

City of Cleveland
Financial Statements
September 30, 2013

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CITY OF CLEVELAND, MISSISSIPPI

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cleveland, Mississippi's basic financial statements. The accompanying schedules in the other supplemental information section on pages 56 through 65, as listed in the table of contents and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information section on pages 56 through 65, as listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information section on pages 56 through 65, as listed in the table of contents and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules in the statistical section on pages 66 through 76, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2014 on our consideration of the City of Cleveland, Mississippi's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cleveland, Mississippi's internal control over financial reporting and compliance.

Ellis & Hirsberg CPA's PLLC

Ellis & Hirsberg CPA's PLLC
Clarksdale, Mississippi
May 29, 2014

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

Our discussion and analysis of the City of Cleveland's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2013. Readers should also review the basic financial statements and disclosures to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City of Cleveland exceeded its liabilities at the close of the most recent fiscal year by \$41,160,882 (net position). Of this amount \$4,600,461 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The remaining net position of the City includes: \$28,231,406 net investment in capital assets and \$8,329,015 restricted (for Home Program, economic development, debt service and other).
- Total assets increased \$8,167,574 or 15.29% over 2012. Cash balances in the governmental activities and business-type activities increased \$201,130 during the year.
- Total liabilities increased \$3,470,701 or 20.48% over 2012. New debt in the amount of \$4,797,397 was issued during the year. Payments on outstanding bonds and notes payable were \$1,532,319.
- The City's net position increased \$4,696,873 over 2012. Of this amount, \$4,639,663 was from governmental activities and \$57,210 was from business-type activities (water and sewer fund).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements, presented on pages 12 through 13 are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

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

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

and streets, health and sanitation, shop department, education and recreation and economic and community development.

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

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

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

The City of Cleveland maintains 22 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, Airport Improvement 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 14 through 20.

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

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are presented on pages 21 through 24.

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 25.

Notes to the financial statements. The notes, presented on pages 26 through 44, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Cleveland’s budgetary control on pages 46 through 55.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. At the end of the most recent fiscal year, the assets of the City of Cleveland exceeded its liabilities by \$41,160,882.

By far the largest portion of the City of Cleveland’s net position, \$28,231,406 or 69 percent, reflects its investment in capital assets (land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

(Table 1)
City of Cleveland’s Net Position

	Governmental Activities		Business-type Activities		Total		Increase (Decrease)	Percentage Change
	2013	2012	2013	2012	2013	2012		
Current and other assets	\$ 16,864,042	16,972,532	999,285	808,571	17,863,327	17,781,103	82,224	0.46%
Capital assets, net	31,260,786	26,034,412	12,456,001	9,597,025	43,716,787	35,631,437	8,085,350	22.69%
Total Assets	48,124,828	43,006,944	13,455,286	10,405,596	61,580,114	53,412,540	8,167,574	15.29%
Long-term debt	6,213,450	5,982,895	7,846,165	5,036,796	14,059,615	11,019,691	3,039,924	27.59%
Other liabilities	5,518,209	5,270,543	841,408	658,297	6,359,617	5,928,840	430,777	7.27%
Total Liabilities	11,731,659	11,253,438	8,687,573	5,695,093	20,419,232	16,948,531	3,470,701	20.48%
Net Position:								
Net investment in								
capital assets	24,147,022	19,199,644	4,084,384	4,211,490	28,231,406	23,411,134	4,820,272	20.59%
Restricted	8,329,015	8,643,150			8,329,015	8,643,150	(314,135)	-3.63%
Unrestricted	3,917,132	3,910,712	683,329	499,013	4,600,461	4,409,725	190,736	4.33%
Total Net Position	\$ 36,393,169	31,753,506	4,767,713	4,710,503	41,160,882	36,464,009	4,696,873	12.88%

The City’s total assets increased \$8,167,574 during 2013 with business-type activities showing an increase of \$3,049,690 and governmental activities showing an increase of \$5,117,884. A significant portion of the increase results from construction projects the City has in progress.

The City’s total liabilities increased \$3,470,701. Proceeds of \$1,200,000 were received from the issuance of public improvement bonds. A capital lease of \$239,595 was entered into for the purchase of a street sweeper. Another capital lease of \$3,357,802 for purchase and installation of water meters was entered into by the business-type activities fund. Payments on long-term debt of \$1,160,599 were made from governmental funds and \$371,860 was paid from business-type activities fund.

The City’s net position increased \$4,696,873.

(Table 2)
City of Cleveland Changes in Net Position

	Governmental Activities		Business-type Activities		Totals		Increase	Percentage
	2013	2012	2013	2012	2013	2012	(Decrease)	Change
Program Revenues:								
Charges for services	\$ 2,077,427	1,922,129	3,012,946	2,755,529	5,090,373	4,677,658	412,715	8.82%
Grants and contributions	5,224,128	1,318,883			5,224,128	1,318,883	3,905,245	296.10%
General Revenues:								
Property taxes	4,043,654	3,873,456			4,043,654	3,873,456	170,198	4.39%
Sales and tourism taxes	4,130,992	4,233,397			4,130,992	4,233,397	(102,405)	-2.42%
Other taxes and other	2,038,231	2,258,871	168,178	147,400	2,206,409	2,406,271	(199,862)	-8.31%
Total Revenues	17,514,432	13,606,736	3,181,124	2,902,929	20,695,556	16,509,665	4,185,891	25.35%
Program Expenses:								
General government	1,342,090	1,184,634			1,342,090	1,184,634	157,456	13.29%
Public safety	4,409,806	4,584,598			4,409,806	4,584,598	(174,792)	-3.81%
Public works	1,312,961	933,001			1,312,961	933,001	379,960	40.72%
Highways and streets	2,344,028	2,039,148			2,344,028	2,039,148	304,880	14.95%
Health and sanitation	1,590,472	1,557,768			1,590,472	1,557,768	32,704	2.10%
Shop department	121,324	126,078			121,324	126,078	(4,754)	-3.77%
Education and recreation	957,884	1,040,245			957,884	1,040,245	(82,361)	-7.92%
Economic and community dev.	578,485	803,951			578,485	803,951	(225,466)	-28.04%
Interest on long-term debt	217,719	247,115			217,719	247,115	(29,396)	-11.90%
Water and sewer			3,123,914	3,181,705	3,123,914	3,181,705	(57,791)	-1.82%
Total Expenses	12,874,769	12,516,538	3,123,914	3,181,705	15,998,683	15,698,243	300,440	1.91%
Increase (Decrease) in Net Position	\$ 4,639,663	1,090,198	57,210	(278,776)	4,696,873	811,422	3,885,451	-478.84%

The City's governmental activities continue to be funded by sources other than property taxes, which comprise 23% of the total revenues. The other major revenue sources were sales and tourism taxes 24%, charges for services 12%, and grants and contributions 30%. The major expense activities were public safety, highways and streets, and health and sanitation, and education and recreation which comprise 34%, 18%, 12% and 7% of total expenses, respectively. The City remains totally committed to providing the services our residents expect and need.

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

FUND FINANCIAL ANALYSIS

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

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

As the year ended, the City's governmental funds reported a combined fund balance of \$9,952,303 which is \$14,231 below last year's total of \$9,966,534. Total revenues increased during the year due to federal funds being received for the airport project and for work being conducted at Bear Pen Park. Expenditures for capital projects reflect a significant increase as a result of these two projects. Expenditures for highways and streets category also reflected an increase as funds from public improvement bonds were

used for street repairs and street projects. Other expenditure categories remained comparable to the previous year.

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, Airport Improvement Fund, Economic Development Revolving Fund and Special Industrial Project Fund. Remaining governmental funds were combined and reported as non-major governmental funds. The General fund reflected a net change in fund balance of \$182,452. The previous year reflected an increase in fund balance of \$406,668.

The Economic Development and Tourism Fund had a net change in fund balance of (\$170,513) compared to \$162,177 in the prior year. The General Bond and Interest Fund had a net change in fund balance of (\$37,507) compared to \$16,333 in the prior year. The Baxter Bond Fund had a net change in fund balance of (\$304) compared to \$254 the prior year. The Airport Improvement fund had a net change in fund balance of (\$147,891) compared to \$14,139 in the prior year. The Economic Development Revolving Fund had a net change in fund balance of \$20,154 compared to \$20,356 in the previous year. The Special Industrial Project fund had a net change in fund balance of \$69,027 compared to \$103,384 in the prior year.

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 2013, the City amended its general fund budget. All recommendations for budget changes come from the Chief Administrative Officer and are presented to the whole Mayor and Board of Aldermen for ordinance enactment on the change. The City does not allow budget changes that modify line items with departments without board approval. With the general fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments. Revisions in the general fund increased budgeted expenditures by \$278,143.

Budget revisions were minor in the Economic Development and Tourism Fund, Economic Development Revolving Fund and Special Industrial Project Fund. The Airport Improvement Fund budget was increased \$1,487,000 during the year to reflect additional construction costs associated with the project.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the City had \$43,716,787 invested in a broad range of capital assets, including police and fire equipment, buildings, park and recreation facilities, streets, bridges, and water and sewer lines. (See Table 3 following.) This amount represents a net increase (including additions and deductions) of approximately \$8,085,350 or 23 percent over the prior year.

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

	Governmental Activities		Business-type Activities		Totals		Increase	Percentage
	2013	2012	2013	2012	2013	2012	(Decrease)	Change
Land	\$ 4,605,367	4,605,367	1,259,935	1,259,935	5,865,302	5,865,302	0	0.00%
Buildings and improvements	9,782,730	10,208,407	124,490	130,530	9,907,220	10,338,937	(431,717)	-4.18%
Equipment and fixtures	2,173,713	2,123,117	299,920	375,526	2,473,633	2,498,643	(25,010)	-1.00%
Infrastructure	7,590,634	7,266,779	7,413,854	7,831,034	15,004,488	15,097,813	(93,325)	-0.62%
Construction in progress	7,108,342	1,830,742	3,357,802		10,466,144	1,830,742	8,635,402	471.69%
	<u>\$ 31,260,786</u>	<u>26,034,412</u>	<u>12,456,001</u>	<u>9,597,025</u>	<u>43,716,787</u>	<u>35,631,437</u>	<u>8,085,350</u>	<u>22.69%</u>

The City of Cleveland continues to provide for the growth and stability of its citizenry through various construction and rehabilitation projects. The following highlights summarize the major projects for the fiscal year of 2013-2012:

- 1) A storm water pumping station financed by a Community Development Block Grant was installed during the year at a cost of \$577,644.
- 2) Work continued on the airport extension project. Expenditures during the year totaled \$4,424,533. The project is financed largely with federal grants providing 90 to 95% of the funding and state grants providing 2.5% to 5% of funding. The federal and state funding provides 97.5% of the cost and the City provides the remaining 2.5% of the cost. Cumulative costs to date on this project phase are \$5,910,789.
- 3) Work on the bicycle trail at Bearpen Park was nearing completion at year end. Expenditures on the project during the year were \$853,068. A grant through the Department of Transportation provided funding for approximately 80% of the cost. Cumulative costs to date for the project are \$1,197,552.
- 4) A capital lease obligation was entered into in the enterprise fund. The City replaced approximately 6,000 water meters across the City with more modern electronic meters. The cost of the meters and installation was \$3,357,802.

Long-term Debt

At year-end, the City had \$15,485,384 in bonds and notes outstanding compared to \$12,220,306 last year, an increase of \$3,265,078. Of the total debt outstanding \$6,230,000 is backed by the full faith and credit of the City with debt service funded by voter-approved property taxes. The other major components are notes payable to the State of Mississippi for building in the industrial park of \$656,694 (supported by annual capital lease-sale payments of \$225,650), and notes payable to the State of Mississippi for water and sewer capital improvements of \$5,013,818 and are payable by sales tax revenue.

Two new capital leases began during the year. The City lease a street sweeper for \$239,595 and the City has a lease for new water meters in the amount of \$3,357,802. The street sweeper is leased through Cleveland State Bank at a rate of 2.75%. The lease term ends in December 2017. The water meters are leased through Siemens Public, Inc. at a rate of 2.92%. The initial lease term ends in August 2028 (25 years). Renewal options are provided in the lease. Payments under the leases are made by the water and sewer fund.

The following table illustrates the total Long-term Debt of the City of Cleveland as of September 30, 2013:

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

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2013	2012	2013	2012	2013	2012		
General Obligation Bonds	\$ 6,230,000	6,065,000			6,230,000	6,065,000	165,000	2.72%
Capital Leases Payable	227,070	10,802	3,357,802		3,584,872	10,802	3,574,070	33087.11%
Notes Payable	656,694	758,966	5,013,818	5,385,538	5,670,512	6,144,504	(473,992)	-7.71%
	<u>\$ 7,113,764</u>	<u>6,834,768</u>	<u>8,371,620</u>	<u>5,385,538</u>	<u>15,485,384</u>	<u>12,220,306</u>	<u>3,265,078</u>	<u>26.72%</u>

New debt issue consisted of \$1,200,000 public improvement bond issued. More detailed information about the City’s long-term liabilities is presented in Note 9 of the Notes to Financial Statements.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City’s elected and appointed officials considered many factors when setting the fiscal-year 2013 budget, tax rates, and fees that will be charged for the business-type activities. The total property tax millage rate of 40.0 mills is expected for the following year.

Contacting the City’s Finance Department

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

CITY OF CLEVELAND, MISSISSIPPI

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2013

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,621,473	385,710	4,007,183
Accounts receivable	161,462	270,925	432,387
Current portion of lease receivable	311,963		311,963
Intergovernmental receivable	997,269		997,269
Property taxes receivable	3,897,566		3,897,566
Franchise taxes receivable	138,488		138,488
Interest receivable	19,845		19,845
Inventory	120,240	69,112	189,352
Restricted assets:			
Cash and cash equivalents	5,650,251	273,538	5,923,789
Lease receivable, non-current	1,875,485		1,875,485
Loans receivable, non-current	70,000		70,000
Capital assets (net of accumulated depreciation):			
Land	4,605,367	1,259,935	5,865,302
Construction in progress	7,108,342		7,108,342
Other capital assets, net	19,547,077	11,196,066	30,743,143
Total Assets	48,124,828	13,455,286	61,580,114
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	109,028	19,576	128,604
Claims and judgments payable	74,808		74,808
Deferred revenue	3,897,566		3,897,566
Unearned revenue	254,715		254,715
Due to bondholders	5,000		5,000
Due within one year:			
Capital related debt	1,177,092	548,294	1,725,386
Liabilities payable from restricted assets:			
Customer deposits		273,538	273,538
Due in more than one year:			
Capital related debt	5,936,672	7,823,323	13,759,995
Non-capital related debt	276,778	22,842	299,620
Total Liabilities	11,731,659	8,687,573	20,419,232
<u>NET POSITION</u>			
Net investment in capital assets	24,147,022	4,084,384	28,231,406
Restricted for:			
Home program	2,357		2,357
Economic development	4,699,993		4,699,993
Education and recreation	236,712		236,712
Debt service	1,020,836		1,020,836
Health and sanitation	447,609		447,609
Public safety	335,590		335,590
Public works	1,369,472		1,369,472
Unemployment	36,132		36,132
Capital improvement	180,314		180,314
Unrestricted	3,917,132	683,329	4,600,461
Total Net Position	\$ 36,393,169	4,767,713	41,160,882

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF ACTIVITIES
September 30, 2013

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Change in Net Position		Total
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<u>FUNCTIONS / PROGRAMS</u>							
Governmental activities:							
General government	\$ 1,342,090				(1,342,090)		(1,342,090)
Public safety	4,409,806				(4,409,806)		(4,409,806)
Public works	1,312,961	639,000		4,685,699	4,011,738		4,011,738
Highways and streets	2,344,028				(2,344,028)		(2,344,028)
Health and sanitation	1,590,472	1,438,427		15,000	(137,045)		(137,045)
Shop department	121,324				(121,324)		(121,324)
Education and recreation	957,884				(957,884)		(957,884)
Economic and community development	578,485			523,429	(55,056)		(55,056)
Interest on long-term debt	217,719				(217,719)		(217,719)
Total governmental activities	12,874,769	2,077,427	0	5,224,128	(5,573,214)	0	(5,573,214)
Business-type activities:							
Water and sewer	3,123,914	3,012,946				(110,968)	(110,968)
Total business-type activities	3,123,914	3,012,946	0	0	0	(110,968)	(110,968)
Total primary government	\$ 15,998,683	5,090,373	0	5,224,128	(5,573,214)	(110,968)	(5,684,182)
General revenues:							
Property taxes					\$ 4,043,654		4,043,654
Sales and tourism taxes					4,130,992		4,130,992
Franchise taxes					445,854		445,854
Other taxes and other					1,465,484	159,768	1,625,252
Unrestricted interest income					85,393	8,410	93,803
Interest income on capital lease-sale of building					41,500		41,500
Total general revenues and transfers					10,212,877	168,178	10,381,055
Change in net position					4,639,663	57,210	4,696,873
Net position, beginning					31,753,506	4,710,503	36,464,009
Net position, ending					\$ 36,393,169	4,767,713	41,160,882

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2013

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Airport Improvement Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>									
Cash and cash equivalents	\$ 2,206,737							728,539	2,935,276
Receivables:									
Accounts	39,529							88,706	128,235
Property taxes	2,385,895		1,121,613					390,058	3,897,566
Franchise fee	138,488								138,488
Intergovernmental	844,140	139,111	10,400					3,618	997,269
Advances to other funds	70,000	216,372				451,668			738,040
Lease receivable, current				86,313			225,650		311,963
Inventory	120,240								120,240
Restricted cash and cash equivalents		1,584,388	363,877	2,310	182,558	1,719,380	57,494	1,740,244	5,650,251
Lease receivable, non-current				747,235			1,128,250		1,875,485
Loan receivable, non-current								70,000	70,000
Total Assets	\$ 5,805,029	1,939,871	1,495,890	835,858	182,558	2,171,048	1,411,394	3,021,165	16,862,813
<u>LIABILITIES AND FUND BALANCES</u>									
<u>LIABILITIES</u>									
Accounts payable	\$ 52,745	26,370			2,244			1,097	82,456
Advances from other funds							668,040	70,000	738,040
Deferred revenue	2,385,895		1,121,613	649,249			1,283,484	390,058	5,830,299
Unearned revenue				184,299			70,416		254,715
Due to bondholders			5,000						5,000
Total Liabilities	2,438,640	26,370	1,126,613	833,548	2,244	0	2,021,940	461,155	6,910,510

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2013

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Airport Improvement Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>FUND BALANCES</u>									
Non-Spendable:									
Inventory	120,240								120,240
Advances	70,000	216,372				451,668			738,040
Restricted for:									
Home program								2,357	2,357
Economic development		1,697,129				1,719,380			3,416,509
Education and recreation								236,712	236,712
Debt service			369,277	2,310					371,587
Health and sanitation								447,609	447,609
Public safety								335,590	335,590
Public works								1,369,472	1,369,472
Unemployment								36,132	36,132
Capital improvement					180,314				180,314
Assigned:									
Public safety								132,138	132,138
Unassigned	3,176,149						(610,546)		2,565,603
Total Fund Balances	3,366,389	1,913,501	369,277	2,310	180,314	2,171,048	(610,546)	2,560,010	9,952,303
Total Liabilities and Fund Balances	\$ 5,805,029	1,939,871	1,495,890	835,858	182,558	2,171,048	1,411,394	3,021,165	16,862,813

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2013

Total fund balance - total governmental funds	\$	9,952,303
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$13,929,152.		31,260,786
Deferred revenue - principal due on capital lease receivable is not future income on the statement of activities.		1,932,733
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(7,390,542)
Interest accrued on capital leases receivable not reported on governmental fund financial statements		19,845
Interest accrued on long-term liabilities not reported on governmental fund financial statements		(26,572)
Internal service fund is used by management to administer health care coverage for employees. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Position.		<u>644,616</u>
Net position of governmental activities	\$	<u><u>36,393,169</u></u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
September 30, 2013

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Airport Improvement Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>									
Taxes	\$ 2,234,504		1,042,882					362,409	3,639,795
Licenses and permits	83,200								83,200
Intergovernmental									
Federal grants	488,085	523,429			3,990,361				5,001,875
State of Mississippi									
Grants					207,253			15,000	222,253
General sales tax	3,401,000								3,401,000
Tourism tax		729,992							729,992
Liquor licenses	13,050								13,050
Amusement licenses	873								873
Fire protection								65,736	65,736
Gasoline tax	11,329								11,329
Homestead reimbursement	109,831		51,556					17,930	179,317
Grand gulf	136,703								136,703
Wireless communication								100,000	100,000
Transportation	45,851								45,851
Bolivar County									
Road maintenance	365,613								365,613
Privilege tax	38,246								38,246
Animal shelter								50,000	50,000
Charges for services	1,076,979							1,000,448	2,077,427
Franchise tax	418,901							26,953	445,854

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
September 30, 2013

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Airport Improvement Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
Fines and forfeits	250,238							7,930	258,168
Interest income	22,904	12,619	3,815	18,507	220	20,154	24,567	24,312	127,098
Plant and airport rentals					63,957				63,957
Miscellaneous	215,763	20,000	1,283		14,851			200,866	452,763
Total revenues:	8,913,070	1,286,040	1,099,536	18,507	4,276,642	20,154	24,567	1,871,584	17,510,100
<u>EXPENDITURES:</u>									
Current:									
General government	1,271,523		12,938					36,630	1,321,091
Public safety	4,187,479							116,987	4,304,466
Public works	857,671							40,966	898,637
Highways and streets	1,301,403							941,031	2,242,434
Health and sanitation	422,001							1,158,198	1,580,199
Shop department	123,724								123,724
Education and recreation	1,113							882,550	883,663
Economic and community development		578,485							578,485
Capital projects	577,644	853,068			4,424,533			67,199	5,922,444
Debt service:									
Principal			975,000	60,000			102,272		1,137,272
Interest and fees			149,105	48,977			22,032		220,114
Total expenditures	8,742,558	1,431,553	1,137,043	108,977	4,424,533	0	124,304	3,243,561	19,212,529

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
September 30, 2013

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Airport Improvement Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over (under) expenditures	170,512	(145,513)	(37,507)	(90,470)	(147,891)	20,154	(99,737)	(1,371,977)	(1,702,429)
<u>OTHER FINANCING SOURCES (USES):</u>									
Transfers in from other funds	635,854			25,000				400,000	1,060,854
Donations & gift shop sales								4,540	4,540
Proceeds of capital lease obligations	239,595								239,595
Proceeds of long-term debt								1,200,000	1,200,000
Lease principal payments				65,166			202,649		267,815
Transfers out to other funds	(863,509)	(25,000)					(33,885)	(138,479)	(1,060,873)
Net other financing sources (uses)	11,940	(25,000)	0	90,166	0	0	168,764	1,466,061	1,711,931
Net change in fund balances	182,452	(170,513)	(37,507)	(304)	(147,891)	20,154	69,027	94,084	9,502
Fund balances, beginning	3,207,670	2,084,014	406,784	2,614	328,205	2,150,894	(679,573)	2,465,926	9,966,534
Increase (decrease) in reserve for inventory	(23,733)								(23,733)
Fund balances, ending	\$ 3,366,389	1,913,501	369,277	2,310	180,314	2,171,048	(610,546)	2,560,010	9,952,303

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
September 30, 2013

Net changes in fund balances - total governmental funds	\$	9,502
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$6,376,460 exceeded depreciation of \$1,129,968.		5,246,492
In the statement of activities, only the gain/loss on the disposition of assets is reported, while in the governmental funds, receipts are reported if there is a sale and an expenditure is reported if there is a purchase. Thus, a difference exists when an asset is disposed.		(20,118)
The proceeds of long-term debt provides financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Thus, the change in position differs from the change in fund balances by the amount that debt proceeds \$1,439,595 exceeded debt payments \$1,160,599 .		(278,996)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balance by a combination of the following items:		
Compensated absences		20,093
Change in accrued interest on long-term debt		2,395
Principal payments received on capital lease receivable in not considered revenue on the statement of activities.		(267,815)
Change in interest income accrual adjustment on statement of activities.		(206)
An internal service fund is used by management to account for employee health insurance. The net expense is reported within governmental activities.		(47,951)
Inventory adjustment included in statement of activities for government wide financial statements.		(23,733)
Change in net position of governmental activities	\$	4,639,663

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2013

	Business-Type Activities - Enterprise Fund Water & Sewer Fund	Governmental Activity Internal Service Fund
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 385,710	686,197
Accounts receivable	270,925	33,227
Inventory	69,112	
Total Current Assets	725,747	719,424
Restricted assets:		
Cash and cash equivalents	273,538	
Total Restricted Assets	273,538	
Non-current assets:		
Capital assets		
Land	1,259,935	
Other capital assets, net	11,196,066	
Total Non-Current Assets	12,456,001	
Total Assets	13,455,286	719,424
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	19,576	
Claims and judgments		74,808
Current portion of long-term debt	548,294	
Total Current Liabilities	567,870	74,808
Liabilities payable from restricted assets:		
Customer deposits	273,538	
Total Liabilities Payable from Restricted Assets	273,538	
Non-current liabilities:		
Notes payable	4,646,141	
Obligations under capital lease	3,177,182	
Compensated absences	22,842	
Total Non-Current Liabilities	7,846,165	
Total liabilities	8,687,573	74,808
<u>NET POSITION</u>		
Net investment in capital assets	4,084,384	
Unrestricted	683,329	644,616
Total Net Position	\$ 4,767,713	644,616

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2013

	Business-Type Activities - Enterprise Fund Water & Sewer Fund	Governmental Activity Internal Service Fund
<u>OPERATING REVENUES:</u>		
Charges for services:		
Water sales	\$ 1,686,628	
Sewer sales	1,326,318	
Premiums		646,375
Other	159,749	115,884
Total Operating Revenues	3,172,695	762,259
<u>OPERATING EXPENSES:</u>		
Personal services	524,883	
Contractual services	1,811,803	
Consumable supplies	192,439	
Depreciation expense	503,000	
Health claim payments		561,974
Administrative fees		39,804
Reinsurance premiums		198,122
Life insurance premiums		17,899
Total Operating Expenses	3,032,125	817,799
Operating Income (Loss)	140,570	(55,540)
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Interest income	8,410	7,589
Interest expense	(91,789)	
Total Nonoperating Revenues (Expenses)	(83,379)	7,589
Net Income (Loss) Before Operating Transfers	57,191	(47,951)
<u>OPERATING TRANSFERS:</u>		
Operating transfers in	463,509	
Operating transfers out	(463,490)	
Net Operating Transfers	19	-
Net Income (Loss)	57,210	(47,951)
Total net position, beginning	4,710,503	692,567
Total net position, ending	\$ 4,767,713	644,616

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2013

	<u>Business-Type Activities Enterprise Fund Water & Sewer Fund</u>	<u>Governmental Activities Internal Service Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers and users	\$ 3,089,750	
Receipts for premiums		646,375
Other receipts	47,508	108,669
Payments to suppliers for goods and services	(1,982,431)	
Payments to employees	(525,023)	
Payments for health claims		(558,379)
Payments for administrative fees		(39,804)
Payments for premiums		(216,021)
Net Cash Provided (Used) by Operating Activities	<u>629,804</u>	<u>(59,160)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Operating transfers in	463,509	
Operating transfers out	(463,490)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>19</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition of property and equipment	(4,174)	
Principal payments on long-term debt	(371,720)	
Interest paid on State of Mississippi loans	(91,789)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(467,683)</u>	
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest received on invested funds	<u>8,410</u>	<u>7,589</u>
Net Cash Provided (Used) by Investing Activities	<u>8,410</u>	<u>7,589</u>
Net Increase (Decrease) in Cash and Cash Equivalents	170,550	(51,571)
Cash and Cash Equivalents, October 1	<u>488,698</u>	<u>737,768</u>
Cash and Cash Equivalents, September 30	<u>\$ 659,248</u>	<u>686,197</u>

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2013

	Business-Type Activities Enterprise Fund Water & Sewer Fund	Governmental Activities Internal Service Fund
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ 140,570	(55,540)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	503,000	
(Increase) decrease in accounts receivable	(24,664)	(7,215)
(Increase) decrease in inventories	4,500	
Increase (decrease) in water deposits	(12,336)	
Increase (decrease) in accounts payable	18,874	
Increase (decrease) in claims and judgments		3,595
Increase (decrease) in compensated absences	(140)	
Total adjustments	489,234	(3,620)
Net Cash Provided (Used) by Operating Activities	\$ 629,804	(59,160)
Unrestricted	\$ 385,710	686,197
Restricted	273,538	
Total	\$ 659,248	686,197
Supplemental schedule of Non-cash financing activities:		
Equipment purchased under capital lease	(3,357,802)	
Proceeds from issuance of capital lease obligation	3,357,802	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2013

	Agency Funds
<u>ASSETS</u>	
Cash and investments	\$ <u>1,190</u>
Total Assets	\$ <u><u>1,190</u></u>
<u>LIABILITIES</u>	
Intergovernmental payables	\$ <u>1,190</u>
Total Liabilities	\$ <u><u>1,190</u></u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cleveland, Mississippi (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City does not apply FASB pronouncements or APB opinions issued after November 30, 1989. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

The City reports the following proprietary funds.

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

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

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

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

D. Cash and Cash Equivalents

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

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

E. Inventories

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

F. Capital Assets, Depreciation, and Amortization

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

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

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

G. Long-Term Debt

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

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

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

H. Fund Equity

Government-wide Financial Statements:

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

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

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

Unrestricted net position – All other assets not meeting the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

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

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

I. 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.

J. 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.

K. 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.

L. 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 2012 tax roll was 40.0 mills as: 24.50 mills for the general fund, 11.50 mills for the debt service fund, 2.00 mills for library maintenance, and 2.00 mills for park maintenance.

NOTE 2 BUDGET POLICY

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

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

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

NOTE 3 CASH

Cash

The carrying amount of the City's total deposits with financial institutions at September 30, 2013 was \$9,932,162 and the bank balance was \$11,078,674. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

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

NOTE 4 RECEIVABLES, UNCOLLECTIBLES, AND DEFERRED REVENUE

Enterprise Receivables

Significant receivables include amounts due from customers for utility services that are based on monthly cycle billings. These accounts receivables and related revenues are reported net of estimated uncollectible amounts. Customer deposits are obtained to assist in the collection of such receivables. Accounts receivable at September 30, 2013 were \$270,925.

Governmental Receivables

In the government-wide financial statements, the receivables and related revenues include all amounts due the City regardless of when cash is received. In the governmental fund financial statements, the revenues are offset and revenue recognition deferred by the amounts not received within 60 days of fiscal year-end. Intergovernmental receivables at September 30, 2013 include the following:

<u>State of Mississippi:</u>	Sales Tax	\$ 467,546
	Tourism Tax	121,578
<u>Bolivar County:</u>	Auto Ad Valorem	36,174
	Privilege tax	2,200
	Delinquent taxes	523
<u>Federal Grants:</u>		
	Stormwater Pumping Station	339,751
	Bicycle Trail - Department of Transportation	17,533
<u>State Grants:</u>		
	Other	6,151
<u>Other:</u>		
	Miscellaneous	5,813
	Total Intergovernmental Receivables	\$ <u>997,269</u>

Loans and lease receivable

Faurecia Automotive Seating, Inc.

On June 4, 2004, the City entered into a capital lease-sale with Faurecia Automotive Seating, Inc. for land and building located in the industrial park. The City purchased this building for the purpose of leasing it to Faurecia Automotive Seating, Inc. The purchase of the building was financed as follows: City \$750,000 CAP Loan from Mississippi Development Authority, County \$750,000 CAP Loan from Mississippi Development Authority, Town of Renova \$250,000 grant, with the remainder of the approximately \$3,175,000 purchase price paid by the City. The City is responsible for the repayment of both of the \$750,000 CAP loans (City and County) with the annual lease payments of \$225,650 payable from June 15, 2005 through June 15, 2019. The lessee has the option to purchase the land and building on or after the seventh anniversary date of the lease for the purchase price of \$3,000,000, plus interest at the rate of 1.548% per annum from the date of closing, less all sums paid as rent under the preceding lease. Minimum lease payments receivable at September 30, 2013 were:

Year Ending <u>September 30,</u>	Principal Portion	Interest Portion	Total Lease
2014	\$ 205,785	19,865	225,650
2015	208,970	16,680	225,650
2016	212,205	13,445	225,650
2017	215,489	10,161	225,650
2018	218,824	6,826	225,650
2019-2023	222,211	3,439	225,650
Totals	\$ 1,283,484	70,416	1,353,900

Baxter Healthcare Corporation

In the previous year, the City of Cleveland entered into an agreement with Baxter Healthcare Corporation (Baxter), the Mississippi Major Economic Impact Authority (MMEIA), and the Bolivar County Board of Supervisors. The agreement provides for major capital improvements to Baxter's manufacturing facilities located within the City of Cleveland. MMEIA was authorized by the Legislature of the State of Mississippi to issue Impact Bonds totaling twenty-four million dollars (\$24,000,000). Of this amount eighteen million dollars (\$18,000,000) was to be loaned directly to Baxter from MMEIA. The remainder of six million dollars (\$6,000,000) was provided in the form of a grant from MMEIA to the City of Cleveland for use in Baxter's improvements. In addition, the City of Cleveland issued bonds for one million thirty-five thousand dollars (\$1,035,000) and Bolivar County issued bonds for one million thirty-five thousand dollars (\$1,035,000) for the construction project.

Baxter executed a lease agreement with the City and County to assist with the repayment of the bonds (\$1,035,000 each) issued by the City and County. The term of the lease is for fifteen years. The first lease payment was due November 1, 2007. The total lease payments are being remitted to the City of Cleveland. The City will pay to the County one-half of each lease payment received to assist with the repayment of the County's bonds. Lease payments are scheduled for November 1 and May 1 of each year. The payments are varied in amounts over the fifteen year term. The lessee has the option to purchase the improvements during the lease. Minimum lease payments receivable at September 30, 2013 were:

Year Ending <u>September 30,</u>	Principal Portion	Interest Portion	Total Lease
2014	\$ 67,229	19,084	86,313
2015	65,529	18,601	84,130
2016	67,846	19,259	87,105
2017	70,037	19,881	89,918
2018	72,102	20,467	92,569
2019-2023	306,506	87,007	393,513
Totals	\$ 649,249	184,299	833,548

NOTE 5 OPERATING LEASES

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

<u>Year Ended September 30</u>	<u>Amount</u>
2014	\$ 18,300
2015	18,300
2016	18,300
2017	18,575
2018	18,900
2019-2023	92,975
2024-2028	64,975
2029-2033	49,675
2034-2038	24,600
Total Minimum Payments Required	<u>\$ 324,600</u>

NOTE 6 CAPITAL LEASES

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Equipment and Fixtures (Street sweeper)	\$ 239,595	
Infrastructure (Water meters)		3,357,802
Total	239,595	3,357,802
Less: accumulated depreciation	(15,403)	-
Leased property under capital leases	<u>\$ 224,192</u>	<u>3,357,802</u>

The following is a schedule by years of the total payments due as of September 30, 2013:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 51,038	5,680	180,620	97,431
2015	52,480	4,239	186,028	92,023
2016	53,954	2,765	191,598	86,454
2017	55,485	1,233	197,334	80,717
2018	14,113	65	203,243	74,809
2019-2023			1,111,218	279,040
2024-2028			1,287,761	102,425
Total	<u>\$ 227,070</u>	<u>13,982</u>	<u>3,357,802</u>	<u>812,899</u>

NOTE 7 RESTRICTED ASSETS

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

The bond resolutions have several requirements of the City concerning such items as the maintenance and segregation of accounts. The resolution stipulated the accumulation of certain funds for the protection of the bondholder, and in 2013 the City had the following restricted cash:

	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Airport Improvement Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Water and Sewer	Other
Capital improvements \$				182,558		57,494		132,138
Crime prevention								200,145
Customer deposits							273,538	
Debt service		363,877	2,310					
Economic development	1,584,388				1,719,380			
Home Program								2,357
Public works								1,369,472
Unemployment								36,132
Totals	<u>\$ 1,584,388</u>	<u>363,877</u>	<u>2,310</u>	<u>182,558</u>	<u>1,719,380</u>	<u>57,494</u>	<u>273,538</u>	<u>1,740,244</u>

NOTE 8 CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2013, was as follows:

	Not Being Depreciated		Being Depreciated			Total
	Land	Construction	Buildings	Equipment	Infrastructure	
		in Progress	and Improvements	and Fixtures		
Governmental Activities:						
Capital Assets						
Balance, 10/01/12	\$ 4,605,367	1,830,742	12,863,746	6,963,761	12,690,477	38,954,093
Additions		5,277,600		454,016	644,844	6,376,460
Deletions				(140,615)		(140,615)
Adjustments						0
Balance, 09/30/13	<u>4,605,367</u>	<u>7,108,342</u>	<u>12,863,746</u>	<u>7,277,162</u>	<u>13,335,321</u>	<u>45,189,938</u>
Accumulated Depreciation						
Balance 10/01/12	0	0	2,655,339	4,840,644	5,423,698	12,919,681
Additions			425,677	383,302	320,989	1,129,968
Deletions				(120,497)		(120,497)
Adjustments						0
Balance, 09/30/13	<u>0</u>	<u>0</u>	<u>3,081,016</u>	<u>5,103,449</u>	<u>5,744,687</u>	<u>13,929,152</u>
Governmental Activities Assets, Net	<u>4,605,367</u>	<u>7,108,342</u>	<u>9,782,730</u>	<u>2,173,713</u>	<u>7,590,634</u>	<u>31,260,786</u>
Business-type Activities:						
Capital Assets						
Balance, 10/01/12	1,259,935	0	301,983	1,310,416	29,426,474	32,298,808
Additions		3,357,802		4,174		3,361,976
Deletions						0
Adjustments						0
Balance, 09/30/13	<u>1,259,935</u>	<u>3,357,802</u>	<u>301,983</u>	<u>1,314,590</u>	<u>29,426,474</u>	<u>35,660,784</u>
Accumulated Depreciation						
Balance, 10/01/12	0	0	171,453	934,890	21,595,440	22,701,783
Additions			6,040	79,780	417,180	503,000
Deletions						0
Adjustments						0
Balance, 09/30/13	<u>0</u>	<u>0</u>	<u>177,493</u>	<u>1,014,670</u>	<u>22,012,620</u>	<u>23,204,783</u>
Business-type Activities Assets, Net	<u>1,259,935</u>	<u>3,357,802</u>	<u>124,490</u>	<u>299,920</u>	<u>7,413,854</u>	<u>12,456,001</u>
Total Capital Assets, Net	<u>\$ 5,865,302</u>	<u>10,466,144</u>	<u>9,907,220</u>	<u>2,473,633</u>	<u>15,004,488</u>	<u>43,716,787</u>

Commitments with respect to unfinished capital projects at September 30, 2013, consisted of the following:

Description of commitment	Remaining Financial Commitment	Expected Completion Date
Engineering services	\$ 59,501	December 2013
Concrete street repair	80,000	December 2013
Curb and gutter repair	38,566	December 2013
Bike trail construction	13,655	October 2013
Runway paving	192,870	December 2013
Asphalt overlay	29,597	November 2013

Depreciation expense was charged to City functions as follows:

Governmental Activities:	
General government	\$ 6,101
Public safety	238,430
Public works	414,522
Highways and streets	385,607
Health and sanitation	10,273
Education and recreation	<u>75,035</u>
 Total	 \$ <u>1,129,968</u>
 Business-type Activities:	
Water and Sewer	\$ <u>503,000</u>

Capitalization of interest

During the year, the Enterprise Fund incurred interest costs totaling \$181,599. Interest cost incurred during the construction/installation period relating to water meters of \$89,810 was capitalized during the year.

NOTE 9 LONG-TERM DEBT

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

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

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

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

The margin for additional debt under the above debt limits as of September 30, 2013 is approximately:

<u>15% Limit</u>	<u>20% Limit</u>
\$8,101,890	\$12,879,187

The following is a summary of changes in long-term debt for the year ended September 30, 2013.

	<u>Balance</u> <u>10/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2013</u>	<u>Due within</u> <u>one year</u>
Governmental Activities:					
General Obligation Bonds	\$ 6,065,000	1,200,000	1,035,000	6,230,000	1,020,000
Notes Payable - State of MS	758,966		102,272	656,694	106,054
Lease Payable - Cleveland State Bank	10,802	239,595	23,327	227,070	51,038
Compensated absences	296,871		20,093	276,778	
Total Governmental Activities	<u>7,131,639</u>	<u>1,439,595</u>	<u>1,180,692</u>	<u>7,390,542</u>	<u>1,177,092</u>
Business-type Activities:					
Notes Payable - State of MS	5,385,538		371,720	5,013,818	367,674
Lease Payable - Siemens		3,357,802		3,357,802	180,620
Compensated absences	22,982		140	22,842	
Total Business-type Activities	<u>5,408,520</u>	<u>3,357,802</u>	<u>371,860</u>	<u>8,394,462</u>	<u>548,294</u>
Total Long-term debt	<u>\$ 12,540,159</u>	<u>4,797,397</u>	<u>1,552,552</u>	<u>15,785,004</u>	<u>1,725,386</u>

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

At September 30, 2013 bonds and notes payable consisted of the following individual issues:

Description and purpose	Date of Issue	Interest Rates	Maturity	Original Issue Amount	Amount Outstanding
Governmental Activities:					
A. General obligation bonds					
Public Improvement	3/1/04	2.10 - 3.00%	3/1/14	1,380,000	145,000
Public Improvement	5/1/05	3.75%	3/1/15	1,100,000	220,000
Public Improvement	5/1/06	4.00 - 5.00%	3/1/16	1,110,000	340,000
Public Improvement	3/1/07	4.25 - 5.25%	3/1/17	1,130,000	460,000
General Obligation	3/1/07	6.00 - 8.50%	3/1/17	1,035,000	725,000
Public Improvement	5/1/10	2.50 - 3.50%	3/1/20	1,370,000	965,000
Public Improvement	5/1/11	2.25 - 3.125%	3/1/21	1,145,000	920,000
Public Improvement	1/26/12	1.50 - 2.125%	3/1/22	1,390,000	1,255,000
Public Improvement	4/15/13	1.50 - 2.00%	3/1/23	1,200,000	1,200,000
Total General obligation bonds					6,230,000
B. Other Loans					
State of Mississippi (MDA Faurecia - City)	6/7/04	3.00%	6/1/23	750,000	328,347
State of Mississippi (MDA Faurecia - County)	6/7/04	3.00%	6/1/23	750,000	328,347
Cleveland State Bank (Street Sweeper Lease)	6/4/13	2.75%	12/10/17	239,595	227,070
Total Other Loans					883,764
Total Governmental Activities					\$ 7,113,764

Business-type Activities:

Description and purpose	Date of Issue	Interest Rates	Maturity	Original Issue Amount	Amount Outstanding
Business-type Activities:					
A. Other loans					
State of Mississippi (MDEQ) #1	8/1/03	1.75%	6/1/23	1,898,911	1,022,876
State of Mississippi (MDEQ) #2	9/25/03	1.75%	9/1/24	1,557,801	933,420
State of Mississippi (MDEQ) #3	10/1/04	1.75%	1/1/26	1,213,503	815,679
State of Mississippi (MDEQ) #4	10/14/05	2.50%	4/1/27	1,905,000	1,240,735
State of Mississippi (MDEQ) #5	8/25/06	2.50%	8/25/32	1,630,000	1,001,108
Siemens Public, Inc. Lease payable	11/21/13	2.92%	8/21/28	3,357,802	3,357,802
Total Other Loans					\$ 8,371,620

The annual debt service requirements of long-term debt as of September 30, 2013 are as follows:

Governmental Activities:

Year Ending September 30,	General Obligation		Other Loans	
	Principal	Interest	Principal	Interest
2014	\$ 1,020,000	168,152	157,092	23,930
2015	900,000	137,429	161,758	19,263
2016	800,000	111,488	166,556	14,467
2017	700,000	89,317	171,513	9,509
2018	595,000	70,945	133,668	4,811
2019-2023	2,215,000	119,606	93,177	1,182
Total	\$ 6,230,000	696,937	883,764	73,162

Business-type Activities:

2014	\$ 548,294	193,246
2015	560,932	180,609
2016	573,878	167,663
2017	587,139	154,402
2018	600,724	140,817
2019-2023	3,190,704	488,453
2024-2028	2,267,353	144,033
2029-2033	42,596	249
Total	\$ 8,371,620	1,469,472

NOTE 10 INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. The governmental and business-type funds financial statements reflect such transactions as transfers.

Balances at September 30, 2013 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	
General Fund	Enterprise Fund	\$ 463,490
General Fund	Special Industrial Project Fund	33,885
General Fund	Nonmajor Fund	138,479
Baxter Bond Fund	Economic Development and Tourism Fund	25,000
Enterprise Fund	General Fund	463,509
Nonmajor Fund	General Fund	400,000
Total		\$ 1,524,363

Individual fund interfund advance balances at September 30, 2013 arising from these transactions were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental fund	\$ 70,000
Economic Development and Tourism Fund	Special Industrial Project Fund	216,372
Economic Development Revolving Fund	Special Industrial Project Fund	<u>451,668</u>
Totals		<u>\$ 738,040</u>

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

NOTE 11 DEFINED BENEFIT PENSION PLAN

Plan Description. The City of Cleveland contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State Law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The City's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$660,596, \$602,721, and \$566,290, respectively.

NOTE 12 COMMITMENTS AND CONTINGENCIES

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

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

The City has a possible gain contingency associated with water collections. New water meters were installed throughout the City this year. The agreement with the Company installing the meters provided for certain revenue guarantees. Approximately one-third of the meters installed were defective resulting possible shortages of the quantity of water used by a consumer. The City is working to develop monthly estimates of lost revenue and to reach an agreement with the installer regarding revenue guarantees promised. No revenue has been accrued for this contingency.

See Note 8 regarding construction commitments.

NOTE 13 SOLID WASTE DISPOSAL

On September 15, 2008, the City contracted with RES Inc. to provide residential garbage collection and disposal. The rate is \$15.00 per month per residence. The agreement will continue until September 30, 2014. The City adopted the Solid Waste Management Plan for Bolivar County on September 27, 1993.

NOTE 14 RISK MANAGEMENT

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

The City established an internal service fund, the health insurance trust fund, to account for and finance employee medical benefit claims. The plan is funded by transfers from the general fund to cover claims, administrative fees, reinsurance premiums and group life insurance premiums. Administrative fees and reinsurance premiums are billed to the City once a month by the plan administrator. Weekly claim amounts are billed to the City based upon the claims processed by the administrator. The City has purchased a reinsurance policy which pays claims in excess of \$25,000 for an individual participant. Based on current rates and enrollment the City is anticipated to have funds available to pay claims of approximately \$600,000 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:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2011-2012	\$ 3,486	708,092	640,365	71,213
2012-2013	71,213	561,974	558,379	74,808

NOTE 15 DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

The Special Industrial Project Fund reported a deficit in fund balances of \$610,546 at September 30, 2013.

NOTE 16 SUBSEQUENT EVENTS

Events that occurred after the statement of assets, liabilities and net position, modified cash basis, date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the City of Cleveland evaluated the activity of the City through May 29, 2014 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

A public improvement bond for 2014 was issued in the amount of \$1,400,000. The 2014 series bond was dated March 1, 2014.

The City has contracted with an engineering firm to provide engineering services in connection with the Wastewater Treatment Plant Upgrade Project. In order to prevent a possible drain on the City's cash flow, a line of credit for \$863,000 was opened to provide financing until a grant or government loan is obtained to help finance the project.

CITY OF CLEVELAND, MISSISSIPPI

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF CLEVELAND, MISSISSIPPI
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2013

	9/30/2013			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Licenses and Permits	\$ 517,000	517,000	475,731	(41,269)
Fines and forfeits	240,000	240,000	251,725	11,725
Grants and Intergovernmental	4,627,812	4,627,812	3,623,887	(1,003,925)
Charges for Services	552,700	552,700	546,678	(6,022)
Miscellaneous Revenues	804,991	804,991	815,323	10,332
Ad Valorem Taxes	2,354,974	2,354,974	2,343,390	(11,584)
Miscellaneous Taxes	23,075	23,075	38,677	15,602
Interfund Transfers	634,724	634,724	635,854	1,130
Total revenues	9,755,276	9,755,276	8,731,265	(1,024,011)
<u>EXPENDITURES:</u>				
General government				
Personal services	371,391	371,391	330,129	41,262
Contractual services	700,408	900,608	757,942	142,666
Consumable supplies	17,000	17,000	15,502	1,498
Capital outlay			7,250	(7,250)
Grants and Subsidies	149,453	164,753	156,633	8,120
Total general government	1,238,252	1,453,752	1,267,456	186,296
Public Safety				
Municipal Court				
Personal services	137,676	137,676	77,929	59,747
Contractual services	195,280	230,580	219,996	10,584
Consumable supplies	11,300	11,300	7,045	4,255
Capital outlay	108,230	110,730		110,730
Total municipal court	452,486	490,286	304,970	185,316
Police Department				
Personal services	3,212,387	3,212,387	3,137,929	74,458
Contractual services	108,230	110,730	95,487	15,243
Consumable supplies	209,500	210,700	188,842	21,858

CITY OF CLEVELAND, MISSISSIPPI
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2013

	9/30/2013			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Capital outlay	90,500	90,500	91,029	(529)
Total Police Department	3,620,617	3,624,317	3,513,287	111,030
Fire Department				
Personal services	192,542	192,542	191,734	808
Contractual services	111,328	115,428	104,143	11,285
Consumable supplies	85,450	85,450	71,043	14,407
Capital outlay	14,000	14,000	17,072	(3,072)
Total Fire Department	403,320	407,420	383,992	23,428
Total Public Safety	4,476,423	4,522,023	4,202,249	319,774
Public Works				
Code Compliance				
Personal services	358,645	358,645	347,784	10,861
Contractual services	45,600	45,600	41,969	3,631
Consumable supplies	20,650	20,650	16,458	4,192
Capital outlay	3,500	3,500	2,169	1,331
Total Code Compliance	428,395	428,395	408,380	20,015
Cemetery				
Personal services	114,792	115,192	114,835	357
Contractual services	2,300	2,300	1,294	1,006
Consumable supplies	22,425	24,168	20,187	3,981
Capital outlay	26,200	26,200	24,027	2,173
Total Cemetery	165,717	167,860	160,343	7,517
Airport				
Personal services	109,639	109,639	92,350	17,289
Contractual services	43,435	43,435	30,531	12,904
Consumable supplies			30,112	(30,112)
Capital outlay	7,500	7,500	4,365	3,135
Total Airport	160,574	160,574	157,358	3,216
Groundskeeper				
Personal services	93,234	93,234	82,638	10,596
Contractual services	11,000	11,000	10,385	615

CITY OF CLEVELAND, MISSISSIPPI
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2013

	9/30/2013			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Consumable supplies	7,000	9,400	8,029	1,371
Capital outlay	37,235	34,835	34,705	130
Total Groundskeeper	148,469	148,469	135,757	12,712
Total public works	903,155	905,298	861,838	43,460
Highways and Streets				
Personal services	699,987	710,047	621,484	88,563
Contractual services	186,125	189,470	163,332	26,138
Consumable supplies	281,250	283,550	232,097	51,453
Capital outlay	1,208,460	1,207,655	624,213	583,442
Total Highways and Streets	2,375,822	2,390,722	1,641,126	749,596
Health and sanitation				
Mosquito Control				
Contractual services	404,300	404,300	422,001	(17,701)
Total Mosquito Control	404,300	404,300	422,001	(17,701)
Shop Department				
Personal services	115,580	115,580	110,409	5,171
Contractual services	1,500	1,500	1,434	66
Consumable supplies	12,200	12,200	9,481	2,719
Capital outlay	3,200	3,200	2,400	800
Total Shop Department	132,480	132,480	123,724	8,756
Total Expenditures	9,530,432	9,808,575	8,518,394	1,290,181
Excess (deficiency) of revenues				
over (under) expenditures	224,844	(53,299)	212,871	(266,170)
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in (out)	(400,000)	(400,000)	(400,000)	0
Total other financing sources (uses)	(400,000)	(400,000)	(400,000)	0

CITY OF CLEVELAND, MISSISSIPPI
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2013

	9/30/2013			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (175,156)	(453,299)	(187,129)	(266,170)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			1,057,250	
Expenditures charged to designated funds			(687,669)	
Net change in Fund Balances - GAAP Basis			182,452	
Fund balances, October 1			3,207,670	
Increase (decrease) in reserve for inventory			(23,733)	
Fund balances, September 30			\$ 3,366,389	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
ECONOMIC DEVELOPMENT AND TOURISM FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2013

	9/30/2013			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Tourism taxes	\$ 690,000	690,000	717,102	27,102
Miscellaneous revenues	10,250	10,250	33,278	23,028
Bicycle Path Grant	713,107	713,107	723,389	10,282
Total revenues	1,413,357	1,413,357	1,473,769	60,412
<u>EXPENDITURES:</u>				
All departments				
Appropriation	644,637	653,637	394,901	258,736
Interfund transfers	25,000	25,000	25,000	0
Capital outlay	4,500	5,700	5,651	49
Total all departments	674,137	684,337	425,552	258,785
Railroad Heritage Museum				
Personal services	61,082	61,082	60,117	965
Contractual services	75,200	75,200	68,840	6,360
Consumable supplies	8,500	8,500	2,114	6,386
Capital outlay	15,000	15,000	12,602	2,398
Total	159,782	159,782	143,673	16,109
TE Grant - Bicycle Path				
Capital outlay	991,871	991,871	828,374	163,497
Total expenditures	1,825,790	1,835,990	1,397,599	438,391
Excess (deficiency) of revenues over (under) expenditures	(412,433)	(422,633)	76,170	498,803
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in (out)	32,937	32,937	32,937	0
Total other financing sources (uses):	32,937	32,937	32,937	0

CITY OF CLEVELAND, MISSISSIPPI
ECONOMIC DEVELOPMENT AND TOURISM FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2013

	9/30/2013			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP	Favorable
			Basis	(Unfavorable)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (379,496)	(389,696)	109,107	498,803
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			(220,007)	
Expenditures charged to designated funds			(59,613)	
Net change in Fund Balances - GAAP Basis			(170,513)	
Fund balances, October 1			2,084,014	
Fund balances, September 30			1,913,501	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
AIRPORT IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2013

	9/30/2013			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Grants	\$ 4,690,870	4,690,870	4,462,826	(228,044)
Miscellaneous Revenues	44,700	44,700	79,028	34,328
Total revenues	4,735,570	4,735,570	4,541,854	(193,716)
<u>EXPENDITURES:</u>				
Public Works				
Capital outlay	3,298,180	4,785,180	4,422,289	(362,891)
Total expenditures	3,298,180	4,785,180	4,422,289	(362,891)
Excess (deficiency) of revenues over (under) expenditures	1,437,390	(49,610)	119,565	169,175
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(1,425,000)	(925,000)	0	925,000
Total other financing sources (uses):	(1,425,000)	(925,000)	0	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 12,390	(974,610)	119,565	1,094,175
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			(265,212)	
Expenditures charged to designated funds			(2,244)	
Net change in Fund Balances - GAAP Basis			(147,891)	
Fund balances, October 1			328,205	
Fund balances, September 30			180,314	

CITY OF CLEVELAND, MISSISSIPPI
ECONOMIC DEVELOPMENT REVOLVING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2013

	9/30/2013			
	Budgeted Amount		Actual	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Miscellaneous revenues	\$ 12,900		20,154	20,154
Total revenues	12,900	0	20,154	20,154
<u>EXPENDITURES:</u>				
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over (under) expenditures	12,900	0	20,154	20,154
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in (out)	1,493,409	993,409	68,409	(925,000)
Total other financing sources (uses):	1,493,409	993,409	68,409	(925,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,506,309	993,409	88,563	(904,846)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			(68,409)	
Expenditures charged to designated funds			(68,409)	
Net change in Fund Balances - GAAP Basis			20,154	
Fund balances, October 1			2,150,894	
Fund balances, September 30			2,171,048	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SPECIAL INDUSTRIAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2013

	9/30/2013			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP	Favorable
			Basis	(Unfavorable)
<u>REVENUES:</u>				
Lease payment	\$ 225,650	225,650	225,650	0
Miscellaneous revenues	1,400	1,400	1,565	165
Total revenues	227,050	227,050	227,215	165
<u>EXPENDITURES:</u>				
Contractual services	124,304	124,304	124,304	0
Total expenditures	124,304	124,304	124,304	0
Excess (deficiency) of revenues over (under) expenditures	102,746	102,746	102,911	165
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(135,231)	(135,231)	(135,231)	0
Total other financing sources (uses):	(135,231)	(135,231)	(135,231)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (32,485)	(32,485)	(32,320)	165
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			101,347	
Expenditures charged to designated funds			(31,920)	
Net change in Fund Balances - GAAP Basis			69,027	
Fund balances, October 1			(679,573)	
Fund balances, September 30			(610,546)	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended September 30, 2013

Notes to the Required Supplemental Information

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

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

There were no funds with actual expenditures over budget for the year ended September 30, 2013.

E. Unbudgeted Funds.

There were no unbudgeted funds for the year ended September 30, 2013.

CITY OF CLEVELAND, MISSISSIPPI

OTHER SUPPLEMENTAL INFORMATION

**CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF CERTIFICATES OF DEPOSIT
September 30, 2013**

SCHEDULE OF POOLED CERTIFICATES OF DEPOSIT:

The City did not have any certificates of deposit at September 30, 2013. Excess funds were maintained in money market accounts rather than certificates of deposit due to low interest rate conditions.

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF MONTHLY BOND AND INTEREST REQUIREMENTS - GENERAL OBLIGATION BONDS
September 30, 2013

Monthly Bond and Interest Requirements - General Obligation Bond and Interest Fund
For the Year Ended September 30, 2014

<u>Date of Issue</u>	<u>Description</u>	<u>Average Rate</u>	<u>Due Date</u>	<u>Where Payable</u>	<u>Total Payable</u>	<u>Total Principal</u>	<u>Total Interest</u>
<u>February - 2014</u>							
03/01/04	Public improvement bond	2.834%	03/01/14	Trustmark National Bank	147,175	145,000	2,175
05/01/05	Public improvement bond	3.750%	03/01/14	Trustmark National Bank	114,125	110,000	4,125
05/01/06	Public improvement bond	4.173%	03/01/14	Trustmark National Bank	116,800	110,000	6,800
03/01/07	Public improvement bond	3.797%	03/01/14	Trustmark National Bank	123,826	115,000	8,826
12/28/06	General obligation, series 2006	6.344%	11/01/13	First National Bank	87,319	65,000	22,319
05/01/10	Public improvement bond	3.181%	03/01/14	Trustmark National Bank	149,928	135,000	14,928
05/01/11	Public improvement bond	2.476%	03/01/14	Trustmark National Bank	126,572	115,000	11,572
01/26/12	Public improvement bond	1.790%	03/01/14	Trustmark National Bank	146,059	135,000	11,059
04/15/13	Public improvement bond	1.678%	03/01/14	Bank Plus	100,669	90,000	10,669
Total - March 2014					<u>1,112,473</u>	<u>1,020,000</u>	<u>92,473</u>
<u>August - 2014</u>							
03/01/04	Public improvement bond	2.834%	09/01/14	Trustmark National Bank	0		0
05/01/05	Public improvement bond	3.750%	09/01/14	Trustmark National Bank	2,063		2,063
05/01/06	Public improvement bond	4.173%	09/01/14	Trustmark National Bank	4,600		4,600
03/01/07	Public improvement bond	3.797%	09/01/14	Trustmark National Bank	6,641		6,641
12/28/06	General obligation, series 2006	6.344%	05/01/14	First National Bank	19,800		19,800
05/01/10	Public improvement bond	3.181%	09/01/14	Trustmark National Bank	12,903		12,903
05/01/11	Public improvement bond	2.476%	09/01/14	Trustmark National Bank	10,278		10,278
01/26/12	Public improvement bond	1.790%	09/01/14	Trustmark National Bank	9,625		9,625
04/15/13	Public improvement bond	1.678%	09/01/14	Bank Plus	9,769		9,769
Total - September 2014					<u>75,679</u>	<u>0</u>	<u>75,679</u>
Grand Totals - General Obligation Bonds					<u>\$ 1,188,152</u>	<u>1,020,000</u>	<u>168,152</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the Fiscal Year Ended September 30, 2013

Date of Issue	Description	Balance Outstanding 10/01/12	Issued	Redeemed	Balance Outstanding 09/30/13
<u>GENERAL OBLIGATION BONDS</u>					
05/01/03	Public improvement bond	110,000		110,000	0
03/01/04	Public improvement bond	290,000		145,000	145,000
05/01/05	Public improvement bond	330,000		110,000	220,000
05/01/06	Public improvement bond	450,000		110,000	340,000
12/28/06	General obligation, series 2006	575,000		115,000	460,000
03/01/07	Public improvement bond	785,000		60,000	725,000
05/01/10	Public improvement bond	1,100,000		135,000	965,000
05/01/11	Public improvement bond	1,035,000		115,000	920,000
01/26/12	Public improvement bond	1,390,000		135,000	1,255,000
04/15/13	Public improvement bond		1,200,000		1,200,000
	Total General Obligation Bonds	<u>6,065,000</u>	<u>1,200,000</u>	<u>1,035,000</u>	<u>6,230,000</u>
<u>OTHER DEBT ISSUED</u>					
08/01/98	MDA - Capital improvements	11,134		11,134	0
08/01/03	MDEQ - Capital improvements	1,118,260		95,384	1,022,876
08/01/03	MDA - RLF Financing (City Faurecia)	379,483		51,136	328,347
08/01/03	MDA - RLF Financing (County Faurecia)	379,483		51,136	328,347
09/25/03	MDEQ - Capital improvements	1,009,708		76,288	933,420
04/21/06	MDEQ - Capital improvements	873,421		57,742	815,679
10/14/05	MDEQ - Capital improvements	1,316,507		75,772	1,240,735
08/25/06	MDEQ - Capital improvements	1,056,508		55,400	1,001,108
07/01/08	Cleveland State Bank (Street Sweeper Lease)	10,802		10,802	0
08/03/12	Siemens Public, Inc. (Water Meter Lease)		3,357,802		3,357,802
06/04/13	Cleveland State Bank (Street Sweeper Lease)		239,595	12,525	227,070
	Total Other Debt Issued	<u>6,155,306</u>	<u>3,597,397</u>	<u>497,319</u>	<u>9,255,384</u>
	Grand Total	<u>\$ 12,220,306</u>	<u>4,797,397</u>	<u>1,532,319</u>	<u>15,485,384</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF SURETY BONDS
September 30, 2013

Insurance Agent of Record - Bolivar Insurance Agency, Inc.

Coverage	Amounts Or Limits	Term In Years	Expires	Company	Comments
Clint Johnson	50,000	1	Aug-14	Brierfield	Airport Director
Maurice Smith	100,000	4	Jul-17	Brierfield	Alderman Ward 1
Robert L. Sanders	100,000	1	Jul-14	Brierfield	Alderman Ward 2
Danny Abraham	100,000	4	Jul-17	Brierfield	Alderman Ward 3
Kirkham Povall	100,000	4	Jul-17	Brierfield	Alderman Ward 4
James Paul Janoush	100,000	4	Jul-17	Brierfield	Alderman Ward 5
Theodore Campbell	100,000	4	Jul-17	Brierfield	Alderman Ward 6
Gary Gainspoletti	100,000	4	Jul-17	Brierfield	Alderman-At-Large
Jamie Ferguson Jacks	50,000	1	Jul-14	St. Paul	City Attorney
John K Lindsey	65,000	1	Apr-14	St. Paul	City Clerk
Greg Korb	50,000	1	Oct-14	Brierfield	City Engineer
Billy Trotter	50,000	1	Mar-14	St. Paul	City Inspector
Kimberly Hudson	50,000	1	Jan-14	St. Paul	City Inspector
Farae Wolfe	65,000	1	Jun-14	Western	City Manager, HR
Cindy Duffee	50,000	1	Nov-14	Brierfield	Code Compliance
Brett Moorman	50,000	1	Oct-14	Brierfield	Code Director
Helen Ann Brewer	50,000	1	Jun-14	Brierfield	Court Clerk
Jodie W Felton	50,000	1	Jul-14	Brierfield	Court Clerk
Michele Hamilton	50,000	1	Mar-14	St. Paul	Court Clerk
Misty Wilson	50,000	1	May-14	St. Paul	Court Clerk
Patsy Lawson	50,000	1	Jul-14	St. Paul	Court Clerk
Linda Brown	65,000	1	Oct-14	St. Paul	Deputy Clerk
Gene Bishop	50,000	1	Oct-14	Brierfield	Fire Chief
Billy Nowell	100,000	4	Jul-17	Brierfield	Mayor
Barbara Robinson	50,000	1	Aug-14	Brierfield	Park Commission
Stephen Glorioso	50,000	1	Aug-14	Brierfield	Park Commission
Betha Watson	50,000	1	Jul-14	St. Paul	Payroll
Charles Bingham	50,000	1	Oct-14	St. Paul	Police Chief
Frank Caswell	50,000	1	Jun-14	Western	Police Officer
Joe Wayne Smith	50,000	1	Jun-14	Brierfield	Police Officer
Kenneth Earl Allen	50,000	1	Jun-14	Western	Police Officer
Michael Walls	50,000	1	Jun-14	Western	Police Officer
Michael D Pointer	50,000	1	Jun-14	Western	Police Officer

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF SURETY BONDS
September 30, 2013

Insurance Agent of Record - Bolivar Insurance Agency, Inc.

Coverage	Amounts Or Limits	Term In Years	Expires	Company	Comments
Robert Burns Livingston	50,000	1	Jun-14	Brierfield	Police Officer
Brandy Murphy	50,000	1	Jan-14	St. Paul	Public Works Clerk
Hope Johnson	50,000	1	Mar-14	St. Paul	Public Works Clerk
Rose Walters	50,000	1	May-14	Western	Water Clerk
Samantha Franklin Milum	50,000	1	Jun-14	Brierfield	Water Clerk
Marilyn D Adams Cox	50,000	1	Aug-14	St. Paul	Water Supervisor

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2013

Federal Agency / Pass-Through Entity / Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Housing and Urban Development Office of Community Planning and Development Passed Through Mississippi Development Authority CDBG-State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	GV-350-146-01	490,282
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - (Recovery Act Funded)	14.255		-
Total CDBG-State-Administered CDBG Cluster			<u>490,282</u>
U. S. Department of Transportation Passed Through Mississippi Department of Transportation Federal Aviation Administration Airport Improvement Program	20.106	3-28-0015-016-2010	9,265
Airport Improvement Program	20.106	3-28-0015-017-2011	295,541
Airport Improvement Program	20.106	3-28-0015-018-2012	3,680,344
Total Federal Aviation Administration			<u>3,985,150</u>
Passed Through Mississippi Department of Transportation Highway Administration Highway Planning and Construction Cluster Highway Planning and Construction	20.205		-
Recreational Trails Program	20.219	STP 0090-00-007-LPA	531,114
Appalachian Development Highway System	23.003		-
Total Highway Planning and Construction Cluster			<u>531,114</u>
Grand Total			<u>\$ 5,006,546</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2013

NOTE A - Basis of Presentation

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

NOTE B – Clusters of Programs

The City received grant awards from certain grants during the year which were identified as part of a cluster of programs by *OMB Circular A-133 Compliance Supplement*. All of the programs under the cluster were listed; however, only those programs the City received funding from will have a federal expenditure associated with it.

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
GENERAL BOND AND INTEREST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2013

	9/30/2013			
	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
<u>REVENUES:</u>				
Taxes	\$ 1,109,070	1,109,070	1,095,700	(13,370)
Interest Income	3,150	3,150	3,815	665
Total revenues	1,112,220	1,112,220	1,099,515	(12,705)
<u>EXPENDITURES:</u>				
Debt service	1,155,854	1,155,854	1,137,043	18,811
Total debt service	1,155,854	1,155,854	1,137,043	18,811
Total Expenditures	1,155,854	1,155,854	1,137,043	18,811
Excess (deficiency) of revenues over (under) expenditures	(43,634)	(43,634)	(37,528)	(31,516)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (43,634)	(43,634)	(37,528)	(31,516)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			21	
Net change in Fund Balances - GAAP Basis			(37,507)	
Fund balances, October 1			406,784	
Fund balances, September 30			369,277	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
BAXTER BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (NON-GAAP BASIS)
For the Fiscal Year Ended September 30, 2013

	9/30/2013			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<u>REVENUES:</u>				
Lease payment	\$ 167,331	167,331	167,331	0
Interest income			8	8
Total revenues	167,331	167,331	167,339	8
<u>EXPENDITURES:</u>				
Debt service	192,704	192,704	192,643	61
Total debt service	192,704	192,704	192,643	61
Total Expenditures	192,704	192,704	192,643	61
Excess (deficiency) of revenues over (under) expenditures	(25,373)	(25,373)	(25,304)	(53)
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	25,000	25,000	25,000	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (373)	(373)	(304)	(53)
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds				
Expenditures charged to designated funds				
Net change in Fund Balances - GAAP Basis			(304)	
Fund balances, October 1			2,614	
Fund balances, September 30			2,310	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI

STATISTICAL INFORMATION

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

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeits	Miscellaneous Operating	Miscellaneous Non-Operating	Total
2004	\$ 2,219,717	523,869	5,079,542	826,867	275,207	805,094	451,945	10,182,241
2005	2,276,915	562,176	6,493,928	696,663	347,019	701,224	666,385	11,744,310
2006	2,390,655	628,911	5,446,777	542,489	526,676	811,559	645,925	10,992,992
2007	3,044,352	551,935	10,119,304	1,380,278	443,128	454,349	1,088,964	17,082,310
2008	3,072,979	576,794	6,592,328	1,597,921	367,369	428,186	852,864	13,488,441
2009	3,136,119	423,952	7,212,995	1,737,822	331,428	216,569	630,619	13,689,504
2010	3,168,545	658,900	6,146,587	1,825,170	330,514	29,030	631,132	12,789,878
2011	3,452,491	563,313	5,786,887	1,884,367	328,199	30,857	643,627	12,689,741
2012	3,476,266	496,899	6,415,166	1,922,129	256,203	45,755	985,932	13,598,350
2013	3,639,795	529,054	10,361,838	2,077,427	258,168	63,957	579,861	17,510,100

See accompanying notes to financial statements.

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

Fiscal Year	General Government	Public Safety	Public Works	Highways and Streets	Health and Sanitation	Shop Department	Education and Recreation	Economic and Community Development	Capital Projects	Debt Service	Total
2004	1,174,147	3,073,973	467,530	835,476	852,129	93,806	761,842	3,713,950	2,933,693	1,260,308	15,166,854
2005	1,042,967	3,519,226	478,712	819,215	929,580	111,704	796,719	1,335,002	3,500,318	1,394,186	13,927,629
2006	1,078,977	3,813,984	808,449	1,346,786	1,141,386	98,806	843,848	373,609	1,645,002	1,472,010	12,622,857
2007	1,305,441	3,329,556	623,039	1,816,697	1,151,741	102,973	940,943	393,205	6,585,219	1,620,539	17,869,353
2008	1,189,489	3,761,879	709,770	1,690,601	1,292,494	109,574	1,105,603	452,682	1,953,008	2,700,166	14,965,266
2009	1,352,733	3,965,360	589,833	1,969,169	1,418,983	116,234	863,474	1,937,488	1,784,719	2,180,873	16,178,866
2010	1,155,818	4,425,880	969,987	1,232,154	1,429,977	117,916	564,985	815,055	1,038,348	1,240,046	12,990,166
2011	1,223,615	5,042,335	872,287	2,492,573	1,463,742	123,066	901,062	604,798	902,879	1,297,752	14,924,109
2012	1,181,600	4,601,551	1,031,015	1,675,949	1,551,409	125,821	961,954	789,551	1,259,822	1,346,284	14,524,956
2013	1,321,087	4,304,466	898,637	2,242,434	1,580,199	123,724	883,663	578,485	5,922,445	1,357,386	19,212,526

See accompanying notes to financial statements.

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

Fiscal Year	Total Tax Levied	Current Tax Collected	Percent of Current Taxes Collected	Delinquent Tax Collected	Total Tax Collected	Ratio of Total Tax Collected to Total Tax Levied
2004 \$	2,379,027	2,316,692	97.38%	45,014	2,361,706	99.27%
2005	2,443,410	2,360,006	96.59%	36,527	2,396,533	98.08%
2006	2,701,179	2,613,734	96.76%	41,319	2,655,053	98.29%
2007	3,311,431	3,167,821	95.66%	51,800	3,219,621	97.23%
2008	3,326,236	3,206,836	96.41%	63,189	3,270,025	98.31%
2009	3,373,958	3,273,406	97.02%	37,515	3,310,921	98.13%
2010	3,433,550	3,284,346	95.65%	78,440	3,362,786	97.94%
2011	3,713,975	3,576,696	96.30%	71,102	3,647,798	98.22%
2012	3,716,427	3,618,747	97.37%	34,727	3,653,474	98.31%
2013	3,821,837	3,804,545	99.55%	13,141	3,817,686	99.89%

See accompanying notes to financial statements.

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

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Motor Vehicle Assessed Value	Public Utilities Assessed Value	Total Assessed Value
2004	44,597,437	8,890,593	13,251,108	3,232,232	69,971,370
2005	45,701,906	8,996,003	13,554,479	3,318,498	71,570,886
2006	47,821,369	8,970,980	12,702,865	3,509,612	73,004,826
2007	63,032,452	10,392,286	12,674,700	3,398,694	89,498,132
2008	63,572,390	9,705,900	13,289,295	3,300,677	89,868,262
2009	64,414,331	10,852,788	12,731,735	3,189,205	91,188,059
2010	64,902,556	12,162,372	12,630,842	3,102,890	92,798,660
2011	68,971,162	12,295,337	12,188,012	3,012,374	96,466,885
2012	69,284,238	11,638,556	12,415,313	3,192,476	96,530,583
2013	69,159,913	11,023,004	12,051,264	3,311,755	95,545,936

See accompanying notes to financial statements.

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

Fiscal Year	General Fund Millage	Library Fund Millage	Park Fund Millage	Debt Service Millage	Total Millage
2004	19.00	3.00	2.00	10.00	34.00
2005	19.00	3.00	2.00	10.00	34.00
2006	22.00	3.00	2.00	10.00	37.00
2007	20.00	2.75	1.75	12.50	37.00
2008	20.00	2.75	1.75	12.50	37.00
2009	23.50	1.25	1.75	10.50	37.00
2010	23.50	1.25	2.00	10.25	37.00
2011	23.50	1.50	2.00	11.50	38.50
2012	23.50	1.50	2.00	11.50	38.50
2013	24.50	2.00	2.00	11.50	40.00

See accompanying notes to financial statements.

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

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections</u>
2004	0	0
2005	0	0
2006	26,354	13,303
2007	61,076	23,379
2008	44,753	3,414
2009	52,560	17,305
2010	51,748	7,803
2011	44,295	20,341
2012	27,225	5,475
2013	51,873	23,667

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI
COMPUTATION OF LEGAL DEBT MARGIN
For the Fiscal Year Ended September 30, 2013**

Date of Issue	Description	Total Outstanding G/O Debt	Bonds Subject To 15% Limitation	Bonds Subject To 20% Limitation
<u>OUTSTANDING GENERAL OBLIGATION DEBT:</u>				
03/01/04	Public Improvement Bond	145,000	145,000	145,000
05/01/05	Public Improvement Bond	220,000	220,000	220,000
05/01/06	Public Improvement Bond	340,000	340,000	340,000
03/01/07	Public Improvement Bond	460,000	460,000	460,000
05/01/06	General Obligation-Baxter Bond	725,000	725,000	725,000
05/01/10	Public Improvement Bond	965,000	965,000	965,000
05/01/11	Public Improvement Bond	920,000	920,000	920,000
01/26/12	Public Improvement Bond	1,255,000	1,255,000	1,255,000
04/15/13	Public Improvement Bond	1,200,000	1,200,000	1,200,000
	Total Outstanding General Obligation Debt	\$ 6,230,000	6,230,000	6,230,000

AUTHORIZED DEBT LIMIT:

Assessed Value for the fiscal year ended September 30, 2013	\$ 95,545,936	\$ 14,331,890	19,109,187
Present Debt (Subject to 15% and 20% Limitation, respectively)		6,230,000	6,230,000
Margin for Further Indebtedness (Under 15% and 20% Limitation, respectively)		\$ 8,101,890	12,879,187

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

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

See accompanying notes to financial statements.

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

Fiscal Year	Population	Total Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
2004	13,841	69,971,370	4,705,000	2,237,280	2,467,720	3.53%	178.29
2005	13,841	71,570,886	5,130,000	2,139,617	2,990,383	4.18%	216.05
2006	13,841	73,004,826	5,485,000	2,052,146	3,432,854	4.70%	248.02
2007	13,841	89,498,132	6,780,000	2,155,552	4,624,448	5.17%	334.11
2008	13,841	89,868,262	5,820,000	1,283,414	4,536,586	5.05%	327.76
2009	13,841	91,188,059	4,900,000	354,799	4,545,201	4.98%	328.39
2010	12,334	92,798,660	5,410,000	323,661	5,086,339	5.48%	412.38
2011	12,334	96,466,885	5,640,000	392,811	5,247,189	5.44%	425.42
2012	12,334	96,530,583	6,065,000	409,398	5,655,602	5.86%	458.54
2013	12,334	95,545,936	6,230,000	371,587	5,858,413	6.13%	474.98

See accompanying notes to financial statements.

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

Fiscal Year	Principal	Interest	Total Debt Service	Total Governmental Expenditures	Ratio of Debt Service to Governmental Expenditures
2004	605,000	170,644	775,644	15,166,854	5.11%
2005	675,000	176,937	851,937	13,927,629	6.12%
2006	755,000	193,853	948,853	12,622,857	7.52%
2007	870,000	222,475	1,092,475	17,869,353	6.11%
2008	960,000	294,166	1,254,166	14,965,266	8.38%
2009	920,000	230,814	1,150,814	16,178,866	7.11%
2010	860,000	193,393	1,053,393	12,990,166	8.11%
2011	915,000	200,440	1,115,440	14,924,109	7.47%
2012	965,000	214,967	1,179,967	14,524,956	8.12%
2013	1,035,000	198,082	1,233,082	19,212,526	6.42%

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
September 30, 2013

<u>Jurisdiction</u>	<u>Net General Obligated Bonded Debt Outstanding</u>	<u>Percentage Applicable To City</u>	<u>Amount Applicable To City</u>
Direct Bonded Debt:			
City of Cleveland, Mississippi	\$ 5,858,413	100.00%	\$ 5,858,413
Overlapping Bonded Debt:			
Bolivar County, Mississippi	<u>8,915,758</u> (1)	33.47% (2)	<u>2,984,104</u>
Total	\$ <u><u>14,774,171</u></u>		\$ <u><u>8,842,517</u></u>

(1) Information obtained from Bolivar County Chancery Clerk.

(2) Applicable percentage based on total assessed valuation of taxable property in Bolivar County of \$285,476,199 (1) to \$95,545,936 in City of Cleveland.

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI

REPORTS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Cleveland, Mississippi's basic financial statements and have issued our report thereon dated May 29, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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.

Ellis & Hirsberg CPA's PLLC

Ellis & Hirsberg CPA's PLLC
Clarksdale, Mississippi
May 29, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Cleveland, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Cleveland, Mississippi's major federal programs for the year ended September 30, 2013. The City of Cleveland, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Cleveland, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Ellis & Hirsberg CPA's PLLC

Ellis & Hirsberg CPA's PLLC
Clarksdale, Mississippi
May 29, 2014

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

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

In planning and performing our audit of the financial statements of City of Cleveland, Mississippi for the year ended September 30, 2013, we considered City of Cleveland, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to City of Cleveland, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated May 29, 2014, on the financial statements of City of Cleveland, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and 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. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and test of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Ellis & Hirsberg CPA's PLLC

Ellis & Hirsberg CPA's PLLC
Clarksdale, Mississippi
May 29, 2014

**CITY OF CLEVELAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the primary governments financial statements. | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiency identified that is not considered to be a material weakness? | None reported |
| 3. | Material noncompliance relating to the primary government financial statements? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that is not considered to be a material weaknesses? | None Reported |
| 5. | Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Cluster: CDBG-State-Administered CDBG Cluster
Community Development Block Grants/State's Program and
Non-Entitlement Grants in Hawaii CFDA #14.228
Community Development Block Grants/State's Program and
Non-Entitlement Grants in Hawaii – (Recovery Act Funded)
CFDA #14.255 | |
| b. | Airport Improvement Program CFDA #20.106 | |
| c. | Cluster: Highway Planning and Construction Cluster
Highway Planning and Construction CFDA #20.205
Recreational Trails Program CFDA #20.219
Appalachian Development Highway System CFDA #23.003 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? Yes

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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

Billy Nowell
 Mayor

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

Farae Wolfe
 City Manager/Human
 Resources Director

John Lindsey
 City Clerk

Charles Bingham
 Chief of Police

John Trotter
 Assistant Chief of Police

Jamie Jacks
 City Attorney

Brett Moorman
 Director of Community
 Development

Ray Bell
 Director of Public Works


Stephen Glorioso
 Director of Parks
 & Recreation

Greg Korb
 City Engineer

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section .315b of OMB Circular A-133, the City of Cleveland, Mississippi has prepared and hereby submits the following summary of prior audit findings as of September 30, 2013:

<u>Finding</u>	<u>Status</u>
2012-3	Corrected



 City Clerk

