fund balance, ending	<u>\$ 3,704,465</u>	<u>388,380</u>	<u>426,983</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2016

Major Funds					
Baxter Bond Fund	Public Improvement Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
				380,509	3,831,742 68,249
				102,525	102,525
				148,588	148,588 3,669,692 802,744 15,225 16,089
				79,104	79,104
				18,983	189,829 125,300 98,138
					387,295 53,217
				50,000	50,000
				120,756	835,082 401,254
				6,631	147,602
19,478	23,569	16,158	13,930	9,127	108,991
				77,200	77,200
				14,600	200,380
<u>19,478</u>	<u>23,569</u>	<u>16,158</u>	<u>13,930</u>	<u>1,008,023</u>	<u>11,408,246</u>
	51,995			17,188	1,933,730
	597,166			53,566	4,558,367
	1,604,077			190,961	3,014,995 1,236,959
				158,605	650,108
				808,905	808,905
	150,000		34,915	1,400	1,188,477
70,000			112,186		1,201,140
35,540			12,118		190,337
<u>105,540</u>	<u>2,403,238</u>	<u>-</u>	<u>159,219</u>	<u>1,230,625</u>	<u>14,783,018</u>
<u>(86,062)</u>	<u>(2,379,669)</u>	<u>16,158</u>	<u>(145,289)</u>	<u>(222,602)</u>	<u>(3,374,772)</u>
					639,000
	1,900,000				1,900,000
67,846			212,205		280,051
16,495	300,000			455,000	1,234,985
				(300,000)	(1,134,984)
<u>84,341</u>	<u>2,200,000</u>	<u>-</u>	<u>212,205</u>	<u>155,000</u>	<u>2,919,052</u>
<u>(1,721)</u>	<u>(179,669)</u>	<u>16,158</u>	<u>66,916</u>	<u>(67,602)</u>	<u>(455,720)</u>
3,166	2,323,327	2,211,558 (68,409)	(406,120) 101,346	1,356,963	10,423,991 (70,000)
				(259,472)	(282,625)
<u>3,166</u>	<u>2,323,327</u>	<u>2,143,149</u>	<u>(304,774)</u>	<u>1,097,491</u>	<u>10,071,366</u>
					623
<u>1,445</u>	<u>2,143,658</u>	<u>2,159,307</u>	<u>(237,858)</u>	<u>1,029,889</u>	<u>9,616,269</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CLEVELAND, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (455,720)
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. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$1,558,527 exceeded capital outlays of \$1,138,128 in the current period.	(420,399)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.	(55,209)
Debt proceed provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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 net position differs from the change in fund balances by the amount that debt proceeds of \$1,900,000 exceeded debt repayments of \$1,201,140.	(698,860)
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. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Principal payments received on capital leases receivable	(280,051)
Change in compensated absences	(44,970)
Change in accrued interest payable	(13,020)
Change in accrued interest receivable	(191)
	(338,232)
Items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recognition of pension expense for the current year	(1,737,166)
Recognition of contributions made	691,473
An internal service fund is used by management to account for employee health insurance. The net expense is reported within governmental activities.	95,439
Change in inventory	623
Change in Net Position of Governmental Activities	\$ (2,918,051)

The notes to the financial statements are an integral part of this statement.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
September 30, 2016

	Business-Type Activities			Governmental
	Enterprise Fund Water & Sewer Fund	Non-Major Sanitation Fund	Enterprise Funds Total	Activity Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$	131,165	131,165	690,852
Accounts receivable (net of allowance for uncollectibles of \$173,744)	329,988	94,723	424,711	16,037
Intergovernmental receivables		824	824	
Inventory	125,991	42,767	168,758	
Total Current Assets	455,979	269,479	725,458	706,889
Non-current assets:				
Restricted assets - cash	592,110		592,110	
Capital assets:				
Land and construction in progress	1,259,935		1,259,935	
Other capital assets, net	9,750,598		9,750,598	
Total Non-Current Assets	11,602,643	-	11,602,643	-
Total Assets	12,058,622	269,479	12,328,101	706,889
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	150,821	13,763	164,584	
Total Deferred Outflows of Resources	150,821	13,763	164,584	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	40,610		40,610	
Claims and judgements payable				16,836
Advances from other funds	500,000		500,000	
Accrued interest payable	12,426		12,426	
Current portion obligations under capital lease	197,328		197,328	
Current portion of long-term debt	389,805		389,805	
Total Current Liabilities	1,140,169	-	1,140,169	16,836
Non-current liabilities:				
Liabilities payable from restricted assets:				
Customer deposits	295,461		295,461	
Net pension liability	683,066	62,333	745,399	
Capital debt:				
Notes payable	3,499,152		3,499,152	
Capital leases payable	2,602,234		2,602,234	
Non-capital debt:				
Compensated absences	12,465		12,465	
Total Non-Current Liabilities	7,092,378	62,333	7,154,711	-
Total Liabilities	8,232,547	62,333	8,294,880	16,836
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	11,775	1,075	12,850	
Total Deferred Inflows of Resources	11,775	1,075	12,850	-
NET POSITION				
Invested in capital assets, net of related debt	4,322,014		4,322,014	-
Restricted:				
Public works		219,834	219,834	
Unrestricted	(356,893)		(356,893)	690,053
Total Net Position	\$ 3,965,121	219,834	4,184,955	690,053

The notes to the financial statements are an integral part of this statement.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
For the Year Ended September 30, 2016

	Business-Type Activities			Governmental Activity Internal Service Fund
	Enterprise Fund Water & Sewer Fund	Non-Major Sanitation Fund	Enterprise Funds Total	
OPERATING REVENUES:				
Charges for services:				
Water sales	\$ 1,837,763		1,837,763	
Sewer sales	1,517,658		1,517,658	
Sanitation fees		1,114,629	1,114,629	
Premiums				757,916
Reinsurance reimbursement				104,492
Other Fees	102,169	30,023	132,192	
Total Operating Revenues	3,457,590	1,144,652	4,602,242	862,408
OPERATING EXPENSES:				
Personal services	285,516	26,748	312,264	
Contractual services	1,688,046	774,639	2,462,685	
Consumable supplies	81,364	54,332	135,696	
Depreciation expense	555,563		555,563	
Pension expense	96,939	8,846	105,785	
Administrative fees	439,000	200,000	639,000	39,206
Health claim payments				459,599
Reinsurance premiums				254,753
Life insurance premiums				18,157
Total Operating Expenses	3,146,428	1,064,565	4,210,993	771,715
Operating Income (Loss)	311,162	80,087	391,249	90,693
NON-OPERATING REVENUES (EXPENSES)				
Interest income	2,931	1,442	4,373	4,746
Energy savings income	353,697		353,697	
Interest expenses	(184,322)		(184,322)	
Total Non-operating Revenues (Expenses)	172,306	1,442	173,748	4,746
Net Income (Loss) Before Operating Transfers	483,468	81,529	564,997	95,439
OPERATING TRANSFERS:				
Operating Transfers in	463,489		463,489	
Operating Transfers out	(463,490)	(100,000)	(563,490)	
Net Operating Transfers	(1)	(100,000)	(100,001)	-
Change in Net Position	483,467	(18,471)	464,996	95,439
Net Position - Beginning, as previously stated	3,471,534	-	3,471,534	594,614
Prior period adjustment	10,120	(1,437)	8,683	
Fund reclassification		239,742	239,742	
Net Position - Beginning, as restated	3,481,654	238,305	3,719,959	594,614
Net Position - Ending	\$ 3,965,121	219,834	4,184,955	690,053

The notes to the financial statements are an integral part of this statement.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For the Year Ended September 30, 2016

	Business-Type Activities		Governmental Activity
	Enterprise Fund	Non-Major	Internal Service
	Water & Sewer	Sanitation	Fund
	Fund	Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 3,409,443	1,132,805	
Receipts from internal services			879,249
Payments to employees for services	(321,128)	(30,268)	
Payments to suppliers for goods and services	(1,715,019)	(848,585)	
Payments for administrative fees	(439,000)	(200,000)	(39,206)
Payments for health claims			(467,908)
Payments for premiums			(272,910)
Net Cash Provided (Used) by Operating Activities	934,296	53,952	99,225
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers, net	(1)	(100,000)	
Other receipts	356,627	1,442	4,746
Net Cash Provided (Used) by Noncapital Financing Activities	356,626	(98,558)	4,746
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of property and equipment	(173,661)		
Capital grants received			
Principal payments on long-term debt	(615,872)		
Interest paid on bonds, loans and capital leases	(184,322)		
Net Cash Provided (Used) by Capital and Related Financing Activities	(973,855)	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	317,067	(44,606)	103,971
Cash and Cash Equivalents, October 1	275,043	175,771	586,881
Cash and Cash Equivalents, September 30	\$ 592,110	131,165	690,852
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 311,162	80,087	90,693
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	555,563		
Pension expense adjustment			
(Increase) decrease in accounts receivable	(48,147)	(11,846)	16,841
(Increase) decrease in intergovernmental receivable			
(Increase) decrease in deferred outflows - pensions	(49,133)	(4,484)	
(Increase) decrease in other receivables			
(Increase) decrease in inventories	3,633	(19,614)	
Increase (decrease) in accounts payable and accrued expenses	2,332		(8,309)
Increase (decrease) in interfund payables			
Increase (decrease) in accrued interest payable	12,426		
Increase (decrease) in net pension liability	111,461	10,171	
Increase (decrease) in customer deposits	36,000		
Increase (decrease) in compensated absences	2,975		
Increase (decrease) in deferred inflows - pensions	(3,976)	(362)	
Total adjustments	623,134	(26,135)	8,532
Net Cash Provided (Used) by Operating Activities	\$ 934,296	53,952	99,225

The notes to the financial statements are an integral part of this statement.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT FIDUCIARY ASSETS AND LIABILITIES
September 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 87,459
Total Assets	<u><u>87,459</u></u>
LIABILITIES	
Intergovernmental payables	87,459
Total Liabilities	<u><u>\$ 87,459</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cleveland, Mississippi (the 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.

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.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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.

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.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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.

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.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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 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.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3: FUND RECLASSIFICATION

The Sanitation Fund was reclassified from the Special Revenue Funds to Enterprise Fund.

A summary of the related equity adjustments are as follows:

Statement of Activities:

Governmental Activities	
To reclass the beginning balance of inventory of trash bags.	\$ (23,153)
To reclass the beginning fund balance of the sanitation fund.	(259,472)
To reclass the beginning balance of the net pension liability.	<u>42,883</u>
Total Governmental Activities	<u>(239,742)</u>
Business-Type Activities	
To reclass the beginning balance of inventory of trash bags.	23,153
To reclass the beginning fund balance of the sanitation fund.	259,472
To reclass the beginning balance of the net pension liability.	<u>(42,883)</u>
Total Business-Type Activities	<u>239,742</u>
Total Statement of Activities	\$ <u><u>-</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances:

General Fund	
To reclass the beginning balance of inventory of trash bags.	\$ (23,153)
Other Governmental Funds	
To reclass the beginning fund balance of the sanitation fund.	<u>(259,472)</u>
Total Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ <u><u>(282,625)</u></u>

Statement of Revenues, Expenses, and Changes in Net Position:

Sanitation Fund	
To reclass the beginning balance of inventory of trash bags.	\$ 23,153
To reclass the beginning fund balance of the sanitation fund.	259,472
To reclass the beginning balance of the net pension liability.	<u>(42,883)</u>
Total Statement of Revenues, Expenses, and Changes in Net Position	\$ <u><u>239,742</u></u>

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 4: PRIOR PERIOD ADJUSTMENT

A summary of significant equity adjustments are as follows:

Statement of Activities:

Governmental Activities	
To correct prior year accruals.	\$ (70,000)
To correct prior year deferred inflows of resources related to pensions.	<u>(282,488)</u>
Total Governmental Activities	<u>(352,488)</u>
Business-Type Activities	
To correct customer deposits.	25,636
To correct prior year deferred inflows of resources related to pensions.	<u>(16,953)</u>
Total Business-Type Activities	<u>8,683</u>
Total Statement of Activities	<u>\$ (343,805)</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances:

General Fund	
To correct prior year accruals.	\$ (70,000)
Economic Development and Tourism	
To correct advances.	(32,937)
Economic Development Revolving Fund	
To correct advances.	(68,409)
Special Industrial Project Fund	
To correct advances.	<u>101,346</u>
Total Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ (70,000)</u>

Statement of Revenues, Expenses and Changes in Net Position:

Water and Sewer Fund	
To correct prior year customer deposits.	\$ 25,636
To correct prior year deferred inflows of resources related to pensions	<u>(15,516)</u>
Total Water and Sewer Fund	<u>10,120</u>
Sanitation Fund	
To correct prior year deferred inflows of resources related to pensions	<u>(1,437)</u>
Total Sanitation Fund	<u>(1,437)</u>
Total Statement of Revenues, Expenses and Changes in Net Position	<u>\$ 8,683</u>

NOTE 5: DEPOSITS

The carrying amount of the City's total deposits with financial institutions at September 30, 2016 was \$9,743,349 and the bank balance was \$11,106,172. 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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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 6: INTER-FUND TRANSACTIONS AND BALANCES

The following is a summary of inter-fund balances at September 30, 2016:

A. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 500,000
Economic Development and Tourism Fund	Special Industrial Project Fund	117,561
Economic Development Revolving Fund	Special Industrial Project Fund	246,441
Total		<u>\$ 864,002</u>

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

B. Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Water and Sewer Fund	\$ 463,490
Baxter Bond Fund	Economic Development and Tourism Fund	16,495
Public Improvement Bond Fund	Other Governmental Funds	300,000
Other Governmental Funds	General Fund	355,000
Other Governmental Funds	Sanitation Fund	100,000
Water and Sewer Fund	General Fund	463,489
Total		<u>\$ 1,698,474</u>

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the City are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. The governmental and business-type funds financial statements reflect such transactions as transfers.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 7: RECEIVABLES AND UN-COLLECTIBLES

Governmental Activities

In the government-wide financial statements, the receivables and related revenues include all amounts due to 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.

Receivables at September 30, 2016 include the following:

Accounts receivable	
Mosquito fees	\$ 37,623
Intergovernmental receivables	
Taxes	731,812
MEMA	50,985
Officer training reimbursement	8,003
Franchise fee	22,017
Property taxes	<u>3,905,208</u>
Total Governmental Receivables	<u>\$ 4,718,025</u>

Business-Type Activities

Significant receivables include amounts due from customers for utility services that are based on monthly cycle billings. The Water, Sewer, and Sanitation accounts receivables of \$424,711 are reported net of estimated uncollectibles of \$173,744.

Intergovernmental receivables of \$824 consisted of amounts due for franchise fees from sanitation services.

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 maintenance and segregations of accounts, as well as, the accumulation of certain funds for the protection of the bondholder.

The following is a summary of restricted assets as of September 30, 2016:

Economic Development and Tourism Fund	\$ 142,472
General Bond and Interest Fund	418,248
Baxter Bond Fund	1,445
Public Improvement Bond Fund	2,143,658
Economic Development Revolving Fund	1,912,866
Special Industrial Project Fund	126,144
Other Governmental Funds	354,341
Water and Sewer Fund	<u>592,110</u>
Total	<u>\$ 5,691,284</u>

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 9: CAPITAL ASSETS

The following is a summary of capital assets activity for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments	Balance Sept. 30, 2016
Governmental Activities					
Non-depreciable capital assets:					
Land	\$ 4,605,367				4,605,367
Construction in progress	852,876				852,876
Total non-depreciable capital assets	<u>5,458,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,458,243</u>
Depreciable capital assets:					
Infrastructure	21,206,080				21,206,080
Buildings & Improvements	12,853,246				12,853,246
Equipment & fixtures	7,538,605	1,138,128	226,392		8,450,341
Total depreciable capital assets	<u>41,597,931</u>	<u>1,138,128</u>	<u>226,392</u>	<u>-</u>	<u>42,509,667</u>
Less accumulated depreciation for:					
Infrastructure	6,800,583	513,195			7,313,778
Buildings & Improvements	4,014,208	470,738		(135,500)	4,349,446
Equipment & fixtures	5,108,459	574,594	171,183	135,500	5,647,370
Total accumulated depreciation	<u>15,923,250</u>	<u>1,558,527</u>	<u>171,183</u>	<u>-</u>	<u>17,310,594</u>
Depreciable capital assets, net	<u>25,674,681</u>	<u>(420,399)</u>	<u>55,209</u>	<u>-</u>	<u>25,199,073</u>
Capital assets, net	<u>\$ 31,132,924</u>	<u>(420,399)</u>	<u>55,209</u>	<u>-</u>	<u>30,657,316</u>
Business-Type Activities					
Non-depreciable capital assets:					
Land	\$ 1,259,935				1,259,935
Total non-depreciable capital assets	<u>1,259,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,259,935</u>
Depreciable capital assets:					
Infrastructure	32,784,276				32,784,276
Buildings & Improvements	301,983				301,983
Equipment & fixtures	1,190,692	173,661			1,364,353
Total depreciable capital assets	<u>34,276,951</u>	<u>173,661</u>	<u>-</u>	<u>-</u>	<u>34,450,612</u>
Less accumulated depreciation for:					
Infrastructure	23,006,841	479,527			23,486,368
Buildings & Improvements	189,573	6,039			195,612
Equipment & fixtures	948,037	69,997			1,018,034
Total accumulated depreciation	<u>24,144,451</u>	<u>555,563</u>	<u>-</u>	<u>-</u>	<u>24,700,014</u>
Depreciable capital assets, net	<u>10,132,500</u>	<u>(381,902)</u>	<u>-</u>	<u>-</u>	<u>9,750,598</u>
Capital assets, net	<u>\$ 11,392,435</u>	<u>(381,902)</u>	<u>-</u>	<u>-</u>	<u>11,010,533</u>

CITY OF CLEVELAND, MISSISSIPPI
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Depreciation expense was charged to City functions as follows:

Governmental Activities	<u>Amount</u>
General government	\$ 6,291
Public safety	399,572
Public works	620,277
Highway and streets	377,096
Health and sanitation	10,471
Culture and recreation	125,357
Economic Development	19,463
Total governmental activities	<u>\$ 1,558,527</u>
 Business-Type Activities	
Water and sewer	<u>\$ 555,563</u>

NOTE 10: CLAIMS AND JUDGMENTS

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
2014-2015	\$ 56,225	400,896	431,976	25,145
2015-2016	25,145	459,599	467,908	16,836

CITY OF CLEVELAND, MISSISSIPPI
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NOTE 11: OPERATING LEASES

As Lessor:

The City receives income from property it leases under non-cancellable operating leases. The leased 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 City receives income from property it leases under non-cancellable operating leases. Total income from such leases was \$77,200 for the year ended September 30, 2016. The future minimum lease receivable for these leases are as follows:

Year Ending September 30:	Amount
2017	\$ 18,775
2018	18,900
2019	18,900
2020	19,200
2021	19,425
2022-2026	99,700
2027-2031	104,200
2032-2036	108,700
2037-2041	79,425
2042-2046	72,525
2047-2051	23,400
Total	<u>\$ 583,150</u>

NOTE 12: CAPITAL LEASES

As Lessor:

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, 2016 was:

Year Ending September 30:	Principal	Interest	Total
2017	\$ 215,489	10,161	225,650
2018	218,824	6,826	225,650
2019	222,211	3,439	225,650
Total	<u>\$ 656,524</u>	<u>20,426</u>	<u>676,950</u>

CITY OF CLEVELAND, MISSISSIPPI
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September 30, 2016

Baxter Healthcare Corporation –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, 2016 was:

Year Ending September 30:	Principal	Interest	Total
2017	\$ 70,037	19,881	89,918
2018	72,102	20,467	92,569
2019	74,042	21,018	95,060
2020	75,849	21,531	97,380
2021	77,528	22,007	99,535
2022	79,087	22,450	101,537
Total	\$ 448,645	127,354	575,999

As Lessee:

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2016:

Classes of Property	Governmental Activities	Business-Type Activities
Equipment and Fixtures (Street sweeper)	\$ 239,595	
Infrastructure (Water meters)		3,357,802
Less: Accumulated depreciation	(107,818)	(322,349)
Leased Property Under Capital Leases	\$ 347,413	3,680,151

The following is a schedule by years of the total payments due as of September 30, 2016:

Year Ending September 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 50,859	1,233	197,328	80,723
2018	18,739	65	203,237	74,815
2019			209,322	68,729
2020			215,590	62,462
2021			222,045	56,006
2022-2026			1,214,027	176,232
2027-2028			538,014	18,090
Total	\$ 69,598	1,298	2,799,563	537,057

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 13: 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' 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. At September 30, 2016, PERS members are required to contribute 9.00% of their annual covered salary that the City of Cleveland is required to contribute at an actuarially determined rate. The current employer's 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, 2016, 2015 and 2014 were \$733,580, \$701,340, and \$697,754, 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, 2016, the City reported a liability of \$12,986,036 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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. The City's proportionate share used to calculate the September 30, 2016 net pension liability was 0.0703 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.0024 percent from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$1,842,951. At September 30, 2016, 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	\$ 319,980	
Net difference between projected and actual earnings on investments	1,503,045	
Changes of assumptions	591,981	34,508
Changes in the proportion and differences between City contributions and proportionate share contributions	257,432	189,353
City Contributions subsequent to the measurement date	194,861	
Total	\$ 2,867,299	223,861

\$194,861 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. 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 ending September 30:	Amount
2017	\$ 887,341
2018	804,582
2019	500,112
2020	256,542
Total	\$ 2,448,577

Actuarial assumptions. The total pension liability in the June 30, 2016 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, 2016 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.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
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The long-term expected rate of return on pension plan investments was determined using a lognormal 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of 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%
Fixed Income	20.00%	0.25%
International Equity	19.00%	5.00%
Real Assets	10.00%	4.00%
Emerging Markets Equity	8.00%	5.45%
Private Equity	8.00%	6.15%
Cash	1.00%	-0.50%
	<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 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Net Pension Liability	\$ 16,651,009	12,986,036	9,945,295

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 14: 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, 2016 is approximately:

<u>15% Limit</u>	<u>20% Limit</u>
\$ 7,088,053	12,069,071

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Debt outstanding as of September 30, 2016, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Public Improvement	\$ 115,000	4.25-5.25%	3/1/17
General Obligation	525,000	6.00-8.50%	3/1/17
Public Improvement	560,000	2.50-3.50%	3/1/20
Public Improvement	575,000	2.25-3.125%	3/1/21
Public Improvement	840,000	1.50-2.125%	3/1/22
Public Improvement	895,000	1.50-2.00%	3/1/23
Public Improvement	1,160,000	2.00-2.60%	3/1/24
Public Improvement	1,285,000	2.00-2.125%	8/1/25
Public Improvement	1,900,000		
Total General Obligation Bonds	<u>\$ 7,855,000</u>		
B. Other Loans			
State of Mississippi (MDA Faurecia - City)	\$ 164,773	3.00%	6/1/23
State of Mississippi (MDA Faurecia - County)	164,773	3.00%	6/1/23
Total Other Loans	<u>\$ 329,546</u>		
C. Capital Leases:			
Street Sweeper Lease	\$ 69,598	2.75%	12/10/17
Total Capital Leases	<u>\$ 69,598</u>		
Business-Type Activities:			
A. Other Loans			
State of Mississippi (MDEQ #1)	\$ 726,508	1.75%	6/1/23
State of Mississippi (MDEQ #2)	696,387	1.75%	9/1/24
State of Mississippi (MDEQ #3)	635,367	1.75%	1/1/26
State of Mississippi (MDEQ #4)	1,001,721	2.50%	4/1/27
State of Mississippi (MDEQ #5)	828,974	2.50%	8/25/32
Total Other Loans	<u>\$ 3,888,957</u>		
B. Capital Leases:			
Siemens Public, Inc.	\$ 2,799,563	2.96%	8/21/28
Total Capital Leases	<u>\$ 2,799,563</u>		

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

The annual debt service requirements of long-term debt as of September 30, 2016 are as follows:

Governmental Activities:

Year Ending September 30:	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2017	\$ 1,095,000	187,800	116,016	8,288
2018	1,030,000	144,579	119,544	4,758
2019	1,050,000	116,198	93,986	1,192
2020	1,075,000	93,025		
2021	965,000	68,044		
2022-2026	2,640,000	108,366		
Totals	\$ 7,855,000	718,012	329,546	14,238

Business-Type Activities:

Year Ending September 30:	Other Loans	
	Principal	Interest
2017	\$ 389,805	73,685
2018	397,481	66,008
2019	405,311	58,178
2020	413,300	50,189
2021	421,450	42,039
2022-2026	1,613,856	95,986
2027-2029	247,754	4,878
Totals	\$ 3,888,957	390,963

The following is a summary of changes in long-term debt for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Reductions	Balance Sept. 30, 2016	Amount due within one year
Governmental Activities:					
General obligation bonds	\$ 6,990,000	1,900,000	1,035,000	7,855,000	1,095,000
Other Loans	441,732		112,186	329,546	116,016
Capital leases	123,552		53,954	69,598	50,859
Compensated absences	292,963	44,970		337,933	
Total	\$ 7,848,247	1,944,970	1,201,140	8,592,077	1,261,875
Business-Type Activities:					
Other Loans	\$ 4,313,237		424,280	3,888,957	389,805
Capital leases	2,991,154		191,592	2,799,562	197,328
Compensated absences	9,490	2,975		12,465	
Total	\$ 7,313,881	2,975	615,872	6,700,984	587,133

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 will be paid from the fund in which the employees' salaries were paid, which are generally the General Fund, Non-Major Governmental Funds, and the Water and Sewer Fund.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 15: DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

At September 30, 2016, the Special Industrial Project Fund reported a deficit fund balance of \$237,858.

NOTE 16: COMMITMENTS AND CONTINGENCIES

Federal Grants - The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provision for any liability that may result has been recognized in the City's financial statements.

Litigation – The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the City with respect to the various proceedings. However, the City's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

NOTE 17: EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' unrestricted net position amount of (\$6,120,825) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$183,676 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$2,519,039 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next four years. The \$211,011 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next four years.

The governmental activities' unrestricted net position amount of (\$6,120,825) includes the effect of deferring the recognition of revenue resulting from capital leases receivable. The \$147,780 balance of deferred inflows of resources at September 30, 2016, will be recognized as revenue and will increase the unrestricted net position over the next six years.

The business-type activities' unrestricted net position amount of (\$356,893) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$11,185 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$153,399 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next four years. The \$12,850 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next four years.

NOTE 18: 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 on September 27, 1993.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 19: 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, 2017 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2016, the City of Cleveland, Mississippi, has acquired the following debt:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
3/2/17	1.75%	\$ 6,395,519	Revolving Loan	Sales Taxes
3/1/17	2.50%	2,000,000	General Obligation Public Improvement Bond	Ad Valorem Taxes

City of Cleveland, Mississippi

Required Supplemental Information

CITY OF CLEVELAND, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) – GENERAL FUND
For the Year Ended September 30, 2016

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP</u>	<u>Favorable</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
REVENUES:				
Ad Valorem Taxes	\$ 2,646,279	2,609,606	2,609,606	-
Licenses, Permits & Franchise Fees	662,300	492,803	492,803	-
Grants & Intergovernmental	3,607,000	3,844,157	3,844,157	-
Fines and Forfeits	190,000	140,971	140,971	-
Charges for Services	513,000	563,401	563,401	-
Miscellaneous Revenues	75,800	203,967	203,967	-
Total Revenues	7,694,379	7,854,905	7,854,905	-
EXPENDITURES:				
General Government				
Supervision, Finance, and Other				
Personal services	404,682	409,641	409,641	-
Other services and charges	873,150	910,662	910,662	-
Supplies	41,900	20,384	20,384	-
Capital outlay	35,097	34,967	34,967	-
Grants and subsidies	137,753	134,227	134,227	-
Total Supervision, Finance, and Other	<u>1,492,582</u>	<u>1,509,881</u>	<u>1,509,881</u>	<u>-</u>
Municipal Court				
Personal services	146,438	133,517	133,517	-
Other services and charges	215,250	202,171	202,171	-
Supplies	9,100	3,393	3,393	-
Total Municipal Court	<u>370,788</u>	<u>339,081</u>	<u>339,081</u>	<u>-</u>
Total General Government	<u>1,863,370</u>	<u>1,848,962</u>	<u>1,848,962</u>	<u>-</u>
Public Safety				
Police Department				
Personal services	3,381,277	3,151,827	3,151,827	-
Other services and charges	125,925	113,830	113,830	-
Supplies	177,600	128,903	128,903	-
Capital outlay	90,000	97,220	97,220	-
Total Police Department	<u>3,774,802</u>	<u>3,491,780</u>	<u>3,491,780</u>	<u>-</u>
Fire Department				
Personal services	194,759	193,071	193,071	-
Other services and charges	133,450	111,354	111,354	-
Supplies	96,750	82,219	82,219	-
Capital outlay	35,040	38,832	38,832	-
Total Fire Department	<u>459,999</u>	<u>425,476</u>	<u>425,476</u>	<u>-</u>
Total Public Safety	<u>4,234,801</u>	<u>3,917,256</u>	<u>3,917,256</u>	<u>-</u>
Public Works				
Code Compliance				
Personal services	424,983	411,079	411,079	-
Other services and charges	88,825	73,042	73,042	-
Supplies	29,300	20,045	20,045	-
Capital outlay	25,000	26,957	26,957	-
Total Code Compliance	<u>568,108</u>	<u>531,123</u>	<u>531,123</u>	<u>-</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

CITY OF CLEVELAND, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) – GENERAL FUND
For the Year Ended September 30, 2016

	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Cemetery				
Personal services	132,517	112,566	112,566	-
Other services and charges	3,250	297	297	-
Supplies	22,975	15,470	15,470	-
Capital outlay		7,039	7,039	-
Total Cemetery	<u>158,742</u>	<u>135,372</u>	<u>135,372</u>	<u>-</u>
Airport				
Personal services	148,424	135,890	135,890	-
Other services and charges	39,875	35,589	35,589	-
Supplies	48,650	47,992	47,992	-
Capital outlay	4,200	3,357	3,357	-
Total Airport	<u>241,149</u>	<u>222,828</u>	<u>222,828</u>	<u>-</u>
Groundskeeper				
Personal services	132,567	167,211	167,211	-
Other services and charges	26,100	115	115	-
Supplies	24,500	42,292	42,292	-
Capital outlay	4,937	4,373	4,373	-
Total Groundskeeper	<u>188,104</u>	<u>213,991</u>	<u>213,991</u>	<u>-</u>
Shop Department				
Personal services	100,606	98,982	98,982	-
Other services and charges	1,700	1,363	1,363	-
Supplies	10,140	6,022	6,022	-
Capital outlay	4,050	4,049	4,049	-
Total Shop Department	<u>116,496</u>	<u>110,416</u>	<u>110,416</u>	<u>-</u>
Total Public Works	<u>1,272,599</u>	<u>1,213,730</u>	<u>1,213,730</u>	<u>-</u>
Highways and Streets				
Personal services	933,033	846,438	846,438	-
Other services and charges	212,125	154,361	154,361	-
Supplies	325,514	250,143	250,143	-
Capital outlay	56,718	56,718	56,718	-
Total Highways and Streets	<u>1,527,390</u>	<u>1,307,660</u>	<u>1,307,660</u>	<u>-</u>
Health and Sanitation				
Other services and charges	425,660	491,503	491,503	-
Total Health and Sanitation	<u>425,660</u>	<u>491,503</u>	<u>491,503</u>	<u>-</u>
Total Expenditures	<u>9,323,820</u>	<u>8,779,111</u>	<u>8,779,111</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(1,629,441)</u>	<u>(924,206)</u>	<u>(924,206)</u>	
OTHER FINANCING SOURCES (USES)				
Administrative fees	639,000	639,000	639,000	-
Transfers in	463,490	463,490	463,490	-
Transfers out	(355,000)	(355,000)	(355,000)	-
Total other financing sources (uses)	<u>747,490</u>	<u>747,490</u>	<u>747,490</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (881,951)</u>	<u>(176,716)</u>	<u>(176,716)</u>	<u>-</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

CITY OF CLEVELAND, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) – ECONOMIC DEVELOPMENT AND TOURISM FUND
For the Year Ended September 30, 2016

	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP	Favorable
			Basis	(Unfavorable)
REVENUES:				
Tourism taxes	\$ 750,000	802,597	802,597	-
Donations and gift shop sales	1,000	2,981	2,981	-
Miscellaneous revenues	13,000	1,480	1,480	-
Total Revenues	764,000	807,058	807,058	-
EXPENDITURES:				
All departments				
Other services and charges	15,000	7,251	7,251	-
Appropriations	753,000	777,774	777,774	-
Capital outlay		40,920	40,920	-
Total all departments	768,000	825,945	825,945	-
Railroad Heritage Museum				
Personal services	69,455	68,639	68,639	-
Other services and charges	93,025	89,658	89,658	-
Supplies	7,500	6,932	6,932	-
Capital outlay	11,600	10,581	10,581	-
Total Railroad Heritage Museum	181,580	175,810	175,810	-
Total Expenditures	949,580	1,001,755	1,001,755	-
Excess of Revenues over (under) Expenditures	(185,580)	(194,697)	(194,697)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	32,937	32,937	32,937	-
Transfers out	(16,495)	(16,495)	(16,495)	-
Total other financing sources (uses)	16,442	16,442	16,442	-
Net Change in Fund Balance	\$ (169,138)	(178,255)	(178,255)	-

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

CITY OF CLEVELAND, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) – PUBLIC IMPROVEMENT BOND FUND
For the Year Ended September 30, 2016

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP</u>	<u>Favorable</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
REVENUES:				
Miscellaneous revenues	\$ 37,600	23,569	23,569	-
Total Revenues	37,600	23,569	23,569	-
EXPENDITURES:				
Other services and charges	3,641,729	1,370,610	1,370,610	-
Capital outlay	1,153,255	1,004,921	1,004,921	-
Total Expenditures	4,794,984	2,375,531	2,375,531	-
Excess of Revenues over (under) Expenditures	(4,757,384)	(2,351,962)	(2,351,962)	-
OTHER FINANCING SOURCES (USES)				
Bond proceeds	1,800,000	1,900,000	1,900,000	-
Transfers in	300,000	300,000	300,000	-
Total other financing sources (uses)	2,100,000	2,200,000	2,200,000	-
Net Change in Fund Balance	\$ (2,657,384)	(151,962)	(151,962)	-

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

CITY OF CLEVELAND, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) – ECONOMIC DEVELOPMENT REVOLVING FUND
For the Year Ended September 30, 2016

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP</u>	<u>Favorable</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
REVENUES:				
Miscellaneous revenues	\$ 15,950	16,158	16,158	-
Total Revenues	15,950	16,158	16,158	-
EXPENDITURES:				
			-	-
Total Expenditures	-	-	-	-
Excess of Revenues over (under) Expenditures	15,950	16,158	16,158	-
OTHER FINANCING SOURCES (USES)				
Transfers in	68,409	68,409	68,409	-
Total other financing sources (uses)	68,409	68,409	68,409	-
Net Change in Fund Balance	\$ 84,359	84,567	84,567	-

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

CITY OF CLEVELAND, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) – SPECIAL INDUSTRIAL PROJECT FUND
For the Year Ended September 30, 2016

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP</u>	<u>Favorable</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
REVENUES:				
Lease payment	\$ 225,650	225,650	225,650	-
Miscellaneous revenues	800	485	485	-
Total Revenues	226,450	226,135	226,135	-
EXPENDITURES:				
Other services and charges	124,304	124,304	124,304	-
Capital outlay	34,915	34,915	34,915	-
Total Expenditures	159,219	159,219	159,219	-
Excess of Revenues over (under) Expenditures	67,231	66,916	66,916	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(101,346)	(101,346)	(101,346)	-
Total other financing sources (uses)	(101,346)	(101,346)	(101,346)	-
Net Change in Fund Balance	\$ (34,115)	(34,430)	(34,430)	-

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0727%	0.0703%
Proportionate share of the net pension liability (asset)	\$ 12,986,035	10,866,994
Covered-employee payroll	\$ 4,657,646	4,390,822
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	278.81%	247.49%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF CITY CONTRIBUTIONS
LAST 10 FISCAL YEARS*
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 733,580	701,340
Contributions in relation to the contractually required contribution	<u>733,580</u>	<u>701,340</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>
Covered-employee payroll	\$ 4,657,646	4,452,949
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2016

BUDGETARY COMPARISON SCHEDULES

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 City Council 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.

C. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original 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 the Parks & Recreation Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

D. 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).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

Governmental Fund Type	General Fund	Economic Development and Tourism	Public Improvement Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund
Budget (Cash Basis)	\$ (176,716)	(178,255)	(151,962)	84,567	(34,430)
Increase (Decrease)					
Net adjustments for revenue accruals	113,020	134,030			101,346
Net adjustments for expense accruals	(48,712)	(167,227)	(27,707)	(68,409)	
Net Change in Fund Balance - GAAP Basis	\$ <u>(112,408)</u>	<u>(211,452)</u>	<u>(179,669)</u>	<u>16,158</u>	<u>66,916</u>

E. Excess of Actual Expenditures over Budget in Individual Funds.

No funds with actual expenditures over budgeted amounts were identified.

F. Unbudgeted Funds.

There were no unbudgeted funds for the fiscal year ended September 30, 2016.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2016

PENSION SCHEDULES

A. Changes in benefit provisions.

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

B. Changes of assumptions.

The assumed rate of interest credited of employee contributions was changed from 3.50% to 2.00%.

CITY OF CLEVELAND, MISSISSIPPI

OTHER INFORMATION

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
September 30, 2016

<u>Name</u>	<u>Position</u>	<u>Bond Amount</u>	<u>Expiration Date</u>	<u>Surety Company</u>
Billy Nowell	Mayor	100,000	Jul-17	Brierfield
Maurice Smith	Alderman Ward 1	100,000	Jul-17	Brierfield
Robert L. Sanders	Alderman Ward 2	100,000	Jul-17	Brierfield
Danny Abraham	Alderman Ward 3	100,000	Jul-17	Brierfield
Kirkham Povall	Alderman Ward 4	100,000	Jul-17	Brierfield
James Paul Janoush	Alderman Ward 5	100,000	Jul-17	Brierfield
Theodore R. Campbell	Alderman Ward 6	100,000	Jul-17	Brierfield
Gary Gainspoletti	Alderman-At-Large	100,000	Jul-17	Brierfield
Dominique Green	City Clerk	50,000	Sep-17	Brierfield
Linda Brown	Deputy City Clerk	65,000	Oct-16	St. Paul
Betha Watson	Payroll Clerk	50,000	Jul-17	St. Paul
Jamie Ferguson Jacks	City Attorney	50,000	Jul-17	St. Paul
Michele Lucas	Municipal Court Clerk	50,000	Mar-16	St. Paul
Jodie W. Felton	Deputy Court Clerk	50,000	Jul-17	Brierfield
Patsy Lawson	Deputy Court Clerk	50,000	Jul-17	St. Paul
Charles "Buster" Bingham	Chief of Police	50,000	Oct-16	St. Paul
Marilyn D. Adams Cox	Utility Manager	50,000	Aug-17	St. Paul
Rose M. Walters	Utility Clerk	50,000	Jun-17	Western
Secandrice Davis	Utility Clerk	50,000	Dec-16	Western
Jeffery Clint Johnson	Airport Director	50,000	Aug-17	Brierfield
Stephen Glorioso	Parks Director	50,000	Aug-17	Brierfield
Greg Jackson	Fire Inspector	50,000	Jun-17	Brierfield
Brett Moorman	Community Development Director	50,000	Oct-16	Brierfield
Kimberly Chisolm	Assistant Director	50,000	Jan-17	St. Paul
Hope Johnson	Office Clerk	50,000	Mar-17	St. Paul
Billy Trotter	Code Enforcement Officer	50,000	Mar-17	St. Paul
Danita Staples	Housing Inspector	50,000	Jan-17	Brierfield
Britonya Gort	Collections Clerk	50,000	Apr-17	Western
Brandy Murphy	Public Works Clerk	50,000	Jan-17	St. Paul

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
September 30, 2016

Description	Issue Date	Balance 09/30/15	Issued	Paid	Balance 09/30/16	Amount Due	
						2017	Remaining Years
General Obligation Bonds							
Public Improvement	05/01/06	\$ 115,000		115,000	-	-	
General Obligation	12/28/06	230,000		115,000	115,000	-	
Public Improvement	03/01/07	595,000		70,000	525,000	75,000	
Public Improvement	05/01/10	695,000		135,000	560,000	140,000	
Public Improvement	05/01/11	690,000		115,000	575,000	115,000	
Public Improvement	01/26/12	980,000		140,000	840,000	140,000	
Public Improvement	04/15/13	1,005,000		110,000	895,000	115,000	
Public Improvement	04/15/14	1,280,000		120,000	1,160,000	125,000	
Public Improvement	08/01/15	1,400,000		115,000	1,285,000	125,000	
Public Improvement	02/01/16	-	1,900,000		1,900,000	145,000	
Total General Obligation Bonds		6,990,000	1,900,000	1,035,000	7,855,000	1,095,000	
						6,760,000	
Other Loans							
State of Mississippi (MDA Faurecia - City)	08/01/03	220,866		56,093	164,773	58,008	
State of Mississippi (MDA Faurecia - County)	08/01/03	220,866		56,093	164,773	58,008	
State of Mississippi (MDEQ #1)	08/01/03	827,030		100,522	726,508	102,295	
State of Mississippi (MDEQ #2)	09/25/03	776,784		80,396	696,388	81,815	
State of Mississippi (MDEQ #3)	04/21/06	696,676		61,309	635,367	62,547	
State of Mississippi (MDEQ #4)	10/14/05	1,083,391		81,669	1,001,722	83,734	
State of Mississippi (MDEQ #5)	08/25/06	887,359		58,384	828,975	59,414	
Planters Bank	12/16/14	42,000		42,000	-	-	
Total Other Loans		4,754,972	-	536,466	4,218,506	505,821	
						3,712,685	
Capital Leases							
Street Sweeper Lease	06/04/13	123,552		53,954	69,598	50,859	
Siemens Public, Inc.	09/21/12	2,991,154		191,591	2,799,563	197,328	
Total Capital Leases		3,114,706	-	245,545	2,869,161	248,187	
						2,620,974	
Other							
Compensated Absences		302,453	47,945		350,398		
Total Long Term Debt	\$	15,162,131	1,947,945	1,817,011	15,293,065	1,849,008	
						13,093,659	

**CITY OF CLEVELAND, MISSISSIPPI
GENERAL BOND AND INTEREST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL (NON-GAAP BASIS)
September 30, 2016**

	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 1,163,236	1,147,633	1,147,633	-
Miscellaneous revenues	3,000	3,370	3,370	-
Total Revenues	1,166,236	1,151,003	1,151,003	-
EXPENDITURES:				
Debt service	1,142,362	1,117,852	1,117,852	-
Total Expenditures	1,142,362	1,117,852	1,117,852	-
Excess of Revenues over (under) Expenditures	23,874	33,151	33,151	-
Net Change in Fund Balance	\$ 23,874	33,151	33,151	-

CITY OF CLEVELAND, MISSISSIPPI
BAXTER BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL (NON-GAAP BASIS)
September 30, 2016

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP</u>	<u>Favorable</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
REVENUES:				
Lease payment	\$ 174,209	174,209	174,209	-
Miscellaneous revenues		219	219	-
Total Revenues	174,209	174,428	174,428	-
EXPENDITURES:				
Debt Service	192,705	192,645	192,645	-
Total Expenditures	192,705	192,645	192,645	-
Excess of Revenues over (under) Expenditures	\$ (18,496)	(18,217)	(18,217)	-

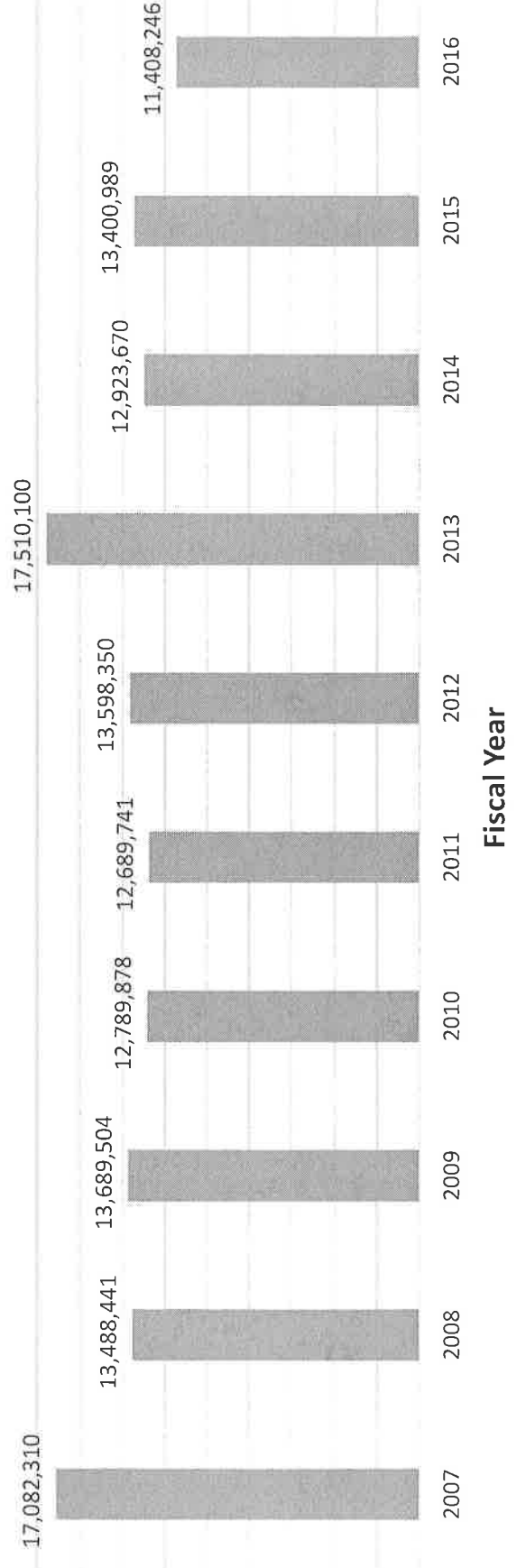
CITY OF CLEVELAND, MISSISSIPPI

STATISTICAL INFORMATION

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

Fiscal Year	Taxes	Fines, Fees, Licenses & Permits	Intergovernmental	Charges for Services	Miscellaneous Operating	Miscellaneous Non-Operating	Total Revenues
2007	\$ 3,044,352	995,063	10,119,304	1,380,278	454,349	1,088,964	17,082,310
2008	3,072,979	944,163	6,592,328	1,597,921	428,186	852,864	13,488,441
2009	3,136,119	755,380	7,212,995	1,737,822	216,569	630,619	13,689,504
2010	3,168,545	989,414	6,146,587	1,825,170	29,030	631,132	12,789,878
2011	3,452,491	891,512	5,786,887	1,884,367	30,857	643,627	12,689,741
2012	3,476,266	753,102	6,415,166	1,922,129	45,755	985,932	13,598,350
2013	3,639,795	787,222	10,361,838	2,077,427	63,957	579,861	17,510,100
2014	3,616,307	851,674	5,470,529	2,071,062	65,761	848,337	12,923,670
2015	3,776,839	699,309	6,095,298	2,072,728	71,447	685,368	13,400,989
2016	3,831,742	617,105	5,737,746	835,082	77,200	309,371	11,408,246
Total	\$ 34,215,435	8,283,944	69,938,678	17,403,986	1,483,111	7,256,075	138,581,229

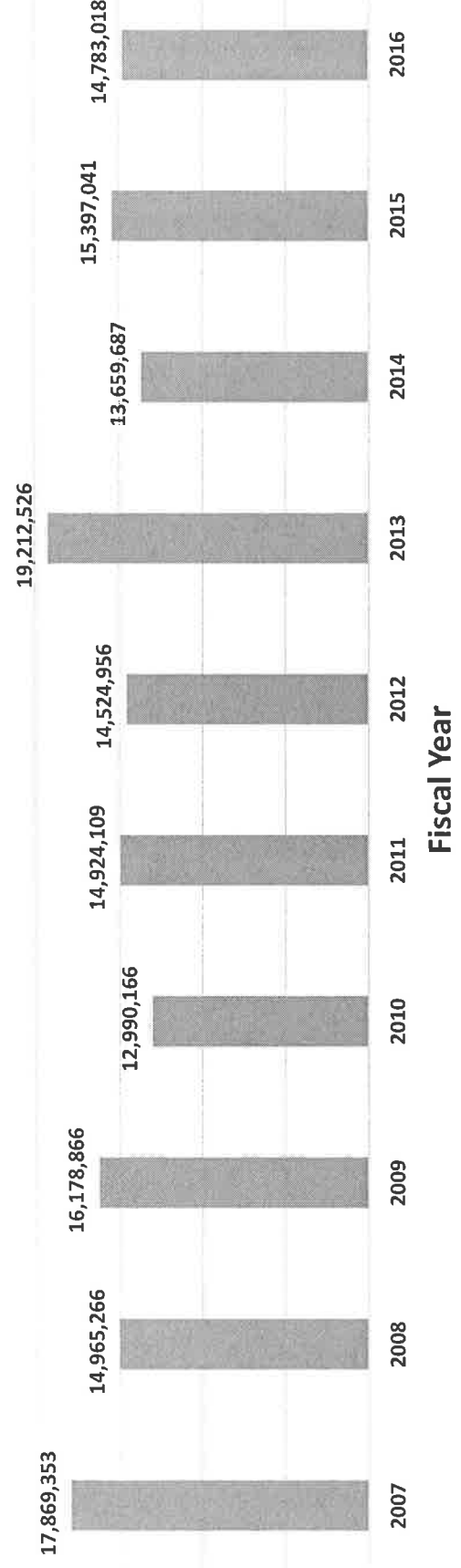
Total Revenues



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	Culture and Recreation	Economic Development	Capital Projects	Debt Service	Total Expenditures
2007	\$ 1,305,441	3,329,556	726,012	1,816,697	1,151,741	940,943	393,205	6,585,219	1,620,539	17,869,353
2008	1,189,489	3,761,879	819,344	1,690,601	1,292,494	1,105,603	452,682	1,953,008	2,700,166	14,965,266
2009	1,352,733	3,965,360	706,067	1,969,169	1,418,983	863,474	1,937,488	1,784,719	2,180,873	16,178,866
2010	1,155,818	4,425,880	1,087,903	1,232,154	1,429,977	564,985	815,055	1,038,348	1,240,046	12,990,166
2011	1,223,615	5,042,335	995,353	2,492,573	1,463,742	901,062	604,798	902,879	1,297,752	14,924,109
2012	1,181,600	4,601,551	1,156,836	1,675,949	1,551,409	961,954	789,551	1,259,822	1,346,284	14,524,956
2013	1,321,087	4,304,466	1,022,361	2,242,434	1,580,199	883,663	578,485	5,922,445	1,357,386	19,212,526
2014	1,359,258	4,500,937	1,275,236	1,186,603	1,570,646	839,559	735,750	797,409	1,394,289	13,659,687
2015	1,412,720	4,136,760	1,326,127	1,603,993	1,580,391	786,258	2,345,934	817,882	1,386,976	15,397,041
2016	1,933,730	5,090,435	2,482,927	1,236,959	650,108	808,905	1,153,562	34,915	1,391,477	14,783,018
Total	\$ 13,435,491	43,159,159	11,598,166	17,147,132	13,689,690	8,656,406	9,806,510	21,096,646	15,915,788	110,665,242

Total Expenditures



CITY OF CLEVELAND, MISSISSIPPI
COMPUTATION OF LEGAL DEBT MARGIN
For the Year Ended September 30, 2016

Description	Total Outstanding G/O Debt	Bonds/Notes Subject To 15% Limitation	Bonds/Notes Subject To 20% Limitation
<u>OUTSTANDING GENERAL OBLIGATION DEBT:</u>			
Public Improvement	115,000	115,000	115,000
General Obligation	525,000	525,000	525,000
Public Improvement	560,000	560,000	560,000
Public Improvement	575,000	575,000	575,000
Public Improvement	840,000	840,000	840,000
Public Improvement	895,000	895,000	895,000
Public Improvement	1,160,000	1,160,000	1,160,000
Public Improvement	1,285,000	1,285,000	1,285,000
Public Improvement	1,900,000	1,900,000	1,900,000
Total Outstanding General Obligation Debt	<u>7,855,000</u>	<u>7,855,000</u>	<u>7,855,000</u>
<u>AUTHORIZED DEBT LIMIT:</u>			
Assessed Value for the fiscal year ended September 30, 2016	99,620,354	14,943,053	19,924,071
Present Debt (Subject to 15% and 20% Limitation, respectively)		<u>7,855,000</u>	<u>7,855,000</u>
Margin for Further Indebtedness (Under 15% and 20% Limitation, respectively)		<u>7,088,053</u>	<u>12,069,071</u>

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 that 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 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 21-41-5.

CITY OF CLEVELAND, MISSISSIPPI

SPECIAL REPORTS



DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S
GOVERNMENT AUDIT QUALITY CENTER

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE 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, the major fund, and the aggregate remaining fund information of Cleveland, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2017.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free 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 accounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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. However, this report is a matter of public record and its distribution is not limited.

Bridgers & Goodman, PLLC
Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

June 30, 2017



DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

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MISSISSIPPI SOCIETY OF CPA'S
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GOVERNMENT AUDIT QUALITY CENTER

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have audited 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 fiscal year ended September 30, 2016, which collectively comprise the City of Cleveland, Mississippi's basic financial statements and have issued our report thereon dated June 30, 2017. 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.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on the City's compliance with these requirements was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed no instances of noncompliance with state laws and regulations. The prior year finding has been corrected.

This report is intended for the information and use of management, City Council, 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. However, this report is a matter of public record and its distribution is not limited.

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

June 30, 2017



DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

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

In planning and performing our audit of the financial statements of the City of Cleveland, Mississippi for the year ended September 30, 2016, we considered the 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 the City of Cleveland, Mississippi's financial reporting, we have performed some additional limited internal control and compliance tests. 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, 2017 on the financial statements of the City of Cleveland, Mississippi.

The results of our review procedures and compliance tests identified certain immaterial instances that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

2016-001 Finding:

Criteria: City policy prohibits prepayments for goods or services.

Condition: Garbage bags consisting of 4,920 rolls were paid for on September 30, 2016. The bags were not received by the City until November 2016. The amount of the purchase was \$28,978.80.

Recommendation:

Comply with the City's purchasing policy.

Response:

The Company that the garbage bags are purchased from requires prepayment for goods.

The City of Cleveland, Mississippi's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City Council, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC

Certified Public Accountants

Vicksburg, Mississippi

June 30, 2017

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements. | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

SIGNIFICANT DEFICIENCY:

2016-001 Finding:

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