



CITY OF CLEVELAND, MISSISSIPPI
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2019



CITY OF CLEVELAND, MISSISSIPPI

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CITY OF CLEVELAND

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PRIVATE COMPANIES PRACTICE SECTION

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, (the City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the 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, 2019, 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, Budgetary Comparison Schedules and corresponding notes, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the 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

The accompanying schedules in the other information section on pages 60 through 64, as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

The schedules in the statistical section on pages 65 through 68 as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2020, our consideration of the City of Cleveland, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements

and other matters. The purpose of that report is solely 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 the effectiveness of the City of Cleveland, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City of Cleveland, Mississippi's internal control over financial reporting and compliance.

Bridgers, Goodman, Baird & Clarke, PLLC

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

June 24, 2020

CITY OF CLEVELAND, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

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, 2019. Readers should also review the basic financial statements and disclosures to enhance their understanding of the City's financial performance.

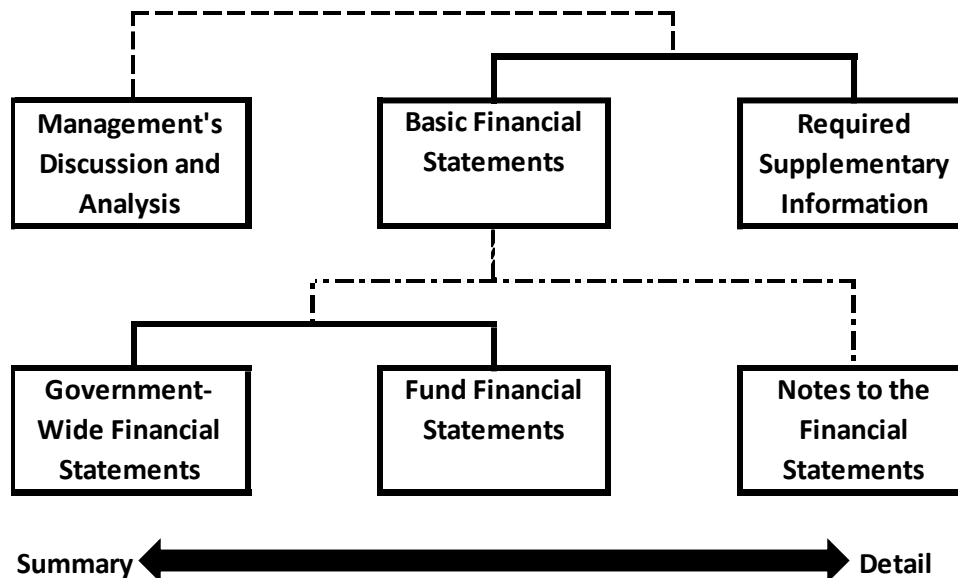
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2019 by \$26,534,869 (net position), this amount represents a decrease of \$14,419, including a prior period adjustment of \$11,354, from fiscal year 2018. Of this amount the unrestricted net position showed a deficit balance of (\$10,875,262).
- Total assets increased \$1,913,213 from 2018.
- Total liabilities increased \$1,226,348 from 2018.
- The City had \$18,780,868 in total revenues. Property tax revenues account for \$4,803,213 or 25 percent of total revenues. Sales and tourism taxes account for \$4,774,414 or 25 percent of total revenues. Charges for services account for \$5,108,665 or 26 percent of total revenues. The remainder of revenue is from federal and state grants, franchise taxes, and other sources and accounts for \$4,788,868 or 24 percent of total revenues.
- The City had \$19,500,933 in total expenses which represents an increase of \$857,718 or 4 percent over the prior fiscal year. Expenses of \$6,056,587 were offset by grants and charges for services. General revenues of \$13,418,573 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, 2019**

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	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • 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, 2019

Government-wide Financial Statements. The government-wide financial statements presented on pages 16 through 17 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 changes 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 development, interest and pension expense.

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 government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as, on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Cleveland maintains 16 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 23.

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

The City of Cleveland adopts an annual budget. A budgetary comparison schedule has been provided on pages 50 through 54 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 29 through 48, 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 49 through 59.

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, 2019, the assets and deferred outflows of the City of Cleveland exceeded liabilities and deferred inflows by \$26,534,869.

By far the largest portion of the City of Cleveland's net position (\$28,811,465 or 109%) 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, 2019**

The following table presents a summary of the City's net position for the fiscal year ended September 30, 2019.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Increase (Decrease)</u>	<u>Percentage Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>		
Assets								
Current and other assets	\$ 17,888,138	15,266,749	(333,079)	812,696	17,555,059	16,079,445	1,475,614	9.18%
Capital assets, net	32,693,238	32,137,964	17,231,347	17,349,022	49,924,585	49,486,986	437,599	0.88%
Total Assets	<u>50,581,376</u>	<u>47,404,713</u>	<u>16,898,268</u>	<u>18,161,718</u>	<u>67,479,644</u>	<u>65,566,431</u>	<u>1,913,213</u>	<u>2.92%</u>
Deferred Outflows	<u>842,547</u>	<u>896,548</u>	<u>51,309</u>	<u>54,597</u>	<u>893,856</u>	<u>951,145</u>	<u>(57,289)</u>	<u>-6.02%</u>
Liabilities								
Current & other liabilities	358,770	1,795,599	402,254	1,136,069	761,024	2,931,668	(2,170,644)	-74.04%
Net pension liability	13,414,991	12,432,842	816,912	757,104	14,231,903	13,189,946	1,041,957	7.90%
Long-term debt	<u>10,165,420</u>	<u>7,863,024</u>	<u>11,118,321</u>	<u>11,065,682</u>	<u>21,283,741</u>	<u>18,928,706</u>	<u>2,355,035</u>	<u>12.44%</u>
Total Liabilities	<u>23,939,181</u>	<u>22,091,465</u>	<u>12,337,487</u>	<u>12,958,855</u>	<u>36,276,668</u>	<u>35,050,320</u>	<u>1,226,348</u>	<u>3.50%</u>
Deferred Inflows	<u>5,551,884</u>	<u>4,896,849</u>	<u>10,079</u>	<u>21,119</u>	<u>5,561,963</u>	<u>4,917,968</u>	<u>643,995</u>	<u>13.09%</u>
Net Position								
Invested in capital assets, net of related debt	22,686,154	22,966,863	6,125,311	5,680,361	28,811,465	28,647,224	164,241	0.57%
Restricted	8,369,620	6,396,625	229,046	249,732	8,598,666	6,646,357	1,952,309	29.37%
Unrestricted	<u>(9,122,916)</u>	<u>(8,050,541)</u>	<u>(1,752,346)</u>	<u>(693,752)</u>	<u>(10,875,262)</u>	<u>(8,744,293)</u>	<u>(2,130,969)</u>	<u>24.37%</u>
Total Net Position	<u>\$ 21,932,858</u>	<u>21,312,947</u>	<u>4,602,011</u>	<u>5,236,341</u>	<u>26,534,869</u>	<u>26,549,288</u>	<u>(14,419)</u>	<u>-0.05%</u>

The City's total assets increased \$1,913,213 during 2019 with business-type activities showing a decrease of \$1,263,450 and governmental activities showing an increase of \$3,176,663.

The City's total liabilities increased \$1,226,348 during 2019 with business-type activities showing a decrease of \$621,368 and governmental activities showing an increase of \$1,847,716.

The City's net position decreased \$14,419 for the year ended September 30, 2019.

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)	\$ (10,875,262)
Less: unrestricted deficit in net position resulting from recognition of GASB 68 & 71	13,513,631
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 2,638,369</u>

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2019.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>Increase (Decrease)</u>	<u>Percentage Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>		
Program Revenues:								
Charges for services	\$ 1,223,397	1,212,653	3,885,268	4,129,882	5,108,665	5,342,535	(233,870)	-4.38%
Grants and contributions	730,110	260,282	217,812	739,124	947,922	999,406	(51,484)	-5.15%
General Revenues:								
Property taxes	4,803,213	4,202,827			4,803,213	4,202,827	600,386	14.29%
Sales and tourism taxes	4,774,414	4,666,193			4,774,414	4,666,193	108,221	2.32%
Other taxes and other	3,829,126	2,079,880	11,820	21,551	3,840,946	2,101,431	1,739,515	82.78%
Total Revenues	15,360,260	12,421,835	4,114,900	4,890,557	19,475,160	17,312,392	2,162,768	12.49%
Program Expenses:								
General government	1,849,608	1,797,288			1,849,608	1,797,288	52,320	2.91%
Public safety	3,938,688	4,186,776			3,938,688	4,186,776	(248,088)	-5.93%
Public works	2,458,528	1,482,800			2,458,528	1,482,800	975,728	65.80%
Highways and streets	1,798,564	1,884,991			1,798,564	1,884,991	(86,427)	-4.59%
Health and sanitation	725,070	571,113			725,070	571,113	153,957	26.96%
Culture and recreation	960,101	761,161			960,101	761,161	198,940	26.14%
Economic development	1,183,337	1,072,835			1,183,337	1,072,835	110,502	10.30%
Interest on long-term debt	253,737	228,348			253,737	228,348	25,389	11.12%
Pension expense	1,663,491	1,769,522	101,299	107,755	1,764,790	1,877,277	(112,487)	-5.99%
Water and sewer			3,496,307	3,664,637	3,496,307	3,664,637	(168,330)	-4.59%
Sanitation			1,072,203	1,115,989	1,072,203	1,115,989	(43,786)	-3.92%
Total Expenses	14,831,124	13,754,834	4,669,809	4,888,381	19,500,933	18,643,215	857,718	4.60%
Transfers:								
Operating transfers in	84,652				84,652	-	84,652	N/A
Operating transfers out			(84,652)		(84,652)	-	(84,652)	N/A
Total Transfers	84,652	-	(84,652)	-	-	-	-	N/A
Increase (Decrease) in Net Position	\$ 613,788	(1,332,999)	(639,561)	2,176	(25,773)	(1,330,823)	1,305,050	98.06%

The City's governmental activities continue to be funded by sources other than property taxes, which comprise 31% of the total revenues. The other major revenue sources were sales and tourism taxes 31%, charges for services 8%, and grants and contributions 5%. The major expense activities were public safety, general government, pension expense, highways and streets, public works, and economic development which comprise 27%, 12%, 11%, 12%, 17%, and 8% 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.

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

As the year ended, the City's governmental funds reported a combined fund balance of \$11,473,232, an increase of \$2,038,400.

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.

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 2019, 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 the major activities such as the 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, 2019, the City had \$49,924,585 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 increase (including additions and deductions) of approximately \$437,599 from 2018.

The following is a summary of changes in capital assets as of September 30, 2019

	Government Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2019	2018	2019	2018	2019	2018		
Land	\$ 4,605,367	4,605,367	1,259,935	1,259,935	5,865,302	5,865,302	-	0.00%
Construction in progress	857,867	1,441,235	-	7,366,816	857,867	8,808,051	(7,950,184)	-90.26%
Infrastructure	17,014,651	15,763,497	15,475,072	8,370,930	32,489,723	24,134,427	8,355,296	34.62%
Buildings and improvements	7,308,848	7,653,653	88,255	89,946	7,397,103	7,743,599	(346,496)	-4.47%
Equipment and fixtures	2,906,505	2,674,212	408,085	261,395	3,314,590	2,935,607	378,983	12.91%
Totals	\$ 32,693,238	32,137,964	17,231,347	17,349,022	49,924,585	49,486,986	437,599	0.88%

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

Long-term Debt

The following table illustrates the total Long-term Debt of the City as of September 30, 2019:

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2019	2018	2019	2018	2019	2018		
General obligation bonds	\$ 9,690,000	9,075,000			9,690,000	9,075,000	615,000	6.78%
Add: Premiums	1,864	2,115			1,864	2,115	(251)	-11.87%
Other loans	-	93,986	8,916,361	9,269,664	8,916,361	9,363,650	(447,289)	-4.78%
Capital leases	315,220	-	2,189,675	2,398,997	2,504,895	2,398,997	105,898	4.41%
Compensated absences	158,336	170,909	12,285	11,655	170,621	182,564	(11,943)	-6.54%
Totals	\$ 10,165,420	9,342,010	11,118,321	11,680,316	21,283,741	21,022,326	261,415	1.24%

More detailed information about the City's long-term liabilities is presented in Note 13 of the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, tax rates, and fees that will be charged for the business-type activities. The total property tax millage rate of 50 mills is expected for the following year.

Management is continuing to evaluate the impact of the coronavirus disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020, on the City's operations. This situation has depressed the tax bases and other areas in which the City received revenue during fiscal year 2019. As such, our financial position, operations, and cash flows will be negatively impacted for the fiscal year 2020 and may hinder our ability to meet the needs of our constituents. Management has and will take the necessary actions to marginalize the disruption caused by the outbreak. The specific impact on our financial position, operations, and cash flows is not readily determinable as of the date of these financial statements, therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide the 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, 2019

	Primary Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,199,263	197,669	4,396,932
Accounts receivable	36,933	345,695	382,628
Accrued interest receivable	17,823		17,823
Property tax receivable	5,320,391		5,320,391
Lease receivable	298,452		298,452
Intergovernmental receivable	918,236	2,058	920,294
Internal balances	1,036,448	(1,036,448)	-
Inventory	75,073	157,947	233,020
Restricted assets:			
Cash and cash equivalents	5,985,519		5,985,519
Capital assets, net			
Land and construction in progress	5,463,234	1,259,935	6,723,169
Other capital assets, net	27,230,004	15,971,412	43,201,416
Total Assets	<u>50,581,376</u>	<u>16,898,268</u>	<u>67,479,644</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	842,547	51,309	893,856
Total Deferred Outflows of Resources	<u>842,547</u>	<u>51,309</u>	<u>893,856</u>
LIABILITIES			
Accounts payable and accrued expenses	243,481	48,162	291,643
Claims and judgments payable	51,858		51,858
Accrued interest payable	63,431	13,828	77,259
Liabilities payable from restricted assets-Customer deposits		340,264	340,264
Long-term liabilities:			
Net pension liability	13,414,991	816,912	14,231,903
Due within one year:			
Capital related debt	1,654,377	910,203	2,564,580
Due in more than one year:			
Capital related debt	8,352,707	10,195,833	18,548,540
Non-capital related debt	158,336	12,285	170,621
Total Liabilities	<u>23,939,181</u>	<u>12,337,487</u>	<u>36,276,668</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	165,505	10,079	175,584
Property tax for future reporting period	5,320,391		5,320,391
Unavailable revenue-interest on capital lease	65,988		65,988
Total Deferred Inflows of Resources	<u>5,551,884</u>	<u>10,079</u>	<u>5,561,963</u>
NET POSITION			
Net investment in capital assets	22,686,154	6,125,311	28,811,465
Restricted:			
Public safety	242,815		242,815
Public works	2,844,940	229,046	3,073,986
Health and sanitation	1,406,238		1,406,238
Culture and recreation	193,920		193,920
Economic development	2,768,252		2,768,252
Debt service	615,134		615,134
Capital projects	229,421		229,421
Unemployment	68,900		68,900
Unrestricted	(9,122,916)	(1,752,346)	(10,875,262)
Total Net Position	<u>\$ 21,932,858</u>	<u>4,602,011</u>	<u>26,534,869</u>

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, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 1,849,608	263,573		(1,586,035)		(1,586,035)
Public safety	3,938,688	145,625	10,024	(3,783,039)		(3,783,039)
Public works	2,458,528	226,544	535,086	(1,696,898)		(1,696,898)
Highways and streets	1,798,564			(1,798,564)		(1,798,564)
Health and sanitation	725,070	441,631	50,000	(233,439)		(233,439)
Culture and recreation	960,101	138,922		(821,179)		(821,179)
Economic development	1,183,337	7,102	135,000	(1,041,235)		(1,041,235)
Interest on long-term debt	253,737			(253,737)		(253,737)
Pension expense	1,663,491			(1,663,491)		(1,663,491)
Total governmental activities	14,831,124	1,223,397	730,110	(12,877,617)		(12,877,617)
Business-type activities:						
Water and sewer	3,094,843	2,810,845	217,812		(66,186)	(66,186)
Sanitation	880,674	1,074,423			193,749	193,749
Total business-type activities	3,975,517	3,885,268	217,812		127,563	127,563
Total primary government	\$ 18,806,641	5,108,665	947,922	(12,877,617)	127,563	(12,750,054)
General revenues:						
Property taxes				\$ 4,803,213		4,803,213
Sales and tourism tax				4,774,414		4,774,414
Franchise taxes				344,069		344,069
Other taxes				801,842		801,842
Administrative charges				689,000	(689,000)	-
Unrestricted interest income				229,477	11,820	241,297
Donations				1,560,688		1,560,688
Other income				245,534		245,534
Internal service fund				(9,402)		(9,402)
Gain (Loss) on sale of capital assets				(32,082)	(5,292)	(37,374)
Transfers				84,652	(84,652)	-
Total general revenues and transfers				13,491,405	(767,124)	12,724,281
Change in net position				613,788	(639,561)	(25,773)
Net Position-Beginning, as previously stated				21,312,947	5,236,341	26,549,288
Prior Period Adjustments				6,123	5,231	11,354
Net Position - beginning, as restated				21,319,070	5,241,572	26,560,642
Net Position, ending				\$ 21,932,858	4,602,011	26,534,869

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

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2019

	Major Funds		
	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund
ASSETS			
Cash and cash equivalents	\$ 1,572,314		
Receivables:			
Accounts	35,795		
Property taxes	3,298,643		1,596,118
Franchise fee	33,344		
Intergovernmental	644,451	173,102	52,879
Advances to other funds	1,120,026		
Lease receivable, current			
Inventory	75,073		
Restricted assets - cash		76,788	622,781
Lease receivable, non-current			
Total Assets	<u>6,779,646</u>	<u>249,890</u>	<u>2,271,778</u>
LIABILITIES			
Accounts payable	165,815	42,272	
Due to other funds			
Advances from other funds	83,578		
Total Liabilities	<u>249,393</u>	<u>42,272</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue-property taxes	3,298,643		1,596,118
Unavailable revenue-lease payments			
Total Deferred Inflows of Resources	<u>3,298,643</u>	<u>-</u>	<u>1,596,118</u>
FUND BALANCES			
Non-spendable:			
Inventories	75,073		
Advances	1,120,026		
Restricted for:			
Economic development		207,618	
Culture and recreation			
Debt service			675,660
Health and sanitation			
Public safety			
Public works			
Unemployment			
Capital improvement			
Assigned:			
Public safety			
Unassigned	2,036,511		
Total Fund Balances	<u>3,231,610</u>	<u>207,618</u>	<u>675,660</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,779,646</u>	<u>249,890</u>	<u>2,271,778</u>

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

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2019

Major Funds					
Baxter Bond Fund	Public Improvement Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Other Governmental Funds	Total Governmental Funds
				2,093,328	3,665,642
					35,795
				425,630	5,320,391
					33,344
				14,460	884,892
		109,623			1,229,649
97,380					97,380
					75,073
2,905	2,844,940	2,207,831	116,410	113,864	5,985,519
201,072					201,072
<u>301,357</u>	<u>2,844,940</u>	<u>2,317,454</u>	<u>116,410</u>	<u>2,647,282</u>	<u>17,528,757</u>
				35,394	243,481
					-
			109,623		193,201
-	-	-	109,623	35,394	436,682
				425,630	5,320,391
298,452					298,452
<u>298,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>425,630</u>	<u>5,618,843</u>
					75,073
					1,120,026
		2,317,454	6,787	3,929	2,535,788
				193,920	193,920
2,905					678,565
				1,406,238	1,406,238
				242,815	242,815
	2,844,940				2,844,940
				68,900	68,900
				229,421	229,421
				41,035	41,035
					2,036,511
2,905	2,844,940	2,317,454	6,787	2,186,258	11,473,232
<u>301,357</u>	<u>2,844,940</u>	<u>2,317,454</u>	<u>116,410</u>	<u>2,647,282</u>	<u>17,528,757</u>

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, 2019

	Amount
Total fund balance - Governmental Funds	\$ 11,473,232
Amounts reported for governmental activities 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 \$20,893,452.	32,693,238
Accrued interest receivable is not available in the current period and, therefore, is not reported in the funds.	17,823
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	232,464
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(10,165,420)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(63,431)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(13,414,991)
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	842,547
Deferred inflows of resources related to pensions	(165,505)
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.	482,901
Total Net Position - Governmental Activities	\$ 21,932,858

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, 2019

	Major Funds		
	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund
REVENUES:			
Taxes	\$ 2,875,448		1,514,817
Licenses and permits	137,730		
Intergovernmental:			
Federal grants			
State of Mississippi:			
Grants	17,902	11,304	
General sales tax	3,816,558		
Tourism tax		957,856	
Liquor Licenses	20,625		
Gasoline tax	16,089		
Fire protection			
Homestead reimbursement	115,627		61,943
Grand gulf	119,245		
Other state revenue			
Bolivar County:			
Road maintenance	412,567		
Privilege tax	47,487		
Animal shelter			
Charges for services	745,365		
Franchise tax	344,069		
Fines and forfeitures	111,546		
Interest income	38,070	847	11,664
Plant and airport rentals			
Donations			
Miscellaneous	24,480	7,102	
Total revenues:	<u>8,842,808</u>	<u>977,109</u>	<u>1,588,424</u>
EXPENDITURES:			
General government	1,839,746		14,362
Public safety	4,186,417		
Public works	1,457,773		
Highways and streets	1,809,128		
Health and sanitation	445,860		
Culture and recreation			
Economic development		1,090,613	
Debt service:			
Principal paid	38,939		1,300,000
Interest & fees paid	6,231		217,148
Total expenditures	<u>9,784,094</u>	<u>1,090,613</u>	<u>1,531,510</u>
Excess of Revenues over (under) Expenditures	<u>(941,286)</u>	<u>(113,504)</u>	<u>56,914</u>
OTHER FINANCING SOURCES (USES):			
Administrative charge revenue	689,000		
Long-term capital debt issued	334,368		
Lease principal payments			
Transfers in	754,424	140,595	
Transfers out	(1,064,772)		
Net other financing sources (uses)	<u>713,020</u>	<u>140,595</u>	<u>-</u>
Net change in fund balances	<u>(228,266)</u>	<u>27,091</u>	<u>56,914</u>
Fund balances , beginning as previously reported	3,469,561	180,527	618,746
Increase (decrease) in reserve for inventory	(9,685)		
Fund balance, ending	<u>\$ 3,231,610</u>	<u>207,618</u>	<u>675,660</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, 2019

Major Funds					
Baxter Bond Fund	Public Improvement Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
				412,948	4,803,213 137,730
				196,328	196,328
				483,782	512,988 3,816,558 957,856 20,625 16,089
				72,797	72,797
				8,259	185,829 119,245
					-
					412,567 47,487
				50,000	50,000
				147,103	892,468 344,069 111,546
22,099	54,216	50,832	4,458	47,917	230,103
				74,551	74,551
				1,560,688	1,560,688
	96,961			22,088	150,631
<u>22,099</u>	<u>151,177</u>	<u>50,832</u>	<u>4,458</u>	<u>3,076,461</u>	<u>14,713,368</u>
	79,178				1,933,286
	36,967			48,205	4,271,589
	794,839			598,026	2,850,638
	311,489				2,120,617
				321,792	767,652
	11,820			969,512	981,332
	30,232			270,871	1,391,716
85,000			83,820	4,279	1,512,038
19,650			1,191	539	244,759
<u>104,650</u>	<u>1,264,525</u>	<u>-</u>	<u>85,011</u>	<u>2,213,224</u>	<u>16,073,627</u>
<u>(82,551)</u>	<u>(1,113,348)</u>	<u>50,832</u>	<u>(80,553)</u>	<u>863,237</u>	<u>(1,360,259)</u>
					689,000
	2,000,000			24,070	2,358,438
74,042			222,212		296,254
9,590		68,409		375,000	1,348,018
		(9,590)	(68,409)	(140,595)	(1,283,366)
<u>83,632</u>	<u>2,000,000</u>	<u>58,819</u>	<u>153,803</u>	<u>258,475</u>	<u>3,408,344</u>
1,081	886,652	109,651	73,250	1,121,712	2,048,085
1,824	1,958,288	2,207,803	(66,463)	1,064,546	9,434,832
					(9,685)
<u>2,905</u>	<u>2,844,940</u>	<u>2,317,454</u>	<u>6,787</u>	<u>2,186,258</u>	<u>11,473,232</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, 2019

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 2,048,085
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 capital outlays of \$2,337,696 exceeded depreciation of \$1,746,297 in the current period.	591,399
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 net loss of \$32,082 on the disposal of capital assets.	(32,082)
Debt proceeds 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 \$2,358,438 exceeded debt repayments of \$1,512,038.	(846,400)
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	(296,254)
Change in compensated absences	12,573
Change in accrued interest payable	(9,228)
Change in accrued interest receivable	(626)
Change in bond premium	251
	(293,284)
Items reported in the Statement of Activities relating to pensions are not reported in the governmental funds. These activities include:	
Recognition of pension expense for the current year	(1,663,491)
Recognition of contributions made	808,648
An internal service fund is used by management to account for employee health insurance. The net revenue is reported within governmental activities.	10,598
Change in inventory	(9,685)
Change in Net Position of Governmental Activities	\$ 613,788

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, 2019

	Business-Type Activities			Governmental
	Enterprise Fund Water & Sewer Fund	Non-Major Sanitation Fund	Enterprise Funds Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$	197,669	197,669	533,621
Accounts receivable (net of allowance for uncollectibles of \$224,581)	256,943	88,752	345,695	1,138
Advances to other funds	83,578		83,578	
Intergovernmental receivables		2,058	2,058	
Inventory	152,514	5,433	157,947	
Total Current Assets	493,035	293,912	786,947	534,759
Non-current assets:				
Capital assets:				
Land and construction in progress	1,259,935		1,259,935	
Other capital assets, net	15,971,412		15,971,412	
Total Non-Current Assets	17,231,347	-	17,231,347	-
Total Assets	17,724,382	293,912	18,018,294	534,759
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	47,017	4,292	51,309	
Total Deferred Outflows of Resources	47,017	4,292	51,309	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	48,162		48,162	
Claims and judgements payable				51,858
Advances from other funds	1,120,026		1,120,026	
Accrued interest payable	13,828		13,828	
Capital debt:				
Current portion capital leases payable	215,590		215,590	
Current portion notes payable	694,613		694,613	
Total Current Liabilities	2,092,219	-	2,092,219	51,858
Non-current liabilities:				
Liabilities payable from restricted assets:				
Customer deposits	340,264		340,264	
Net pension liability	748,597	68,315	816,912	
Capital debt:				
Notes payable	8,221,748		8,221,748	
Capital leases payable	1,974,085		1,974,085	
Non-capital debt:				
Compensated absences	12,285		12,285	
Total Non-Current Liabilities	11,296,979	68,315	11,365,294	-
Total Liabilities	13,389,198	68,315	13,457,513	51,858
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	9,236	843	10,079	
Total Deferred Inflows of Resources	9,236	843	10,079	-
NET POSITION				
Net investment in capital assets	6,125,311		6,125,311	-
Restricted:				
Public works		229,046	229,046	
Unrestricted	(1,752,346)		(1,752,346)	482,901
Total Net Position	\$ 4,372,965	229,046	4,602,011	482,901

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, 2019

	Business-Type Activities			Governmental
	Enterprise Fund Water & Sewer Fund	Non-Major Sanitation Fund	Enterprise Funds Total	Activity Internal Service Fund
OPERATING REVENUES:				
Charges for services:				
Water sales	\$ 1,516,205		1,516,205	
Sewer sales	1,279,335		1,279,335	
Sanitation fees		1,050,288	1,050,288	
Premiums				930,437
Reinsurance reimbursement				167,571
Other Fees	15,305	24,135	39,440	
Total Operating Revenues	<u>2,810,845</u>	<u>1,074,423</u>	<u>3,885,268</u>	<u>1,098,008</u>
OPERATING EXPENSES:				
Personal services	324,747	28,287	353,034	
Contractual services	1,877,836	841,867	2,719,703	
Consumable supplies	56,257	2,049	58,306	
Depreciation expense	534,086		534,086	
Pension expense	92,828	8,471	101,299	
Administrative fees	489,000	200,000	689,000	44,788
Health claim payments				720,721
Reinsurance premiums				336,046
Life insurance premiums				15,856
Total Operating Expenses	<u>3,374,754</u>	<u>1,080,674</u>	<u>4,455,428</u>	<u>1,117,411</u>
Operating Income (Loss)	<u>(563,909)</u>	<u>(6,251)</u>	<u>(570,160)</u>	<u>(19,403)</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental grants	217,812		217,812	
Interest income	6,255	5,565	11,820	10,001
Interest expenses	(209,089)		(209,089)	
Loss on disposal of equipment	(5,292)		(5,292)	
Total Non-operating Revenues (Expenses)	<u>9,686</u>	<u>5,565</u>	<u>15,251</u>	<u>10,001</u>
Net Income (Loss) Before Operating Transfers	<u>(554,223)</u>	<u>(686)</u>	<u>(554,909)</u>	<u>(9,402)</u>
OPERATING TRANSFERS:				
Operating Transfers in	689,772		689,772	20,000
Operating Transfers out	(754,424)	(20,000)	(774,424)	
Net Operating Transfers	<u>(64,652)</u>	<u>(20,000)</u>	<u>(84,652)</u>	<u>20,000</u>
Change in Net Position	<u>(618,875)</u>	<u>(20,686)</u>	<u>(639,561)</u>	<u>10,598</u>
Net Position - Beginning, as previously stated	4,986,609	249,732	5,236,341	472,303
Prior period adjustment	5,231		5,231	
Net Position - Beginning, as restated	<u>4,991,840</u>	<u>249,732</u>	<u>5,241,572</u>	<u>472,303</u>
Net Position - Ending	<u>\$ 4,372,965</u>	<u>229,046</u>	<u>4,602,011</u>	<u>482,901</u>

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, 2019

	Business-Type Activities		Governmental
	Enterprise Fund	Non-Major	Activity
	Water & Sewer	Sanitation	Internal Service
	Fund	Fund	Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 2,767,634	1,089,155	
Receipts from internal services			1,150,580
Payments to employees for services	(369,242)	(32,405)	
Payments to suppliers for goods and services	(1,989,883)	(841,867)	
Payments for administrative fees	(489,000)	(200,000)	(44,788)
Payments for health claims			(760,741)
Payments for premiums			(351,902)
Net Cash Provided (Used) by Operating Activities	(80,491)	14,883	(6,851)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers, net	(64,652)	(20,000)	20,000
Interfund loans	620,026		
Other receipts	6,256	5,565	10,001
Net Cash Provided (Used) by Noncapital Financing Activities	561,630	(14,435)	30,001
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of property and equipment	(426,473)		
Capital grants received	217,812		
Additions to long-term debt	213,851		
Principal payments on long-term debt	(776,476)		
Interest paid on bonds, loans and capital leases	(205,558)		
Net Cash Provided (Used) by Capital and Related Financing Activities	(976,844)	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(495,705)	448	23,150
Cash and Cash Equivalents, October 1	495,705	197,221	510,471
Adjustment to beginning of year cash due to prior period adjustment			
Cash and Cash Equivalents, September 30	\$ -	197,669	533,621
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (563,909)	(6,251)	(19,403)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	534,086		
Pension expense	92,828	8,471	
(Increase) decrease in accounts receivable	15,325	14,680	52,571
(Increase) decrease in due from other funds	-	-	
(Increase) decrease in intergovernmental receivable	-	32	
(Increase) decrease in inventories	(1,614)	(2,049)	
Increase (decrease) in accounts payable and accrued expenses	(197,002)		
Increase (decrease) in claims and judgments payable			(40,019)
Increase (decrease) in accrued interest payable	3,532		
Increase (decrease) in customer deposits	35,633		
Increase (decrease) in compensated absences	630		
Total adjustments	483,418	21,134	12,552
Net Cash Provided (Used) by Operating Activities	\$ (80,491)	14,883	(6,851)

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

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 186,983
	<hr/>
Total Assets	<u><u>186,983</u></u>
LIABILITIES	
Intergovernmental payables	106,987
Amounts held in custody for others	79,996
	<hr/>
Total Liabilities	<u><u>\$ 186,983</u></u>

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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 2.00 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, deferred inflows, 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
For the Year Ended September 30, 2019

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial 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
For the Year Ended September 30, 2019

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 major proprietary fund:

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 and report the proceeds of specific revenue sources (other than for debt service or 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 TYPE

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 TYPE

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
For the Year Ended September 30, 2019

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 of resources (expense/expenditure) until then.

Deferred outflows related to pensions – This amount represents the City’s proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates. See Note 12 for additional details.

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Deferred inflows related to pensions – This amount represents the City’s proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates. See Note 12 for additional details.

Deferred revenue – interest on capital leases/unavailable revenue – lease payments – When an asset is recorded in the financial statements, but the revenue is not available, the government should report a deferred inflow of resources until the revenue becomes available.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees’ Retirement System of Mississippi (PERS) and additions to/deductions from PERS’ fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. 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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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.

K. 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.

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

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

M. 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.

N. 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.

O. 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 2018 tax roll was 47 mills as: 28.0 mills for the general fund, 15 mills for the debt service fund, 2.00 mills for library maintenance, and 2.00 mills for park maintenance.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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.

NOTE 3: PRIOR PERIOD ADJUSTMENTS

A summary of the significant net position adjustments are as follows:

Statement of Activities

Governmental Activities	
To correct capital assets.	\$ (4,043)
To correct capital related debt	10,166
Total Governmental Activities	6,123
Business-Type Activities	
To correct capital assets.	5,231
Total Business-Type Activities	5,231
Total Statement of Activities	\$ 11,354

Statement of Revenues, Expenses and Changes in Net Position

Enterprise Funds	
To correct capital assets.	\$ 5,231
Total Statement of Revenues, Expenses and Changes in Net Position	\$ 5,231

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

NOTE 4: DEPOSITS

The carrying amount of the City’s total deposits with financial institutions at September 30, 2019 was \$10,569,434 and the bank balance was \$11,010,951. The collateral for public entities’ deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

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. 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 (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution’s trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

NOTE 5: INTER-FUND TRANSACTIONS AND BALANCES

The following is a summary of inter-fund balances at September 30, 2019:

A. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 1,120,026
Economic Development Revolving Fund	Special Industrial Project Fund	109,623
Water and Sewer Fund	General Fund	83,578
Total		<u>\$ 1,313,227</u>

Advances represent amounts due to another fund not expected to be repaid within one year.

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 754,424
Economic Development and Tourism Fund	Other Governmental Funds	140,595
Baxter Bond Fund	Economic Development Revolving Fund	9,590
Economic Development Revolving Fund	Special Industrial Project Fund	68,409
Other Governmental Funds	General Fund	355,000
Other Governmental Funds	Sanitation Fund	20,000
Water and Sewer Fund	General Fund	689,772
Internal Service Fund	General Fund	20,000
Total		<u>\$ 2,057,790</u>

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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.

NOTE 6: RECEIVABLES AND UNCOLLECTIBLES

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, 2019 include the following:

Governmental Activities	
Accounts receivable	
General Fund - Mosquito fees	\$ 35,795
Internal Service - reinsurance reimbursement	1,138
Intergovernmental receivables	
Taxes	884,892
Franchise fee	33,344
Property taxes	<u>5,320,391</u>
Total Governmental Activities Receivables	<u>\$ 6,275,560</u>
Business-Type Activities	
Accounts receivable	
Water & Sewer Fund (net of allowance for uncollectibles of \$188,626)	\$ 256,943
Sanitation Fund (net of allowance for uncollectibles of \$35,955)	88,752
Intergovernmental receivables	
Franchise fee	<u>2,058</u>
Total Business-Type Activities Receivables	<u>\$ 347,753</u>

NOTE 7: RESTRICTED ASSETS

Certain assets are restricted for construction funded through long-term debt, federal grants, and debt service. In addition, certain assets are held as deposits and are only potentially available for City use. The bond resolutions have several requirements of the City concerning maintenance and segregations of accounts, as well as, the accumulation of certain funds for the protection of the bondholder.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

The following is a summary of restricted assets as of September 30, 2019:

Economic Development and Tourism Fund	\$ 76,788
General Bond and Interest Fund	622,781
Baxter Bond Fund	2,905
Public Improvement Bond Fund	2,844,940
Economic Development Revolving Fund	2,207,831
Special Industrial Project Fund	116,410
Other Governmental Funds	113,864
Total	<u>\$ 5,985,519</u>

NOTE 8: CAPITAL ASSETS

The following is a summary of capital assets activity for the year ended September 30, 2019:

Governmental Activities	Balance				Balance
	Oct. 1, 2018	Additions	Deletions	Adjustments*	Sept. 30, 2019
Non-depreciable capital assets:					
Land	\$ 4,605,367				4,605,367
Construction in progress	1,441,235	1,169,348		(1,752,716)	857,867
Total non-depreciable capital assets	<u>6,046,602</u>	<u>1,169,348</u>	<u>-</u>	<u>(1,752,716)</u>	<u>5,463,234</u>
Depreciable capital assets:					
Infrastructure	24,086,823			1,752,716	25,839,539
Buildings & Improvements	12,853,246			350,412	13,203,658
Equipment & fixtures	8,707,507	1,168,348	405,954	(389,642)	9,080,259
Total depreciable capital assets	<u>45,647,576</u>	<u>1,168,348</u>	<u>405,954</u>	<u>1,713,486</u>	<u>48,123,456</u>
Less accumulated depreciation for:					
Infrastructure	8,323,326	501,562			8,824,888
Buildings & Improvements	5,199,593	469,952		225,265	5,894,810
Equipment & fixtures	6,033,295	774,783	373,872	(260,452)	6,173,754
Total accumulated depreciation	<u>19,556,214</u>	<u>1,746,297</u>	<u>373,872</u>	<u>(35,187)</u>	<u>20,893,452</u>
Depreciable capital assets, net	<u>26,091,362</u>	<u>(577,949)</u>	<u>32,082</u>	<u>1,748,673</u>	<u>27,230,004</u>
Capital assets, net	<u>\$ 32,137,964</u>	<u>591,399</u>	<u>32,082</u>	<u>(4,043)</u>	<u>32,693,238</u>

CITY OF CLEVELAND, MISSISSIPPI
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For the Year Ended September 30, 2019

Business-Type Activities	Balance			Balance	
	Oct. 1, 2018	Additions	Deletions	Adjustments*	Sept. 30, 2019
Non-depreciable capital assets:					
Land	\$ 1,259,935				1,259,935
Construction in progress	7,366,816	184,692		(7,551,508)	-
Total non-depreciable capital assets	<u>8,626,751</u>	<u>184,692</u>	-	<u>(7,551,508)</u>	<u>1,259,935</u>
Depreciable capital assets:					
Infrastructure	32,784,276			7,551,508	40,335,784
Buildings & Improvements	301,983				301,983
Equipment & fixtures	1,382,298	241,781	84,523	9,984	1,549,540
Total depreciable capital assets	<u>34,468,557</u>	<u>241,781</u>	<u>84,523</u>	<u>7,561,492</u>	<u>42,187,307</u>
Less accumulated depreciation for:					
Infrastructure	24,413,346	447,366			24,860,712
Buildings & Improvements	212,037	6,040		(4,349)	213,728
Equipment & fixtures	1,120,903	80,680	69,230	9,102	1,141,455
Total accumulated depreciation	<u>25,746,286</u>	<u>534,086</u>	<u>69,230</u>	<u>4,753</u>	<u>26,215,895</u>
Depreciable capital assets, net	<u>8,722,271</u>	<u>(292,305)</u>	<u>15,293</u>	<u>7,556,739</u>	<u>15,971,412</u>
Capital assets, net	<u>\$ 17,349,022</u>	<u>(107,613)</u>	<u>15,293</u>	<u>5,231</u>	<u>17,231,347</u>

- Adjustments are to reclassify completed construction in progress to infrastructure and to correct prior year errors in capital assets.

Depreciation expense was charged to City functions as follows:

Governmental Activities	Amount
General government	\$ 7,585
Public safety	312,393
Public works	727,415
Highway and streets	506,913
Health and sanitation	4,155
Culture and recreation	125,666
Economic Development	62,170
Total governmental activities	<u>\$ 1,746,297</u>
Business-Type Activities	
Water and sewer	<u>\$ 534,086</u>

NOTE 9: 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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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
2017-2018	\$ 134,268	937,504	979,895	91,877
2018-2019	91,877	720,722	760,741	51,858

NOTE 10: 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. Total income from such leases was \$20,444 for the year ended September 30, 2019. The future minimum lease receivable for these leases are as follows:

Year Ending September 30:	Amount
2020	\$ 20,444
2021	20,744
2022	20,969
2023	21,344
2024	15,878
2025-2029	79,283
2030-2034	83,827
2035-2039	69,596
2040-2044	48,463
2045-2049	10,125
Total	\$ <u>390,673</u>

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

NOTE 11: CAPITAL LEASES

As Lessor:

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, 2019 was:

Year Ending September 30:	Principal	Interest	Total
2020	\$ 75,849	21,531	97,380
2021	77,528	22,007	99,535
2022	79,087	22,450	101,537
Total	\$ <u>232,464</u>	<u>65,988</u>	<u>298,452</u>

As Lessee:

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2019:

Classes of Property	Governmental Activities	Business-Type Activities
Equipment (Street Sweeper)	\$ 239,900	
Equipment (Police Vehicles)	94,468	
Equipment (Animal Shelter Van)	24,070	
Infrastructure (Water meters)		3,357,802
Less: Accumulated depreciation	(71,688)	(644,698)
Leased Property Under Capital Leases	\$ <u>286,750</u>	<u>2,713,104</u>

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

The following is a schedule by years of the total payments due as of September 30, 2019:

Year Ending September 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 74,377	9,636	215,590	62,462
2021	76,947	7,065	222,045	56,006
2022	79,607	4,406	228,694	49,358
2023	58,369	1,912	235,541	42,510
2024	25,920	265	242,594	35,458
2025-2028			1,045,211	66,996
Total	\$ 315,220	23,284	2,189,675	312,790

NOTE 12: DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The City of Cleveland contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit plan. 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 State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public 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. The 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.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

Contributions. At September 30, 2019, PERS members were required to contribute 9.00% of their annual covered salary, the City of Cleveland is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2019 was 17.40% of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%. 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 (employer share only) to PERS for the fiscal years ending September 30, 2019 and 2017 were \$857,890, \$800,431, and \$754,743, respectively, equal to 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, 2019, the City reported a liability of \$14,231,903 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2019 net pension liability was 0.0809 percent, which was based on a measurement date of June 30, 2019. This was an increase of 0.0016 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the City recognized pension expense of \$1,764,790. At September 30, 2019, 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	\$ 8,253	14,375
Net difference between projected and actual earnings on investments		148,940
Changes of assumptions	139,400	-
Changes in the proportion and differences between City contributions and proportionate share contributions	533,459	12,269
City Contributions subsequent to the measurement date	212,744	
Total	\$ 893,856	175,584

\$212,744 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, 2019. 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
2020	\$ 333,041
2021	12,149
2022	95,363
2023	64,975
Total	\$ 505,528

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

Actuarial assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial investigation for the 4 year period ending June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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 as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.90
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.25
	<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 (17.40%). 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.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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 7.75 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 (6.75 percent) or 1 - percentage point higher (8.75 percent) than the current rate:

	1% Decrease <u>6.75%</u>	Discount Rate <u>7.75%</u>	1% Increase <u>8.75%</u>
Net Pension Liability	\$ 18,708,334	14,231,903	10,537,017

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

NOTE 13: LONG-TERM DEBT

The City’s long-term debt is made up of general obligation bonds, capital leases, and notes payable. General obligation bonds are direct obligations and are backed by the full faith and credit of the City. 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, 2019 is approximately:

	<u>15% Limit</u>	<u>20% Limit</u>
\$	6,921,262	12,458,350

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

Debt outstanding as of September 30, 2019, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
General Obligation	\$ 285,000	6.00-8.50%	11/1/21
Public Improvement	140,000	2.50-3.50%	3/1/20
Public Improvement	230,000	2.25-3.125%	3/1/21
Public Improvement	420,000	1.50-2.125%	3/1/22
Public Improvement	540,000	1.50-2.00%	3/1/23
Public Improvement	770,000	2.00-2.60%	3/1/24
Public Improvement	895,000	1.75-2.25%	8/1/25
Public Improvement	1,400,000	2.00%	2/1/26
Public Improvement	1,660,000	2.00-2.50%	3/1/27
Public Improvement	1,350,000	2.50-3.00%	3/1/28
Public Improvement	2,000,000	2.25-3.125%	3/1/2029
Total General Obligation Bonds	<u>\$ 9,690,000</u>		
B. Capital Leases:			
Street Sweeper	\$ 217,752	3.50%	3/30/24
Police Vehicles	77,676	3.25%	12/1/22
Animal Shelter Van	19,792	3.25%	12/1/22
Total Capital Leases	<u>\$ 315,220</u>		
Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-Type Activities:			
A. Other Loans			
State of Mississippi (MDEQ #1)	\$ 414,177	1.75%	6/1/23
State of Mississippi (MDEQ #2)	446,588	1.75%	9/1/24
State of Mississippi (MDEQ #3)	443,913	1.75%	1/1/26
State of Mississippi (MDEQ #4)	744,113	2.50%	4/1/27
State of Mississippi (MDEQ #5)	647,569	2.50%	8/25/32
State of Mississippi (MDEQ #6)	6,220,002	1.75%	2/1/28
Total Other Loans	<u>\$ 8,916,362</u>		
B. Capital Leases:			
Siemens Public, Inc.	\$ 2,189,675	2.96%	8/21/28
Total Capital Leases	<u>\$ 2,189,675</u>		

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

The annual debt service requirements of long-term debt as of September 30, 2019 are as follows:

Governmental Activities:

Year Ending September 30:	General Obligation Bonds	
	Principal	Interest
2020	\$ 1,580,000	241,850
2021	1,485,000	175,360
2022	1,405,000	139,118
2023	1,195,000	108,446
2024	1,080,000	82,757
2025-2029	2,945,000	134,701
Totals	\$ 9,690,000	882,232

Business-Type Activities:

Year Ending September 30:	Other Loans	
	Principal	Interest
2020	\$ 694,613	156,790
2021	707,726	143,677
2022	721,091	130,312
2023	706,123	116,732
2024	632,981	104,230
2025-2029	2,281,109	373,203
2030-2034	1,735,511	204,056
2035-2038	1,437,208	49,793
Totals	\$ 8,916,362	1,278,793

The following is a summary of changes in long-term debt for the year ended September 30, 2019:

	Balance Oct. 1, 2018	Additions	Reductions	Adjustments	Balance Sept. 30, 2019	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 9,075,000	2,000,000	1,385,000		9,690,000	1,580,000
Add: bond premium	2,115		251		1,864	
Other Loans	93,986		83,820	(10,166)	-	
Capital leases	-	358,438	43,218		315,220	74,377
Compensated absences	170,909		12,573		158,336	
Total	\$ 9,342,010	2,358,438	1,524,862	(10,166)	10,165,420	1,654,377
Business-Type Activities:						
Other Loans	\$ 9,269,664	213,851	567,154		8,916,361	694,613
Capital leases	2,398,997		209,322		2,189,675	215,590
Compensated absences	11,655	630			12,285	
Total	\$ 11,680,316	214,481	776,476		11,118,321	910,203

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
For the Year Ended September 30, 2019

NOTE 14: 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 15: EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' unrestricted net position amount of (\$9,122,916) 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 \$200,532 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, 2020. The \$642,015 balance of the deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years. The \$165,505 balance of the deferred inflow of resources related to pension at September 30, 2019, will be recognized in pension expense over the next four years.

The governmental activities' unrestricted net position amount of (\$9,122,916) includes the effect of deferring the recognition of revenue resulting from capital leases receivable. The \$65,988 balance of deferred inflows of resources at September 30, 2019, will be recognized as revenue and will increase the unrestricted net position over the next three years.

The business-type activities' unrestricted net position amount of (\$1,752,346) 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 \$12,212 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, 2020. The \$39,097 balance of the deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years. The \$10,079 balance of the deferred inflow of resources related to pension at September 30, 2019, will be recognized in pension expense over the next four years.

NOTE 16: SOLID WASTE DISPOSAL

On October 1, 2014, the City contracted with RES Inc. to provide residential garbage collection and disposal. The rate is \$16.70 per month per residence. The City adopted the Solid Waste Management Plan on September 27, 1993.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

NOTE 17: SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position 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 24, 2020 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2019, 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>
3/1/2020	1.59%	\$ 1,900,000	General Obligation Public Improvement Bonds
7/1/2020	1.39%	2,000,000	General Obligation Utility Bond
6/19/2020	6.50%	1,890,000	TIF Bond - Cotton House Hotel

Management is continuing to evaluate the impact of the coronavirus disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020, on the City's operations. This situation has depressed the tax bases and other areas in which the City received revenue during fiscal year 2019. As such, our financial position, operations, and cash flows will be negatively impacted for the fiscal year 2020 and may hinder our ability to meet the needs of our constituents. Management has and will take the necessary actions to marginalize the disruption caused by the outbreak. The specific impact on our financial position, operations, and cash flows is not readily determinable as of the date of these financial statements, therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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, 2019

UNAUDITED

	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP	Favorable
				(Unfavorable)
REVENUES:				
Ad Valorem Taxes	\$ 2,949,674	2,803,808	2,803,808	-
Licenses, Permits & Franchise Fees	494,000	539,615	539,615	-
Grants & Intergovernmental	3,394,665	4,583,328	4,583,328	-
Fines and Forfeits	125,000	111,546	111,546	-
Charges for Services	1,342,000	746,488	746,488	-
Miscellaneous Revenues	70,500	62,550	62,550	-
Total Revenues	<u>8,375,839</u>	<u>8,847,335</u>	<u>8,847,335</u>	<u>-</u>
EXPENDITURES:				
General Government				
Supervision, Finance, and Other	1,610,508	1,530,062	1,530,062	-
Municipal Court	377,565	323,535	323,535	-
Total general government	<u>1,988,073</u>	<u>1,853,597</u>	<u>1,853,597</u>	<u>-</u>
Public Safety				
Police Department	3,956,979	3,796,962	3,796,962	-
Fire Department	464,123	418,619	418,619	-
Total Public Safety	<u>4,421,102</u>	<u>4,215,581</u>	<u>4,215,581</u>	<u>-</u>
Public Works				
Code Compliance	603,721	522,421	522,421	-
Cemetery	227,300	212,698	212,698	-
Airport	257,659	400,356	400,356	-
Groundskeeper	211,773	194,169	194,169	-
Shop Department	159,855	141,105	141,105	-
Total Public Works	<u>1,460,308</u>	<u>1,470,749</u>	<u>1,470,749</u>	<u>-</u>
Highways and Streets				
Street Department	1,956,661	1,827,133	1,827,133	-
Total Highways and Streets	<u>1,956,661</u>	<u>1,827,133</u>	<u>1,827,133</u>	<u>-</u>
Health and Sanitation				
Mosquito Control	445,860	445,860	445,860	-
Total Health and Sanitation	<u>445,860</u>	<u>445,860</u>	<u>445,860</u>	<u>-</u>
Total Expenditures	<u>10,272,004</u>	<u>9,812,920</u>	<u>9,812,920</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(1,896,165)</u>	<u>(965,585)</u>	<u>(965,585)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Administrative fees	689,000	689,000	689,000	-
Long-term capital debt issued		334,368	334,368	-
Transfers in	846,725	754,424	754,424	-
Transfers out	(375,000)	(1,064,772)	(1,064,772)	-
Total other financing sources (uses)	<u>1,160,725</u>	<u>713,020</u>	<u>713,020</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (735,440)</u>	<u>(252,565)</u>	<u>(252,565)</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, 2019

UNAUDITED

	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP	Favorable
			Basis	(Unfavorable)
REVENUES:				
Tourism taxes	\$ 900,000	941,799	941,799	-
Donations and gift shop sales	2,500	7,102	7,102	-
Grants & Intergovernmental		11,304	11,304	-
Miscellaneous revenues		847	847	-
Total Revenues	<u>902,500</u>	<u>961,052</u>	<u>961,052</u>	<u>-</u>
EXPENDITURES:				
Economic Development				
All Departments	893,548	886,048	886,048	-
Railroad Heritage Museum	182,272	173,910	173,910	-
Total Expenditures	<u>1,075,820</u>	<u>1,059,958</u>	<u>1,059,958</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(173,320)</u>	<u>(98,906)</u>	<u>(98,906)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	140,595	140,595	140,595	-
Transfers out			-	-
Total other financing sources (uses)	<u>140,595</u>	<u>140,595</u>	<u>140,595</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (32,725)</u>	<u>41,689</u>	<u>41,689</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) – PUBLIC IMPROVEMENT BOND FUND
For the Year Ended September 30, 2019

UNAUDITED

	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Miscellaneous revenues	\$ 15,000	151,177	151,177	-
Total Revenues	<u>15,000</u>	<u>151,177</u>	<u>151,177</u>	<u>-</u>
EXPENDITURES:				
Other services and charges	285,110	150,189	150,189	-
Capital outlay	3,822,182	1,130,131	1,130,131	-
Total Expenditures	<u>4,107,292</u>	<u>1,280,320</u>	<u>1,280,320</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(4,092,292)</u>	<u>(1,129,143)</u>	<u>(1,129,143)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	2,000,000	2,000,000	2,000,000	-
Total other financing sources (uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (2,092,292)</u>	<u>870,857</u>	<u>870,857</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 REVOLVING FUND
For the Year Ended September 30, 2019

UNAUDITED

	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Miscellaneous revenues	\$ 17,500	50,832	50,832	-
Total Revenues	<u>17,500</u>	<u>50,832</u>	<u>50,832</u>	<u>-</u>
EXPENDITURES:				
Economic development	75,000	-	-	-
Total Expenditures	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(57,500)</u>	<u>50,832</u>	<u>50,832</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		-	-	-
Transfers in	68,409	68,409	68,409	-
Transfers out	(9,590)	(9,590)	(9,590)	-
Total other financing sources (uses)	<u>58,819</u>	<u>58,819</u>	<u>58,819</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 1,319</u>	<u>109,651</u>	<u>109,651</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) – SPECIAL INDUSTRIAL PROJECT FUND
For the Year Ended September 30, 2019

UNAUDITED

	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
	REVENUES:			
Lease payment	\$ 225,650	222,212	222,212	-
Miscellaneous revenues	500	4,458	4,458	-
Total Revenues	<u>226,150</u>	<u>226,670</u>	<u>226,670</u>	<u>-</u>
EXPENDITURES:				
Other services and charges	103,587	85,011	85,011	-
Capital outlay			-	-
Total Expenditures	<u>103,587</u>	<u>85,011</u>	<u>85,011</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>122,563</u>	<u>141,659</u>	<u>141,659</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(68,409)	(68,409)	(68,409)	-
Total other financing sources (uses)	<u>(68,409)</u>	<u>(68,409)</u>	<u>(68,409)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 54,154</u>	<u>73,250</u>	<u>73,250</u>	<u>-</u>

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, 2019

UNAUDITED

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0809%	0.0793%	0.0759%	0.0727%	0.0703%
Proportionate share of the net pension liability (asset)	\$ 14,231,903	13,189,946	12,617,158	12,986,035	10,866,994
Covered payroll	\$ 5,271,951	5,066,897	4,868,652	4,652,053	4,390,822
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	269.96%	260.32%	259.15%	279.15%	247.49%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of 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.

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

**CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF CITY CONTRIBUTIONS
LAST 10 FISCAL YEARS*
For the Year Ended September 30, 2019**

UNAUDITED

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 857,890	800,431	754,743	733,580	701,340
Contributions in relation to the contractually required contribution	<u>857,890</u>	<u>800,431</u>	<u>754,743</u>	<u>733,580</u>	<u>701,340</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 5,319,055	5,082,108	4,792,014	4,657,646	4,452,949
Contributions as a percentage of covered payroll	16.13%	15.75%	15.75%	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.

Note A - The 2019 contributions as a percentage of covered payroll will be an average of the former contributions rate of 15.75% and the current contribution rate of 17.40%.

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2019

UNAUDITED

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 each major Special Revenue 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)	\$ (252,565)	41,689	870,857	109,651	73,250
Increase (Decrease)					
Net adjustments for revenue accruals	(4,527)	(30,655)			
Net adjustments for expenditure accruals	28,826	16,057	15,795		
Net Change in Fund Balance - GAAP Basis	<u>\$ (228,266)</u>	<u>27,091</u>	<u>886,652</u>	<u>109,651</u>	<u>73,250</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, 2019.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2019

UNAUDITED

PENSION SCHEDULES

A. Changes in benefit provisions.

2017

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.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions were reduced from 3.75% to 3.25%

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2019

UNAUDITED

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.

For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.

For females, 115% of female rates at all ages.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

CITY OF CLEVELAND, MISSISSIPPI

OTHER INFORMATION

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
For the Year Ended September 30, 2019

UNAUDITED

Name	Position	Bond Amount	Expiration Date	Surety Company
Billy Nowell	Mayor	100,000	Jul-21	Western
Maurice Smith	Alderman Ward 1	100,000	Jul-21	FCCI
Robert L. Sanders	Alderman Ward 2	100,000	Jul-21	Western
Danny Abraham	Alderman Ward 3	100,000	Jul-21	FCCI
Kirkham Povall	Alderman Ward 4	100,000	Jul-21	Western
James Paul Janoush	Alderman Ward 5	100,000	Jul-21	FCCI
Theodore R. Campbell	Alderman Ward 6	100,000	Jul-21	FCCI
Gary Gainspoletti	Alderman-At-Large	100,000	Apr-21	FCCI
Dominique Green	City Clerk	50,000	Sep-20	FCCI
Linda Brown	Deputy City Clerk	65,000	Oct-19	St. Paul
Betha Watson	Payroll Clerk	50,000	Jul-20	Travelers
Jamie Ferguson Jacks	City Attorney	50,000	Jul-20	FCCI
Michele Lucas	Municipal Court Clerk	50,000	Mar-20	FCCI
Jodie W. Felton	Deputy Court Clerk	50,000	Jul-20	FCCI
Patsy Lawson	Deputy Court Clerk	50,000	Jul-20	FCCI
Charles "Buster" Bingham	Chief of Police	50,000	Oct-20	FCCI
Marilyn D. Adams Cox	Utility Manager	50,000	Aug-20	Travelers
Rose M. Walters	Utility Clerk	50,000	Jun-20	CNA
Brittney Beevers	Utility Clerk	50,000	Jun-20	CNA
Secandrice Davis	Utility Clerk	50,000	Dec-19	CNA
Jeffery Clint Johnson	Airport Director	50,000	Aug-20	FCCI
Stephen Glorioso	Parks Department	50,000	Aug-20	FCCI
Greg Jackson	Fire Inspector	50,000	Jun-20	FCCI
Kenneth Taylor	Community Development Director	50,000	Feb-20	FCCI
Kimberly Chisolm	Assistant Director	50,000	Jan-20	Travelers
Hope Johnson	Office Clerk	50,000	Mar-20	FCCI
Billy Trotter	Code Enforcement Officer	50,000	Mar-20	FCCI
Danita Staples	Housing Inspector	50,000	Jan-20	FCCI
Britonya Gort	Collections Clerk	50,000	Apr-20	CNA
Brandy Murphy	Public Works Clerk	50,000	Jan-20	Travelers
Michelle Arbuckle	Accountant	50,000	Nov-20	FCCI
Travis Dudley Tribble	Police Department	50,000	Dec-19	FCCI
Brian Davis	Animal Shelter	50,000	Feb-20	FCCI
Leigh Ann Hall	Animal Shelter	50,000	Feb-20	FCCI
Lisa Miller	Railroad Heritage Museum	50,000	Feb-20	FCCI
Jamie Gregory-Grant	Animal Shelter	50,000	Mar-20	CNA
Raphael Bell	Public Works	50,000	Mar-20	FCCI
Jason Woods	Parks Department	50,000	May-20	Travelers
Chiquita Robinson	Parks Department	50,000	Aug-20	CNA
Joe Wayne Smith	Police Department	50,000	Dec-19	FCCI

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the Year Ended September 30, 2019
UNAUDITED

Description	Issue Date	Balance				Balance 09/30/19	Amount Due	
		09/30/18	Issued	Paid	Adjustments		2020	Remaining Years
General Obligation Bonds								
General Obligation	03/01/07	\$ 370,000		85,000		285,000	90,000	195,000
Public Improvement	05/01/10	280,000		140,000		140,000	140,000	-
Public Improvement	05/01/11	345,000		115,000		230,000	115,000	115,000
Public Improvement	01/26/12	560,000		140,000		420,000	140,000	280,000
Public Improvement	04/15/13	660,000		120,000		540,000	125,000	415,000
Public Improvement	04/15/14	905,000		135,000		770,000	140,000	630,000
Public Improvement	08/01/15	1,030,000		135,000		895,000	140,000	755,000
Public Improvement	02/01/16	1,580,000		180,000		1,400,000	185,000	1,215,000
Public Improvement	03/02/17	1,845,000		185,000		1,660,000	190,000	1,470,000
Public Improvement	02/06/18	1,500,000		150,000		1,350,000	150,000	1,200,000
Public Improvement	03/01/19		2,000,000			2,000,000	165,000	1,835,000
Total General Obligation Bonds		<u>9,075,000</u>	<u>2,000,000</u>	<u>1,385,000</u>	<u>-</u>	<u>9,690,000</u>	<u>1,580,000</u>	<u>8,110,000</u>
Other Loans								
State of Mississippi (MDA Faurecia - City)	08/01/03	46,993		41,910	(5,083)	-		-
State of Mississippi (MDA Faurecia - County)	08/01/03	46,993		41,910	(5,083)	-		-
State of Mississippi (MDEQ #1)	08/01/03	520,113		105,936		414,177	107,805	306,372
State of Mississippi (MDEQ #2)	09/25/03	531,314		84,726		446,588	86,221	360,367
State of Mississippi (MDEQ #3)	04/21/06	509,011		65,098		443,913	66,411	377,502
State of Mississippi (MDEQ #4)	10/14/05	832,136		88,023		744,113	90,249	653,864
State of Mississippi (MDEQ #5)	08/25/06	709,098		61,529		647,569	62,614	584,955
State of Mississippi (MDEQ #6)	02/10/17	<u>6,167,992</u>	<u>213,851</u>	<u>161,841</u>		<u>6,220,002</u>	<u>281,313</u>	<u>5,938,689</u>
Total Other Loans		<u>9,363,650</u>	<u>213,851</u>	<u>650,973</u>	<u>(10,166)</u>	<u>8,916,362</u>	<u>694,613</u>	<u>8,221,749</u>
Capital Leases								
Street Sweeper		-	239,900	22,148		217,752	45,474	172,278
Police Vehicles			94,468	16,792		77,676	23,034	54,642
Animal Shelter Van			24,070	4,278		19,792	5,869	13,923
Siemens Public, Inc.	09/21/12	<u>2,398,997</u>		<u>209,322</u>		<u>2,189,675</u>	<u>215,590</u>	<u>1,974,085</u>
Total Capital Leases		<u>2,398,997</u>	<u>358,438</u>	<u>252,540</u>	<u>-</u>	<u>2,504,895</u>	<u>289,967</u>	<u>2,214,928</u>
Other								
Compensated Absences		<u>182,564</u>		<u>11,943</u>		<u>170,621</u>		
Total Long Term Debt		<u>\$ 21,020,211</u>	<u>2,572,289</u>	<u>2,300,456</u>	<u>(10,166)</u>	<u>21,281,878</u>	<u>2,564,580</u>	<u>18,546,677</u>

**CITY OF CLEVELAND, MISSISSIPPI
GENERAL BOND AND INTEREST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Year Ended September 30, 2019**

UNAUDITED

	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 1,635,684	1,535,564	1,535,564	-
Miscellaneous revenues	4,000	11,664	11,664	-
Total Revenues	<u>1,639,684</u>	<u>1,547,228</u>	<u>1,547,228</u>	<u>-</u>
EXPENDITURES:				
Debt service	1,536,115	1,531,511	1,531,511	-
Total Expenditures	<u>1,536,115</u>	<u>1,531,511</u>	<u>1,531,511</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>103,569</u>	<u>15,717</u>	<u>15,717</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 103,569</u>	<u>15,717</u>	<u>15,717</u>	<u>-</u>

CITY OF CLEVELAND, MISSISSIPPI
BAXTER BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Year Ended September 30, 2019

UNAUDITED

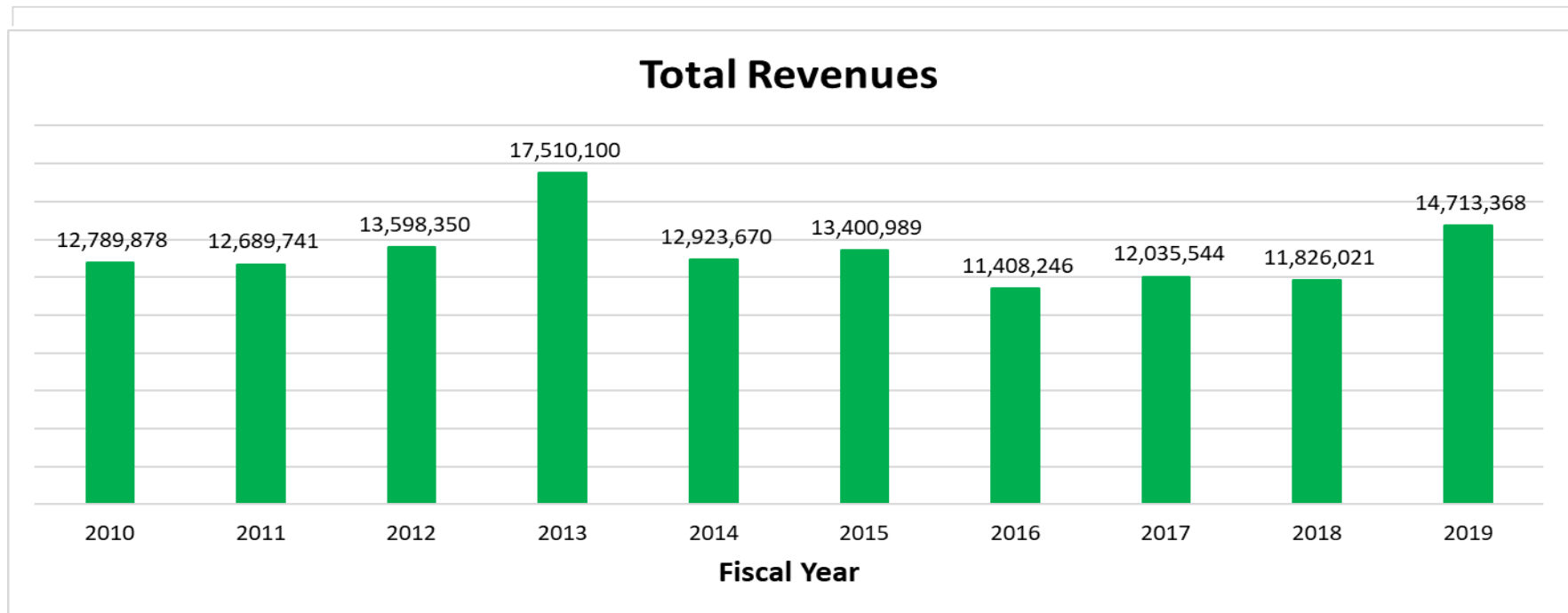
	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Lease payment	\$ 190,120	74,042	74,042	-
Miscellaneous revenues	125	22,099	22,099	-
Total Revenues	<u>190,245</u>	<u>96,141</u>	<u>96,141</u>	<u>-</u>
EXPENDITURES:				
Debt Service	199,710	104,650	104,650	-
Total Expenditures	<u>199,710</u>	<u>104,650</u>	<u>104,650</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>\$ (9,465)</u>	<u>(8,509)</u>	<u>(8,509)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,590	9,590	9,590	-
Total other financing sources (uses)	<u>9,590</u>	<u>9,590</u>	<u>9,590</u>	<u>-</u>
Net Change in Fund Balance	<u>125</u>	<u>1,081</u>	<u>1,081</u>	<u>-</u>

CITY OF CLEVELAND, MISSISSIPPI

STATISTICAL INFORMATION

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

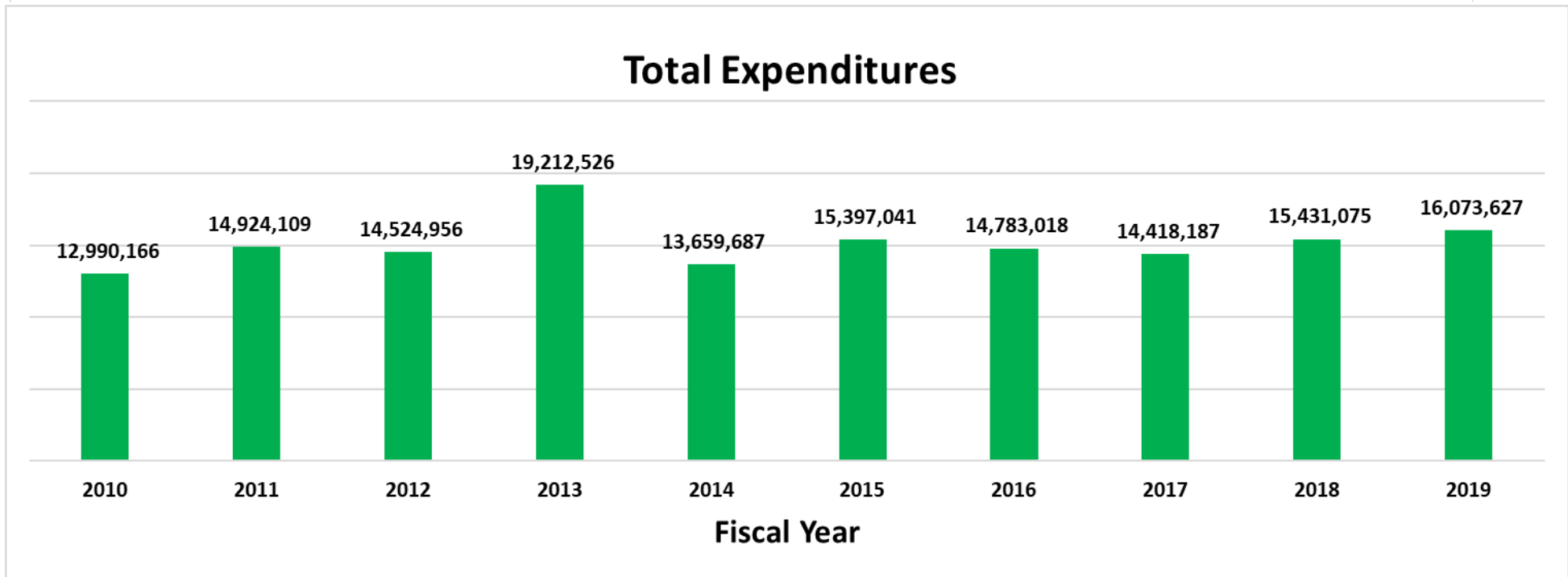
Fiscal Year	Taxes	Fines, Fees, Licenses & Permits	Intergovernmental	Charges for Services	Miscellaneous Operating	Miscellaneous Non-Operating	Total Revenues
2010	\$ 3,168,545	989,414	6,146,587	1,825,170	29,030	631,132	12,789,878
2011	3,452,491	891,512	5,786,887	1,884,367	30,857	643,627	12,689,741
2012	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
2017	4,237,451	618,293	5,998,010	818,452	75,830	287,508	12,035,544
2018	4,202,827	649,618	5,721,089	830,251	71,544	350,692	11,826,021
2019	4,803,213	593,345	6,408,369	892,468	74,551	1,941,422	14,713,368
Total	\$ 38,205,476	7,450,594	64,141,519	15,229,136	605,932	7,263,250	132,895,907



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

UNAUDITED

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
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	4,558,367	3,014,995	1,236,959	650,108	808,905	1,153,562	34,915	1,391,477	14,783,018
2017	1,808,925	4,786,186	979,040	1,344,687	609,391	882,943	1,188,420	1,344,154	1,474,441	14,418,187
2018	1,858,766	4,354,336	1,313,977	1,850,292	583,445	746,230	1,053,372	2,124,948	1,545,709	15,431,075
2019	1,933,286	4,271,589	2,053,517	1,752,190	763,852	981,332	1,391,716	1,756,797	1,169,348	16,073,627
Total	\$ 15,188,805	44,982,407	14,225,345	16,617,834	11,783,160	8,356,891	10,656,643	15,999,599	13,603,708	105,491,503



**CITY OF CLEVELAND, MISSISSIPPI
COMPUTATION OF LEGAL DEBT MARGIN
For the Year Ended September 30, 2019**

UNAUDITED

<u>Description</u>	<u>Total Outstanding G/O Debt</u>	<u>Bonds/Notes Subject To 15% Limitation</u>	<u>Bonds/Notes Subject To 20% Limitation</u>
<u>OUTSTANDING GENERAL OBLIGATION DEBT:</u>			
General Obligation	\$ 285,000	285,000	285,000
Public Improvement	140,000	140,000	140,000
Public Improvement	230,000	230,000	230,000
Public Improvement	420,000	420,000	420,000
Public Improvement	540,000	540,000	540,000
Public Improvement	770,000	770,000	770,000
Public Improvement	895,000	895,000	895,000
Public Improvement	1,400,000	1,400,000	1,400,000
Public Improvement	1,660,000	1,660,000	1,660,000
Public Improvement	1,350,000	1,350,000	1,350,000
Public Improvement	2,000,000	2,000,000	2,000,000
Total Outstanding General Obligation Debt	<u>\$ 9,690,000</u>	<u>9,690,000</u>	<u>9,690,000</u>
<u>AUTHORIZED DEBT LIMIT:</u>			
Assessed Value for the fiscal year ended September 30, 2019	\$ 110,741,749	\$ 16,611,262	22,148,350
Present Debt (Subject to 15% and 20% Limitation, respectively)		<u>9,690,000</u>	<u>9,690,000</u>
Margin for Further Indebtedness (Under 15% and 20% Limitation, respectively)		<u>\$ 6,921,262</u>	<u>12,458,350</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

**CITY OF CLEVELAND, MISSISSIPPI
COMPUTATION OF LEGAL DEBT MARGIN
For the Year Ended September 30, 2019**

UNAUDITED

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

**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, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi (the City), as of and for the year ended September 30, 2019, 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 24, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 of Cleveland, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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, Baird & Clarke, PLLC

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

June 24, 2020

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PRIVATE COMPANIES PRACTICE SECTION

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, 2019, which collectively comprise the City of Cleveland, Mississippi's basic financial statements and have issued our report thereon dated June 24, 2020. 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.

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, Baird & Clarke, PLLC

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

June 24, 2020

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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, 2019, 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 24, 2020 on the financial statements of the City of Cleveland, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses.

Purpose of this Report

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, Baird & Clarke, PLLC

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

June 24, 2020

CITY OF CLEVELAND, MISSISSIPPI

SCHEDULE OF FINDINGS AND RESPONSES

**CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2019**

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

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.