



CITY OF CLEVELAND, MISSISSIPPI
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2017

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

CITY OF CLEVELAND, MISSISSIPPI

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CITY OF CLEVELAND

FINANCIAL SECTION



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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, (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of September 30, 2017, 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 Schedules and corresponding notes, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of the City's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Cleveland, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepared 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

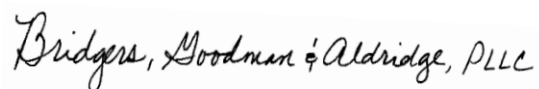
The accompanying schedules in the other supplemental information section on pages 61 through 65, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedules in the statistical section on pages 66 through 69 as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, our consideration of the City of Cleveland, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cleveland, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City of Cleveland, Mississippi's internal control over financial reporting and compliance.



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

June 22, 2018

CITY OF CLEVELAND, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

Our discussion and analysis of the City of Cleveland's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2017. Readers should also review the basic financial statements and disclosures to enhance their understanding of the City's financial performance.

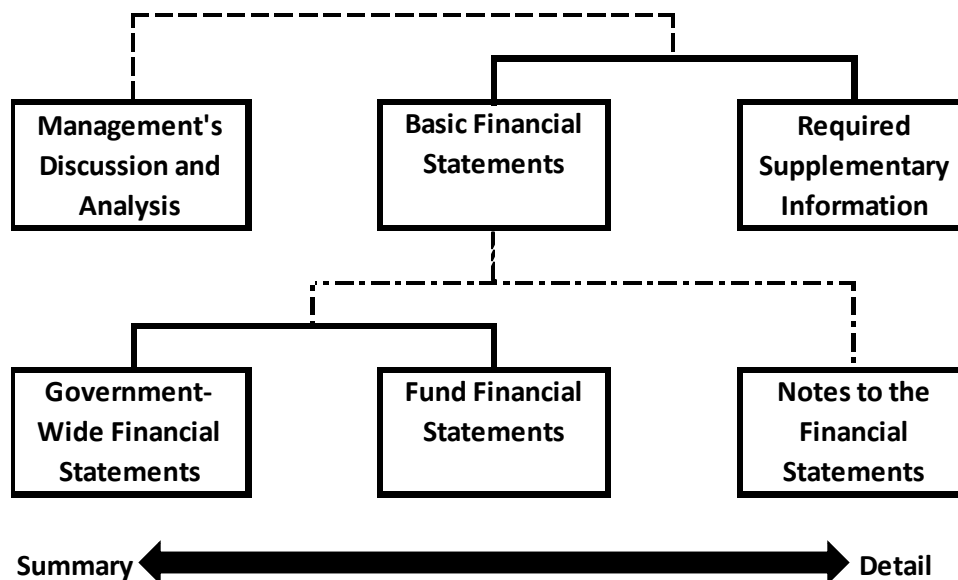
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2017 by \$27,880,111 (net position), this amount represents a decrease of \$14,048, which includes a prior period adjustment of \$959,589 from fiscal year 2016. Of this amount the unrestricted net position showed a deficit balance of (\$8,168,019).
- Total assets increased \$5,938,430 from 2016.
- Total liabilities increased \$4,419,166 from 2016.
- The City had \$17,509,472 in total revenues. Property tax revenues account for \$4,237,451 or 24 percent of total revenues. Sales and tourism taxes account for \$4,680,136 or 27 percent of total revenues. Charges for services account for \$5,278,982 or 30 percent of total revenues. The remainder of revenue is from federal and state grants, franchise taxes, and other sources and accounts for \$3,312,903 or 19 percent of total revenues.
- The City had \$18,483,109 in total expenses which represents a decrease of \$1,117,544 or 6 percent over the prior fiscal year. Expenses of \$6,071,780 were offset by grants and charges for services. General revenues of \$10,523,178 were not adequate to provide for the remainder of the expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

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

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	All activities of the City that are not business-type or fiduciary in nature	Activities of the City that operate similar to private businesses	The City is the trustee or agent for someone else’s resources
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Assets and Liabilities
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset, Deferred Outflow, Liability, and Deferred Inflow information	All assets, deferred outflows, liabilities, and deferred inflows; both financial and capital and short and long term	Only assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, and short and long term	All assets, deferred outflows, liabilities, and deferred inflows, both short and long term
Type of Inflow/ Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year regardless of when cash is received or paid

CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017

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

The **Statement of Net Position** presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cleveland, Mississippi is improving or deteriorating.

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

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

The government activities of the City include general government, public safety, public works, highways and streets, health and sanitation, culture and recreation, economic, and debt service.

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

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

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

The City of Cleveland maintains 20 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Economic Development and Tourism Fund, General Bond and Interest Fund, Baxter Bond Fund, Public Improvement Bond Fund, Economic Development Revolving Fund and Special Industrial Project Fund, all of which are considered to be major funds. All other funds are considered non-major and are presented in a single column. The governmental fund financial statements are presented on pages 18 through 22.

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

The City of Cleveland adopts an annual budget. A budgetary comparison schedule has been provided on pages 50 through 54 for the General Fund and the major special revenue funds to demonstrate compliance with this budget.

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are presented on pages 24 through 26.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds are much like that used for proprietary funds. The City's only fiduciary fund consists of the payroll clearing fund. Its financial statement can be found on page 27.

Notes to the financial statements. The notes, presented on pages 28 through 48, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the City's budget process and pension standards, as well as the notes to the Required Supplementary Information, on pages 49 through 58.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2017, the assets and deferred outflows of the City of Cleveland exceeded liabilities and deferred inflows by \$27,880,111.

By far the largest portion of the City of Cleveland's net position (\$27,841,875 or 99.86%) reflects its investment in capital assets (land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

The following table presents a summary of the City's net position for the fiscal year ended September 30, 2017.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Increase (Decrease)</u>	<u>Percentage Change</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>		
Assets								
Current and other assets	\$ 16,231,952	15,548,472	2,040,289	1,317,568	18,272,241	16,866,040	1,406,201	8.34%
Capital assets, net	30,800,016	30,657,316	15,400,062	11,010,533	46,200,078	41,667,849	4,532,229	10.88%
Total Assets	<u>47,031,968</u>	<u>46,205,788</u>	<u>17,440,351</u>	<u>12,328,101</u>	<u>64,472,319</u>	<u>58,533,889</u>	<u>5,938,430</u>	<u>10.15%</u>
Deferred Outflows	<u>2,129,102</u>	<u>2,702,715</u>	<u>129,653</u>	<u>164,584</u>	<u>2,258,755</u>	<u>2,867,299</u>	<u>(608,544)</u>	<u>-21.22%</u>
Liabilities								
Current & other liabilities	330,184	102,586	2,165,423	848,497	2,495,607	951,083	1,544,524	162.40%
Net pension liability	11,892,932	12,240,637	724,226	745,399	12,617,158	12,986,036	(368,878)	-2.84%
Long-term debt	9,157,634	8,592,077	9,378,947	6,700,984	18,536,581	15,293,061	3,243,520	21.21%
Total Liabilities	<u>21,380,750</u>	<u>20,935,300</u>	<u>12,268,596</u>	<u>8,294,880</u>	<u>33,649,346</u>	<u>29,230,180</u>	<u>4,419,166</u>	<u>15.12%</u>
Deferred Inflows	<u>5,134,374</u>	<u>4,263,999</u>	<u>67,243</u>	<u>12,850</u>	<u>5,201,617</u>	<u>4,276,849</u>	<u>924,768</u>	<u>21.62%</u>
Net Position								
Invested in capital assets, net of related debt	21,810,007	22,403,172	6,031,868	4,322,014	27,841,875	26,725,186	1,116,689	4.18%
Restricted	7,940,542	7,426,857	265,713	219,834	8,206,255	7,646,691	559,564	7.32%
Unrestricted	(7,104,603)	(6,120,825)	(1,063,416)	(356,893)	(8,168,019)	(6,477,718)	(1,690,301)	26.09%
Total Net Position	<u>\$ 22,645,946</u>	<u>23,709,204</u>	<u>5,234,165</u>	<u>4,184,955</u>	<u>27,880,111</u>	<u>27,894,159</u>	<u>(14,048)</u>	<u>-0.05%</u>

The City's total assets increased \$5,938,430 during 2017 with business-type activities showing an increase of \$5,112,250 and governmental activities showing an increase of \$826,180.

The City's total liabilities increased \$4,419,166 during 2017 with business-type activities showing an increase of \$3,973,716 and governmental activities showing an increase of \$445,450.

The City's net position decreased \$14,048 for the year ended September 30, 2017.

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (7,104,603)
Less: unrestricted deficit in net position resulting from recognition of GASB 68 & 71	10,868,070
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,763,467</u>

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2017.

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2017	2016	2017	2016	2017	2016		
Program Revenues:								
Charges for services	\$ 1,132,180	1,128,133	4,146,802	4,602,242	5,278,982	5,730,375	(451,393)	-7.88%
Grants and contributions	363,806	251,113	428,992		792,798	251,113	541,685	215.71%
General Revenues:								
Property taxes	4,237,451	3,831,742			4,237,451	3,831,742	405,709	10.59%
Sales and tourism taxes	4,680,136	4,472,436			4,680,136	4,472,436	207,700	4.64%
Other taxes and other	2,369,015	2,503,862	151,090	358,070	2,520,105	2,861,932	(341,827)	-11.94%
Total Revenues	12,782,588	12,187,286	4,726,884	4,960,312	17,509,472	17,147,598	361,874	2.11%
Program Expenses:								
General government	1,748,713	1,866,945			1,748,713	1,866,945	(118,232)	-6.33%
Public safety	4,432,991	3,873,178			4,432,991	3,873,178	559,813	14.45%
Public works	1,354,453	3,374,681			1,354,453	3,374,681	(2,020,228)	-59.86%
Highways and streets	1,583,099	1,336,400			1,583,099	1,336,400	246,699	18.46%
Health and sanitation	596,332	652,090			596,332	652,090	(55,758)	-8.55%
Culture and recreation	970,030	890,284			970,030	890,284	79,746	8.96%
Economic development	1,180,577	1,171,236			1,180,577	1,171,236	9,341	0.80%
Interest on long-term debt	223,554	203,357			223,554	203,357	20,197	9.93%
Pension expense	1,830,558	1,737,166	111,473	105,785	1,942,031	1,842,951	99,080	5.38%
Water and sewer			3,301,527	3,233,812	3,301,527	3,233,812	67,715	2.09%
Sanitation			1,149,802	1,155,719	1,149,802	1,155,719	(5,917)	-0.51%
Total Expenses	13,920,307	15,105,337	4,562,802	4,495,316	18,483,109	19,600,653	(1,117,544)	-5.70%
Increase (Decrease) in Net Position	\$ (1,137,719)	(2,918,051)	164,082	464,996	(973,637)	(2,453,055)	1,479,418	-60.31%

The City's governmental activities continue to be funded by sources other than property taxes, which comprise 33% of the total revenues. The other major revenue sources were sales and tourism taxes 37%, charges for services 9%, and grants and contributions 3%. The major expense activities were public safety, general government, pension expense, highways and streets, public works, and economic development which comprise 32%, 13%, 13%, 11%, 10%, and 8% of total expenses, respectively.

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

FUND FINANCIAL ANALYSIS

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

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

As the year ended, the City's governmental funds reported a combined fund balance of \$10,518,056, an increase of \$901,787, which includes a prior period adjustment of \$55,191.

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

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

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 2017, the City amended its General Fund budget. All recommendations for budget changes come from the City Clerk and are presented to the Mayor and Board of Aldermen for ordinance enactment on the change. The City does not allow budget changes that modify line items with departments without board approval. With the General Fund supporting many of the major activities such as the police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2017, the City had \$46,200,077 invested in a broad range of capital assets, including police and fire equipment, buildings, park and recreation facilities, streets, bridges, and water and sewer lines. This amount represents a net increase (including additions and deductions) of approximately \$4,532,228 from 2016.

The following is a summary of changes in capital assets as of September 30, 2017

	Government Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2017	2016	2017	2016	2017	2016		
Land	\$ 4,605,367	4,605,367	1,259,935	1,259,935	5,865,302	5,865,302	-	0.00%
Construction in progress	839,403	852,876	4,907,424		5,746,827	852,876	4,893,951	573.82%
Infrastructure	14,744,533	13,892,302	8,827,270	9,297,908	23,571,803	23,190,210	381,593	1.65%
Buildings and improvements	8,078,802	8,503,800	100,332	106,371	8,179,134	8,610,171	(431,037)	-5.01%
Equipment and fixtures	2,531,911	2,802,971	305,101	346,319	2,837,012	3,149,290	(312,278)	-9.92%
Totals	\$ 30,800,016	30,657,316	15,400,062	11,010,533	46,200,078	41,667,849	4,532,229	10.88%

Long-term Debt

The following table illustrates the total Long-term Debt of the City as of September 30, 2017:

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2017	2016	2017	2016	2017	2016		
General obligation bonds	\$ 8,760,000	7,855,000			8,760,000	7,855,000	905,000	11.52%
Add: Premiums	2,366				2,366	-	2,366	N/A
Other loans	213,530	329,546	6,765,960	3,888,957	6,979,490	4,218,503	2,760,987	65.45%
Capital leases	14,113	69,598	2,602,234	2,799,562	2,616,347	2,869,160	(252,813)	-8.81%
Compensated absences	167,625	337,933	10,753	12,465	178,378	350,398	(172,020)	-49.09%
Totals	\$ 9,157,634	8,592,077	9,378,947	6,700,984	18,536,581	15,293,061	3,243,520	21.21%

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

**CITY OF CLEVELAND, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget, tax rates, and fees that will be charged for the business-type activities. The total property tax millage rate of 43.50 mills is expected for the following year.

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

City of Cleveland, Mississippi

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 3,816,241	182,902	3,999,143
Accounts receivable	185,041	380,486	565,527
Accrued interest receivable	17,989		17,989
Property tax receivable	3,912,396		3,912,396
Lease receivable	937,381		937,381
Intergovernmental receivable	904,013	191,140	1,095,153
Internal balances	500,000	(500,000)	-
Inventory	72,856	167,975	240,831
Prepaid insurance	4,299		4,299
Restricted assets:			
Cash and cash equivalents	5,881,736	1,117,786	6,999,522
Capital assets, net			
Land and construction in progress	5,444,770	6,167,359	11,612,129
Other capital assets, net	25,355,246	9,232,703	34,587,949
Total Assets	47,031,968	16,940,351	63,972,319
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,129,102	129,653	2,258,755
Total Deferred Outflows of Resources	2,129,102	129,653	2,258,755
LIABILITIES			
Accounts payable and accrued expenses	143,260	1,354,758	1,498,018
Claims and judgments payable	134,268		134,268
Accrued interest payable	52,656	11,274	63,930
Liabilities payable from restricted assets-Customer deposits		299,391	299,391
Long-term liabilities:			
Net pension liability	11,892,932	724,226	12,617,158
Due within one year:			
Capital related debt	1,318,557	600,718	1,919,275
Due in more than one year:			
Capital related debt	7,671,452	8,767,476	16,438,928
Non-capital related debt	167,625	10,753	178,378
Total Liabilities	21,380,750	11,768,596	33,149,346
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,104,240	67,243	1,171,483
Deferred revenues-property tax	3,912,396		3,912,396
Unavailable revenue-interest on capital lease	117,738		117,738
Total Deferred Inflows of Resources	5,134,374	67,243	5,201,617
NET POSITION			
Invested in capital assets, net of related debt	21,810,007	6,031,868	27,841,875
Non-spendable			
Inventories	72,856		72,856
Prepays	4,299		4,299
Internal balances	500,000		500,000
Restricted:			
Home program	3,189		3,189
Public safety	312,190		312,190
Public works	2,871,879	265,713	3,137,592
Health and sanitation	96,686		96,686
Culture and recreation	253,798		253,798
Economic development	2,571,436		2,571,436
Debt service	971,006		971,006
Capital projects	216,499		216,499
Unemployment	66,704		66,704
Unrestricted	(7,104,603)	(1,063,416)	(8,168,019)
Total Net Position	\$ 22,645,946	5,234,165	27,880,111

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

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Change in Net Position		Total
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 1,748,713	201,264		(1,547,449)		(1,547,449)
Public safety	4,432,991	155,286		(4,277,705)		(4,277,705)
Public works	1,354,453	179,255	351,206	(823,992)		(823,992)
Highways and streets	1,583,099			(1,583,099)		(1,583,099)
Health and sanitation	596,332	503,064		(93,268)		(93,268)
Culture and recreation	970,030	82,425		(887,605)		(887,605)
Economic development	1,180,577	10,886	12,600	(1,157,091)		(1,157,091)
Interest on long-term debt	223,554			(223,554)		(223,554)
Pension expense	1,830,558			(1,830,558)		(1,830,558)
Total governmental activities	13,920,307	1,132,180	363,806	(12,424,321)		(12,424,321)
Business-type activities:						
Water and sewer	2,789,164	2,991,672	408,243		610,751	610,751
Sanitation	859,124	1,155,130	20,749		316,755	316,755
Total business-type activities	3,648,288	4,146,802	428,992		927,506	927,506
Total primary government	\$ 17,568,595	5,278,982	792,798	(12,424,321)	927,506	(11,496,815)
General revenues:						
Property taxes				\$ 4,237,451		4,237,451
Sales and tourism tax				4,680,136		4,680,136
Franchise taxes				441,281		441,281
Other taxes				866,062		866,062
Administrative charges				639,000	(639,000)	-
Unrestricted interest income				100,910	8,085	108,995
Other income				213,406	143,005	356,411
Internal service fund				(121,451)		(121,451)
Gain (Loss) on sale of capital assets				(27,458)	(18,249)	(45,707)
Transfers				257,265	(257,265)	-
Total general revenues and transfers				<u>11,286,602</u>	<u>(763,424)</u>	<u>10,523,178</u>
Change in net position				(1,137,719)	164,082	(973,637)
Net Position-Beginning, as previously stated				23,709,204	4,184,955	27,894,159
Prior Period Adjustments				74,461	885,128	959,589
Net Position - beginning, as restated				<u>23,783,665</u>	<u>5,070,083</u>	<u>28,853,748</u>
Net Position, ending				\$ 22,645,946	5,234,165	27,880,111

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

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2017

	Major Funds		
	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund
ASSETS			
Cash and cash equivalents	\$ 2,588,459		
Receivables:			
Accounts	34,436		
Property taxes	2,338,443		1,214,192
Franchise fee	89,789		
Intergovernmental	591,422	143,184	14,041
Advances to other funds	500,000	84,624	
Lease receivable, current			
Inventory	72,856		
Prepaid insurance	4,299		
Restricted assets - cash		56,249	567,133
Lease receivable, non-current			
Total Assets	<u>6,219,704</u>	<u>284,057</u>	<u>1,795,366</u>
LIABILITIES			
Accounts payable	86,346	2,376	
Advances from other funds			
Total Liabilities	<u>86,346</u>	<u>2,376</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue-property taxes	2,338,443		1,214,192
Unavailable revenue-lease payments			
Total Deferred Inflows of Resources	<u>2,338,443</u>	<u>-</u>	<u>1,214,192</u>
FUND BALANCES			
Non-spendable:			
Inventories	72,856		
Prepaid insurance	4,299		
Advances	500,000	84,624	
Restricted for:			
Home program			
Economic development		197,057	
Culture and recreation			
Debt service			581,174
Health and sanitation			
Public safety			
Public works			
Unemployment			
Capital improvement			
Assigned:			
Public safety			
Unassigned	3,217,760		
Total Fund Balances	<u>3,794,915</u>	<u>281,681</u>	<u>581,174</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,219,704</u>	<u>284,057</u>	<u>1,795,366</u>

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

CITY OF CLEVELAND, MISSISSIPPI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2017

Major Funds					
Baxter Bond Fund	Public Improvement Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
				585,728	3,174,187
					34,436
				359,761	3,912,396
					89,789
				155,366	904,013
		178,032			762,656
92,569			225,650		318,219
					72,856
					4,299
1,453	2,886,819	1,995,771	126,741	247,570	5,881,736
393,512			225,650		619,162
<u>487,534</u>	<u>2,886,819</u>	<u>2,173,803</u>	<u>578,041</u>	<u>1,348,425</u>	<u>15,773,749</u>
	14,940			39,598	143,260
			262,656		262,656
-	<u>14,940</u>	-	<u>262,656</u>	<u>39,598</u>	<u>405,916</u>
				359,761	3,912,396
486,081			451,300		937,381
<u>486,081</u>	-	-	<u>451,300</u>	<u>359,761</u>	<u>4,849,777</u>
					72,856
					4,299
		178,032			762,656
				3,189	3,189
		1,995,771			2,192,828
				253,798	253,798
1,453					582,627
				96,686	96,686
				173,413	173,413
	2,871,879				2,871,879
				66,704	66,704
				216,499	216,499
				138,777	138,777
			(135,915)		3,081,845
<u>1,453</u>	<u>2,871,879</u>	<u>2,173,803</u>	<u>(135,915)</u>	<u>949,066</u>	<u>10,518,056</u>
<u>487,534</u>	<u>2,886,819</u>	<u>2,173,803</u>	<u>578,041</u>	<u>1,348,425</u>	<u>15,773,749</u>

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

CITY OF CLEVELAND, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2017

	Amount
Total fund balance - Governmental Funds	\$ 10,518,056
Amounts reported for governmental services in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$18,102,146.	30,800,016
Accrued interest receivable is not available in the current period and, therefore, is not reported in the funds.	17,989
Capital leases are not available to pay for current period expenditures and, therefore, are not reported in the funds.	819,643
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,157,634)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(52,656)
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(11,892,932)
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions	2,129,102
Deferred inflows of resources related to pensions	(1,104,240)
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.	568,602
Total Net Position - Governmental Activities	\$ 22,645,946

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

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	Major Funds		
	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund
REVENUES:			
Taxes	\$ 2,564,360		1,289,479
Licenses and permits	51,602		
Intergovernmental:			
Federal grants			
State of Mississippi:			
Grants			
General sales tax	3,806,404		
Tourism tax		873,732	
Liquor Licenses	16,825		
Gasoline tax	16,089		
Fire protection			
Homestead reimbursement	112,460		58,393
Grand gulf	126,012		
Other state revenue	38,006		
Bolivar County:			
Road maintenance	391,458		
Privilege tax	58,464		
Animal shelter			
Charges for services	722,177		
Franchise tax	441,281		
Fines and forfeitures	124,296		
Interest income	19,750	210	3,426
Plant and airport rentals			
Miscellaneous	150,850	12,686	
Total revenues:	<u>8,640,034</u>	<u>886,628</u>	<u>1,351,298</u>
EXPENDITURES:			
General government	1,761,289		12,937
Public safety	4,757,253		
Public works	695,541		
Highways and streets	1,212,049		
Health and sanitation	445,860		
Culture and recreation			
Economic development		978,995	
Debt service:			
Principal paid	55,485		1,020,000
Interest & fees paid	1,233		169,170
Total expenditures	<u>8,928,710</u>	<u>978,995</u>	<u>1,202,107</u>
Excess of Revenues over (under) Expenditures	<u>(288,676)</u>	<u>(92,367)</u>	<u>149,191</u>
OTHER FINANCING SOURCES (USES):			
Administrative charge revenue	639,000		
Proceeds from sale of capital assets	45,000		
Bond premium			
Long-term capital debt issued			
Lease principal payments			
Transfers in	463,490		
Transfers out	(818,489)	(14,332)	
Net other financing sources (uses)	<u>329,001</u>	<u>(14,332)</u>	<u>-</u>
Net change in fund balances	<u>40,325</u>	<u>(106,699)</u>	<u>149,191</u>
Fund balances , beginning as previously reported	3,704,465	388,380	426,983
Prior period adjustment	50,191	-	5,000
Fund balances - beginning, as restated	<u>3,754,656</u>	<u>388,380</u>	<u>431,983</u>
Increase (decrease) in reserve for inventory	(66)		
Fund balance, ending	<u>\$ 3,794,915</u>	<u>281,681</u>	<u>581,174</u>

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

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

Major Funds					
Baxter	Public	Economic	Special	Non-Major	Total
Bond	Improvement	Development	Industrial	Governmental	Governmental
Fund	Bond Fund	Revolving Fund	Project Fund	Funds	Funds
				383,612	4,237,451
					51,602
				163,806	163,806
				200,000	200,000
					3,806,404
					873,732
					16,825
					16,089
				69,059	69,059
				17,302	188,155
					126,012
					38,006
					391,458
					58,464
				50,000	50,000
				96,275	818,452
					441,281
				1,114	125,410
19,889	22,740	14,496	10,757	9,954	101,222
				75,830	75,830
				22,750	186,286
<u>19,889</u>	<u>22,740</u>	<u>14,496</u>	<u>10,757</u>	<u>1,089,702</u>	<u>12,035,544</u>
	28,189			6,510	1,808,925
	136,433			28,933	4,922,619
	716,774			424,183	1,836,498
	394,652				1,606,701
				163,531	609,391
	83,249			887,943	971,192
	95,000			114,425	1,188,420
75,000			116,016		1,266,501
29,250			8,287		207,940
<u>104,250</u>	<u>1,454,297</u>	<u>-</u>	<u>124,303</u>	<u>1,625,525</u>	<u>14,418,187</u>
<u>(84,361)</u>	<u>(1,431,557)</u>	<u>14,496</u>	<u>(113,546)</u>	<u>(535,823)</u>	<u>(2,382,643)</u>
					639,000
					45,000
	2,514				2,514
	2,000,000				2,000,000
70,037			215,489		285,526
14,332	157,264			455,000	1,090,086
					(832,821)
<u>84,369</u>	<u>2,159,778</u>	<u>-</u>	<u>215,489</u>	<u>455,000</u>	<u>3,229,305</u>
8	728,221	14,496	101,943	(80,823)	846,662
1,445	2,143,658	2,159,307	(237,858)	1,029,889	9,616,269
					55,191
<u>1,445</u>	<u>2,143,658</u>	<u>2,159,307</u>	<u>(237,858)</u>	<u>1,029,889</u>	<u>9,671,460</u>
					(66)
<u>1,453</u>	<u>2,871,879</u>	<u>2,173,803</u>	<u>(135,915)</u>	<u>949,066</u>	<u>10,518,056</u>

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

CITY OF CLEVELAND, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 846,662
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,812,687 exceeded depreciation of \$1,616,799 in the current period.	195,888
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost	(72,458)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$2,000,000 exceeded debt repayments of \$1,266,501.	(733,499)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Principal payments received on capital leases receivable	(285,526)
Change in compensated absences	170,308
Change in accrued interest payable	(15,762)
Change in accrued interest receivable	(312)
Change in bond premium	(2,366)
	(133,658)
Items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recognition of pension expense for the current year	(1,830,558)
Recognition of contributions made	711,421
An internal service fund is used by management to account for employee health insurance. The net expense is reported within governmental activities.	(121,451)
Change in inventory	(66)
Change in Net Position of Governmental Activities	\$ (1,137,719)

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

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
September 30, 2017

	Business-Type Activities			Governmental
	Enterprise Fund Water & Sewer Fund	Non-Major Sanitation Fund	Enterprise Funds Total	Activity Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$	182,902	182,902	642,054
Accounts receivable (net of allowance for uncollectibles of \$196,848)		272,231	108,255	380,486
Intergovernmental receivables		189,050	2,090	191,140
Inventory		140,164	27,811	167,975
Total Current Assets		601,445	321,058	922,503
Non-current assets:				
Restricted assets - cash		1,117,786		1,117,786
Capital assets:				
Land and construction in progress		6,167,359		6,167,359
Other capital assets, net		9,232,703		9,232,703
Total Non-Current Assets		16,517,848	-	16,517,848
Total Assets		17,119,293	321,058	17,440,351
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions		118,811	10,842	129,653
Total Deferred Outflows of Resources		118,811	10,842	129,653
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses		1,354,758		1,354,758
Claims and judgements payable				134,268
Advances from other funds		500,000		500,000
Accrued interest payable		11,274		11,274
Current portion obligations under capital lease		203,237		203,237
Current portion of long-term debt		397,481		397,481
Total Current Liabilities		2,466,750	-	2,466,750
Non-current liabilities:				
Liabilities payable from restricted assets:				
Customer deposits		299,391		299,391
Net pension liability		663,663	60,563	724,226
Capital debt:				
Notes payable		6,368,479		6,368,479
Capital leases payable		2,398,997		2,398,997
Non-capital debt:				
Compensated absences		10,753		10,753
Total Non-Current Liabilities		9,741,283	60,563	9,801,846
Total Liabilities		12,208,033	60,563	12,268,596
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions		61,619	5,624	67,243
Total Deferred Inflows of Resources		61,619	5,624	67,243
NET POSITION				
Invested in capital assets, net of related debt		6,031,868		6,031,868
Restricted:				
Public works			265,713	265,713
Unrestricted		(1,063,416)		(1,063,416)
Total Net Position	\$	4,968,452	265,713	5,234,165

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

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
For the Year Ended September 30, 2017

	Business-Type Activities			Governmental Activity Internal Service Fund
	Enterprise Fund Water & Sewer Fund	Non-Major Sanitation Fund	Enterprise Funds Total	
OPERATING REVENUES:				
Charges for services:				
Water sales	\$ 1,595,741		1,595,741	
Sewer sales	1,395,931		1,395,931	
Sanitation fees		1,155,130	1,155,130	
Premiums				775,878
Reinsurance reimbursement				109,509
Other Fees	115,154	27,851	143,005	
Total Operating Revenues	<u>3,106,826</u>	<u>1,182,981</u>	<u>4,289,807</u>	<u>885,387</u>
OPERATING EXPENSES:				
Personal services	293,902	30,765	324,667	
Contractual services	1,605,393	775,112	2,380,505	
Consumable supplies	92,148	43,925	136,073	
Depreciation expense	542,314		542,314	
Pension expense	102,151	9,322	111,473	
Administrative fees	439,000	200,000	639,000	42,211
Health claim payments				680,152
Reinsurance premiums				272,623
Life insurance premiums				17,200
Total Operating Expenses	<u>3,074,908</u>	<u>1,059,124</u>	<u>4,134,032</u>	<u>1,012,186</u>
Operating Income (Loss)	<u>31,918</u>	<u>123,857</u>	<u>155,775</u>	<u>(126,799)</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental grants	408,243	20,749	428,992	5,348
Interest income	6,812	1,273	8,085	
Interest expenses	(153,256)		(153,256)	
Loss on disposal of equipment	(18,249)		(18,249)	
Total Non-operating Revenues (Expenses)	<u>243,550</u>	<u>22,022</u>	<u>265,572</u>	<u>5,348</u>
Net Income (Loss) Before Operating Transfers	<u>275,468</u>	<u>145,879</u>	<u>421,347</u>	<u>(121,451)</u>
OPERATING TRANSFERS:				
Operating Transfers in	463,489		463,489	
Operating Transfers out	(620,754)	(100,000)	(720,754)	
Net Operating Transfers	<u>(157,265)</u>	<u>(100,000)</u>	<u>(257,265)</u>	<u>-</u>
Change in Net Position	<u>118,203</u>	<u>45,879</u>	<u>164,082</u>	<u>(121,451)</u>
Net Position - Beginning, as previously stated	3,965,121	219,834	4,184,955	690,053
Prior period adjustment	885,128	-	885,128	
Net Position - Beginning, as restated	<u>4,850,249</u>	<u>219,834</u>	<u>5,070,083</u>	<u>690,053</u>
Net Position - Ending	<u>\$ 4,968,452</u>	<u>265,713</u>	<u>5,234,165</u>	<u>568,602</u>

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

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For the Year Ended September 30, 2017

	Business-Type Activities		Governmental
	Enterprise Fund	Non-Major	Activity
	Water & Sewer	Sanitation	Internal Service
	Fund	Fund	Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 3,049,429	1,168,184	
Receipts from internal services			840,609
Payments to employees for services	(335,314)	(34,388)	
Payments to suppliers for goods and services	(1,821,426)	(804,081)	
Payments for administrative fees	(439,000)	(200,000)	(42,211)
Payments for health claims			(562,721)
Payments for premiums			(289,823)
Net Cash Provided (Used) by Operating Activities	453,689	129,715	(54,146)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers, net	(157,265)	(100,000)	
Other receipts	197,040	1,273	5,348
Net Cash Provided (Used) by Noncapital Financing Activities	39,775	(98,727)	5,348
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of property and equipment	(2,662,057)		
Capital grants received	219,193	20,749	
Additions to long-term debt	3,266,808		
Principal payments on long-term debt	(587,133)		
Interest paid on bonds, loans and capital leases	(154,408)		
Net Cash Provided (Used) by Capital and Related Financing Activities	82,403	20,749	-
Net Increase (Decrease) in Cash and Cash Equivalents	575,867	51,737	(48,798)
Cash and Cash Equivalents, October 1	592,110	131,165	690,852
Adjustment to beginning of year cash due to prior period adjustment	(50,191)		
Cash and Cash Equivalents, September 30	\$ 1,117,786	182,902	642,054
RECONCILIATION OF OPERATING INCOME TO NET			
CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 31,918	123,857	(126,799)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	542,314		
Pension expense	62,461	5,700	
(Increase) decrease in accounts receivable	57,757	(13,532)	(44,779)
(Increase) decrease in intergovernmental receivable	(189,050)	(1,266)	
(Increase) decrease in inventories	(14,173)	14,956	
Increase (decrease) in accounts payable and accrued expenses	(38,567)		117,432
Increase (decrease) in accrued interest payable	(1,189)		
Increase (decrease) in customer deposits	3,930		
Increase (decrease) in compensated absences	(1,712)		
Total adjustments	421,771	5,858	72,653
Net Cash Provided (Used) by Operating Activities	\$ 453,689	129,715	(54,146)

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

CITY OF CLEVELAND, MISSISSIPPI
STATEMENT FIDUCIARY ASSETS AND LIABILITIES
September 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 3,545
	<hr/>
Total Assets	<u><u>3,545</u></u>
LIABILITIES	
Intergovernmental payables	3,545
	<hr/>
Total Liabilities	<u><u>\$ 3,545</u></u>

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Robinson Carpenter Memorial Library - The City has a joint interest with Bolivar County, which is the primary oversight agency of the library. The City currently levies a 2.00 mill tax to support the library. This tax levy is remitted to the library monthly as it is collected.

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

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

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

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

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

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

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

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

The City reports the following proprietary funds:

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

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

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

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

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

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

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

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

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

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

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

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

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

I. Fund Equity

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

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

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

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

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

L. Risk Management – The City carries commercial insurance with respect to risks including, but not limited to, property damage and personal injury. Insurance coverage remains relatively constant, and settlement amounts have not exceeded insurance coverage for the current year or the prior three years.

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

N. Property Taxes – Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. The Bolivar County Tax Collector bills and collects taxes for the City. The millage rate for the City for the 2017 tax roll was 43.5 mills as: 26.0 mills for the general fund, 13.50 mills for the debt service fund, 2.00 mills for library maintenance, and 2.00 mills for park maintenance.

O. Changes in Accounting Standards – The City implemented the following standards issued by the Governmental accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The Provisions of these standards have been incorporated into the financial statements and notes; however, no disclosure for Statement No. 77 is required for the current fiscal year.

NOTE 2: BUDGET POLICY

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

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

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

NOTE 3: PRIOR PERIOD ADJUSTMENT

A summary of significant equity adjustments are as follows:

Statement of Activities:

Governmental Activities	
To correct prior year error.	\$ 5,000
To reclass prior year expense applicable to waste water treatment plant.	50,191
To correct capital assets.	19,270
Total Governmental Activities	<u>74,461</u>
Business-Type Activities	
To reclass prior year expense applicable to waste water treatment plant.	(50,191)
To capitalize construction in progress expensed in prior years.	933,416
To correct capital assets.	1,903
Total Business-Type Activities	<u>885,128</u>
Total Statement of Activities	<u>\$ 959,589</u>

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

General Fund	
To reclass prior year expense applicable to waste water treatment plant.	\$ 50,191
General Bond and Interest Fund	
To correct prior year error.	5,000
Total Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 55,191</u>

Statement of Revenues, Expenses and Changes in Net Position:

Water and Sewer Fund	
To reclass prior year expense applicable to waste water treatment plant.	\$ (50,191)
To capitalize construction in progress expensed in prior years.	933,416
To correct capital assets.	1,903
Total Statement of Revenues, Expenses and Changes in Net Position	<u>\$ 885,128</u>

NOTE 4: DEPOSITS

The carrying amount of the City’s total deposits with financial institutions at September 30, 2017 was \$10,998,665 and the bank balance was \$11,690,507. 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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

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. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

NOTE 5: INTER-FUND TRANSACTIONS AND BALANCES

The following is a summary of inter-fund balances at September 30, 2017:

A. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 500,000
Economic Development and Tourism Fund	Special Industrial Project Fund	84,624
Economic Development Revolving Fund	Special Industrial Project Fund	178,032
Total		\$ 762,656

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

B. Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Water and Sewer Fund	\$ 463,490
Baxter Bond Fund	Economic Development and Tourism Fund	14,332
Public Improvement Bond Fund	Water and Sewer Fund	157,264
Other Governmental Funds	General Fund	355,000
Other Governmental Funds	Sanitation Fund	100,000
Water and Sewer Fund	General Fund	463,489
Total		\$ 1,553,575

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 6: RECEIVABLES AND UNCOLLECTIBLES

Governmental Activities

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

Receivables at September 30, 2017 include the following:

Governmental Activities

Accounts receivable	
Mosquito fees	\$ 34,436
Intergovernmental receivables	
Taxes	752,807
Federal grants	151,206
Franchise fee	89,789
Property taxes	3,912,396
Total Governmental Activities Receivables	<u>\$ 4,940,634</u>

Business-Type Activities

Accounts receivable	
Water & Sewer Fund (net of allowance for uncollectibles of \$170,074)	\$ 272,231
Sanitation Fund (net of allowance for uncollectibles of \$26,774)	108,255
Intergovernmental receivables	
Federal grants	189,050
Franchise fee	2,090
Total Business-Type Activities Receivables	<u>\$ 571,626</u>

NOTE 7: RESTRICTED ASSETS

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

The following is a summary of restricted assets as of September 30, 2017:

Economic Development and Tourism Fund	\$ 56,249
General Bond and Interest Fund	567,133
Baxter Bond Fund	1,453
Public Improvement Bond Fund	2,886,819
Economic Development Revolving Fund	1,995,771
Special Industrial Project Fund	126,741
Other Governmental Funds	247,570
Water and Sewer Fund	1,117,786
Total	<u>\$ 6,999,522</u>

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 8: CAPITAL ASSETS

The following is a summary of capital assets activity for the year ended September 30, 2017:

	<u>Balance</u> <u>Oct. 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2017</u>
Governmental Activities					
Non-depreciable capital assets:					
Land	\$ 4,605,367				4,605,367
Construction in progress	852,876	1,344,154		(1,357,627)	839,403
Total non-depreciable capital assets	<u>5,458,243</u>	<u>1,344,154</u>	<u>-</u>	<u>(1,357,627)</u>	<u>5,444,770</u>
Depreciable capital assets:					
Infrastructure	21,206,080			1,357,627	22,563,707
Buildings & Improvements	12,853,246				12,853,246
Equipment & fixtures	8,450,341	468,533	715,260	(163,175)	8,040,439
Total depreciable capital assets	<u>42,509,667</u>	<u>468,533</u>	<u>715,260</u>	<u>1,194,452</u>	<u>43,457,392</u>
Less accumulated depreciation for:					
Infrastructure	7,313,778	509,069		(3,673)	7,819,174
Buildings & Improvements	4,349,446	425,239		(241)	4,774,444
Equipment & fixtures	5,647,370	682,491	642,802	(178,531)	5,508,528
Total accumulated depreciation	<u>17,310,594</u>	<u>1,616,799</u>	<u>642,802</u>	<u>(182,445)</u>	<u>18,102,146</u>
Depreciable capital assets, net	<u>25,199,073</u>	<u>(1,148,266)</u>	<u>72,458</u>	<u>1,376,897</u>	<u>25,355,246</u>
Capital assets, net	<u>\$ 30,657,316</u>	<u>195,888</u>	<u>72,458</u>	<u>19,270</u>	<u>30,800,016</u>
Business-Type Activities					
Non-depreciable capital assets:					
Land	\$ 1,259,935				1,259,935
Construction in progress		3,974,008		933,416	4,907,424
Total non-depreciable capital assets	<u>1,259,935</u>	<u>3,974,008</u>	<u>-</u>	<u>933,416</u>	<u>6,167,359</u>
Depreciable capital assets:					
Infrastructure	32,784,276				32,784,276
Buildings & Improvements	301,983				301,983
Equipment & fixtures	1,364,353	40,765	44,382	16,852	1,377,588
Total depreciable capital assets	<u>34,450,612</u>	<u>40,765</u>	<u>44,382</u>	<u>16,852</u>	<u>34,463,847</u>
Less accumulated depreciation for:					
Infrastructure	23,486,368	470,638			23,957,006
Buildings & Improvements	195,612	6,039			201,651
Equipment & fixtures	1,018,034	65,637	26,133	14,949	1,072,487
Total accumulated depreciation	<u>24,700,014</u>	<u>542,314</u>	<u>26,133</u>	<u>14,949</u>	<u>25,231,144</u>
Depreciable capital assets, net	<u>9,750,598</u>	<u>(501,549)</u>	<u>18,249</u>	<u>1,903</u>	<u>9,232,703</u>
Capital assets, net	<u>\$ 11,010,533</u>	<u>3,472,459</u>	<u>18,249</u>	<u>935,319</u>	<u>15,400,062</u>

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

Governmental Activities	<u>Amount</u>
General government	\$ 7,931
Public safety	402,565
Public works	679,513
Highway and streets	371,880
Health and sanitation	5,902
Culture and recreation	129,545
Economic Development	19,463
Total governmental activities	<u>\$ 1,616,799</u>
Business-Type Activities	
Water and sewer	<u>\$ 542,314</u>

NOTE 9: CLAIMS AND JUDGMENTS

RISK MANAGEMENT

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

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

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

	<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>
2015-2016	\$ 25,145	459,599	467,908	16,836
2016-2017	16,836	680,152	562,720	134,268

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10: OPERATING LEASES

As Lessor:

The City receives income from property it leases under non-cancellable operating leases. The leased property consists of newly constructed hangars at the airport. The leases began in 2013 and will continue for a period of twenty-five years. The City receives income from property it leases under non-cancellable operating leases. Total income from such leases was \$75,830 for the year ended September 30, 2017. The future minimum lease receivable for these leases are as follows:

Year Ending September 30:	Amount
2018	\$ 20,319
2019	20,444
2020	20,444
2021	20,744
2022	20,969
2023-2027	108,965
2028-2032	115,009
2033-2037	121,053
2038-2042	93,322
2043-2047	72,525
2048-2053	23,400
Total	\$ 637,194

NOTE 11: CAPITAL LEASES

As Lessor:

Faurecia Automotive Seating, Inc. – On June 4, 2004, the City entered into a capital lease-sale with Faurecia Automotive Seating, Inc., for land and a 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, 2017 was:

Year Ending September 30:	Principal	Interest	Total
2018	\$ 218,824	6,826	225,650
2019	222,211	3,439	225,650
Total	\$ 441,035	10,265	451,300

CITY OF CLEVELAND, MISSISSIPPI
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Baxter Healthcare Corporation –The City of Cleveland entered into an agreement with Baxter Healthcare Corporation (Baxter), the Mississippi Major Economic Impact Authority (MMEIA), and the Bolivar County Board of Supervisors. The agreement provides for major capital improvements to Baxter’s manufacturing facilities located within the City of Cleveland. MMEIA was authorized by the Legislature of the State of Mississippi to issue Impact Bonds totaling twenty-four million dollars (\$24,000,000). Of this amount eighteen million dollars (\$18,000,000) was to be loaned directly to Baxter from MMEIA. The remainder of six million dollars (\$6,000,000) was provided in the form of a grant from MMEIA to the City of Cleveland for use in Baxter’s improvements. In addition, the City of Cleveland issued bonds for one million thirty-five thousand dollars (\$1,035,000) and Bolivar County issued bonds for one million thirty-five thousand dollars (\$1,035,000) for the construction project. Baxter executed a lease agreement with the City and County to assist with the repayment of the bonds (\$1,035,000 each) issued by the City and County. The term of the lease is for fifteen years. The first lease payment was due November 1, 2007. The total lease payments are being remitted to the City of Cleveland. The City will pay to the County one-half of each lease payment received to assist with the repayment of the County’s bonds. Lease payments are scheduled for November 1 and May 1 of each year. The payments are varied in amounts over the fifteen year term. The lessee has the option to purchase the improvements during the lease. Minimum lease payments receivable at September 30, 2017 was:

Year Ending September 30:	Principal	Interest	Total
2018	\$ 72,102	20,467	92,569
2019	74,042	21,018	95,060
2020	75,849	21,531	97,380
2021	77,528	22,007	99,535
2022	79,087	22,450	101,537
Total	<u>\$ 378,608</u>	<u>107,473</u>	<u>486,081</u>

As Lessee:

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

<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
Less: Accumulated depreciation	(69,086)	(429,799)
Leased Property Under Capital Leases	<u>\$ 170,509</u>	<u>2,928,003</u>

The following is a schedule by years of the total payments due as of September 30, 2017:

Year Ending September 30:	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 14,113	65	203,237	74,815
2019			209,322	68,729
2020			215,590	62,462
2021			222,045	56,006
2022			228,694	49,358
2023-2027			1,250,378	139,881
2028			272,969	5,083
Total	<u>\$ 14,113</u>	<u>65</u>	<u>2,602,235</u>	<u>456,334</u>

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NOTE 12: DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

Contributions. At September 30, 2017, PERS members are required to contribute 9.00% of their annual covered salary, the City of Cleveland is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the fiscal years ending September 30, 2017, 2016 and 2015 were \$754,743, \$733,580, and \$701,340, respectively, equal to the required contribution for each year.

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

At September 30, 2017, the City reported a liability of \$12,617,158 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net

CITY OF CLEVELAND, MISSISSIPPI
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pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2017 net pension liability was 0.0759 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.0032 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the City recognized pension expense of \$1,942,031. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 172,114	92,064
Net difference between projected and actual earnings on investments	1,087,543	974,870
Changes of assumptions	260,693	20,593
Changes in the proportion and differences between City contributions and proportionate share contributions	555,615	83,956
City Contributions subsequent to the measurement date	182,790	
Total	\$ 2,258,755	1,171,483

\$182,790 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	Amount
2018	\$ 695,092
2019	390,622
2020	62,487
2021	(243,719)
Total	\$ 904,482

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Health Annuitant Blue Collar Table projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.50
Cash	1.00	-
	<u>100.00 %</u>	

Discount rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75 percent) or 1 - percentage point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Net Pension Liability	\$ 16,548,242	12,617,158	9,353,500

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13: 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, 2017 is approximately:

<u>15% Limit</u>	<u>20% Limit</u>
\$ 4,706,231	9,194,975

CITY OF CLEVELAND, MISSISSIPPI
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Debt outstanding as of September 30, 2017, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
General Obligation	\$ 450,000	6.00-8.50%	3/1/17
Public Improvement	420,000	2.50-3.50%	3/1/20
Public Improvement	460,000	2.25-3.125%	3/1/21
Public Improvement	700,000	1.50-2.125%	3/1/22
Public Improvement	780,000	1.50-2.00%	3/1/23
Public Improvement	1,035,000	2.00-2.60%	3/1/24
Public Improvement	1,160,000	1.75-2.25%	8/1/25
Public Improvement	1,755,000	2.00%	2/1/26
Public Improvement	2,000,000	2.00-2.50%	3/1/27
Total General Obligation Bonds	<u>\$ 8,760,000</u>		
B. Other Loans			
State of Mississippi (MDA Faurecia - City)	\$ 106,765	3.00%	6/1/23
State of Mississippi (MDA Faurecia - County)	106,765	3.00%	6/1/23
Total Other Loans	<u>\$ 213,530</u>		
C. Capital Leases:			
Street Sweeper Lease	\$ 14,113	2.75%	12/10/17
Total Capital Leases	<u>\$ 14,113</u>		
Business-Type Activities:			
A. Other Loans			
State of Mississippi (MDEQ #1)	\$ 624,212	1.75%	6/1/23
State of Mississippi (MDEQ #2)	614,573	1.75%	9/1/24
State of Mississippi (MDEQ #3)	572,820	1.75%	1/1/26
State of Mississippi (MDEQ #4)	917,987	2.50%	4/1/27
State of Mississippi (MDEQ #5)	769,560	2.50%	8/25/32
State of Mississippi (MDEQ #6)	3,266,808		
Total Other Loans	<u>\$ 6,765,960</u>		
B. Capital Leases:			
Siemens Public, Inc.	\$ 2,602,234	2.96%	8/21/28
Total Capital Leases	<u>\$ 2,602,234</u>		

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The annual debt service requirements of long-term debt as of September 30, 2017 are as follows:

Governmental Activities:

Year Ending September 30:	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2018	\$ 1,185,000	212,420	119,544	4,758
2019	1,235,000	154,529	93,986	1,192
2020	1,265,000	126,669		
2021	1,160,000	97,119		
2022	1,075,000	71,562		
2023-2026	2,840,000	121,563		
Totals	\$ 8,760,000	783,862	213,530	5,950

Business-Type Activities:

Year Ending September 30:	Other Loans	
	Principal	Interest
2018	\$ 397,481	66,009
2019	405,312	58,178
2020	413,300	50,189
2021	421,450	42,039
2022	429,765	33,724
2023-2027	1,317,234	65,461
2028-2029	114,610	1,679
Totals	\$ 3,499,152	317,279

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

	Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amount due within one year
Governmental Activities:					
General obligation bonds	\$ 7,855,000	2,000,000	1,095,000	8,760,000	1,185,000
Add: bond premium		2,514	148	2,366	
Other Loans	329,546		116,016	213,530	119,444
Capital leases	69,598		55,485	14,113	14,113
Compensated absences	337,933		170,308	167,625	
Total	\$ 8,592,077	2,002,514	1,436,957	9,157,634	1,318,557
Business-Type Activities:					
Other Loans	\$ 3,888,957	3,266,808	389,805	6,765,960	397,481
Capital leases	2,799,562		197,328	2,602,234	203,237
Compensated absences	12,465		1,712	10,753	
Total	\$ 6,700,984	3,266,808	588,845	9,378,947	600,718

The City's General Bond and Interest Fund liquidates the debt on public improvement bonds. The Baxter Bond Fund pays the general obligation indebtedness for the Baxter bond issue. The Special Industrial Project Fund liquidates the notes to State of MS on the Faurecia project. The Water and Sewer Fund liquidates the business-type activities indebtedness. The compensated absences will be paid from the fund in which the employees'

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salaries were paid, which are generally the General Fund, Non-Major Governmental Funds, and the Water and Sewer Fund.

NOTE 14: DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

At September 30, 2017, the Special Industrial Project Fund reported a deficit fund balance of \$135,915.

NOTE 15: COMMITMENTS AND CONTINGENCIES

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

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

NOTE 16: EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' unrestricted net position amount of (\$7,104,603) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$172,298 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$1,956,804 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next four years. The \$1,104,240 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next four years.

The governmental activities' unrestricted net position amount of (\$7,104,603) includes the effect of deferring the recognition of revenue resulting from capital leases receivable. The \$117,738 balance of deferred inflows of resources at September 30, 2017, will be recognized as revenue and will increase the unrestricted net position over the next five years.

The business-type activities' unrestricted net position amount of (\$1,063,416) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$10,492 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$119,161 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next four years. The \$67,243 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next four years.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 17: SOLID WASTE DISPOSAL

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

NOTE 18: SUBSEQUENT EVENTS

Events that occurred after the statement of assets, liabilities and net position, modified cash basis, date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the City of Cleveland evaluated the activity of the City through June 22, 2018 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2017, the City of Cleveland, Mississippi, has acquired the following debt:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>
3/1/18	2.50%	\$ 1,500,000	Public Improvement General Obligation Bond

City of Cleveland, Mississippi

Required Supplemental Information

CITY OF CLEVELAND, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) – GENERAL FUND
For the Year Ended September 30, 2017

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP</u>	<u>Favorable</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
REVENUES:				
Ad Valorem Taxes	\$ 2,563,478	2,565,326	2,565,326	-
Licenses, Permits & Franchise Fees	656,000	51,602	51,602	-
Grants & Intergovernmental	4,063,979	4,465,274	4,465,274	-
Fines and Forfeits	190,000	124,296	124,296	-
Charges for Services	533,000	725,363	725,363	-
Miscellaneous Revenues	80,840	266,588	266,588	-
Total Revenues	8,087,297	8,198,449	8,198,449	-
EXPENDITURES:				
General Government				
Supervision, Finance, and Other	1,476,402	1,369,873	1,369,873	-
Municipal Court	385,184	360,389	360,389	-
Total general government	<u>1,861,586</u>	<u>1,730,262</u>	<u>1,730,262</u>	<u>-</u>
Public Safety				
Police Department	3,840,454	3,828,212	3,828,212	-
Fire Department	465,643	433,416	433,416	-
Total Public Safety	<u>4,306,097</u>	<u>4,261,628</u>	<u>4,261,628</u>	<u>-</u>
Public Works				
Code Compliance	525,336	486,495	486,495	-
Cemetery	157,584	148,405	148,405	-
Airport	232,028	215,198	215,198	-
Groundskeeper	245,766	215,004	215,004	-
Shop Department	120,390	120,261	120,261	-
Total Public Works	<u>1,281,104</u>	<u>1,185,363</u>	<u>1,185,363</u>	<u>-</u>
Highways and Streets				
Street Department	1,577,581	1,259,637	1,259,637	-
Total Highways and Streets	<u>1,577,581</u>	<u>1,259,637</u>	<u>1,259,637</u>	<u>-</u>
Health and Sanitation				
Mosquito Control	435,860	445,860	445,860	-
Total Health and Sanitation	<u>435,860</u>	<u>445,860</u>	<u>445,860</u>	<u>-</u>
Total Expenditures	9,462,228	8,882,750	8,882,750	
Excess of Revenues over (under) Expenditures	<u>(1,374,931)</u>	<u>(684,301)</u>	<u>(684,301)</u>	
OTHER FINANCING SOURCES (USES)				
Administrative fees	639,000	639,000	639,000	-
Transfers in	463,490	463,490	463,490	-
Transfers out	(355,000)	(818,489)	(818,489)	-
Total other financing sources (uses)	<u>747,490</u>	<u>284,001</u>	<u>284,001</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (627,441)</u>	<u>(400,300)</u>	<u>(400,300)</u>	<u>-</u>

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

CITY OF CLEVELAND, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) – ECONOMIC DEVELOPMENT AND TOURISM FUND
For the Year Ended September 30, 2017

	<u>Budgeted Amount</u>		<u>Actual Non-GAAP Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Tourism taxes	\$ 800,000	861,923	861,923	-
Donations and gift shop sales	500	10,886	10,886	-
Miscellaneous revenues	1,500	2,010	2,010	-
Total Revenues	802,000	874,819	874,819	-
EXPENDITURES:				
Economic Development				
All Departments	794,832	806,561	806,561	-
Railroad Heritage Museum	184,180	173,086	173,086	-
Total Expenditures	979,012	979,647	979,647	-
Excess of Revenues over (under) Expenditures	(177,012)	(104,828)	(104,828)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	32,937	32,937	32,937	-
Transfers out	-	(14,332)	(14,332)	-
Total other financing sources (uses)	32,937	18,605	18,605	-
Net Change in Fund Balance	\$ (144,075)	(86,223)	(86,223)	-

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

CITY OF CLEVELAND, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) – PUBLIC IMPROVEMENT BOND FUND
For the Year Ended September 30, 2017

	<u>Budgeted Amount</u>		<u>Actual Non-GAAP Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Miscellaneous revenues	\$ 17,800	22,740	22,740	-
Total Revenues	<u>17,800</u>	<u>22,740</u>	<u>22,740</u>	<u>-</u>
EXPENDITURES:				
Other services and charges	28,000	28,189	28,189	-
Capital outlay	4,723,715	1,255,551	1,255,551	-
Total Expenditures	<u>4,751,715</u>	<u>1,283,740</u>	<u>1,283,740</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(4,733,915)</u>	<u>(1,261,000)</u>	<u>(1,261,000)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	2,000,000	2,002,514	2,002,514	-
Total other financing sources (uses)	<u>2,000,000</u>	<u>2,002,514</u>	<u>2,002,514</u>	<u>-</u>
Net Change in Fund Balance	<u><u>\$ (2,733,915)</u></u>	<u><u>741,514</u></u>	<u><u>741,514</u></u>	<u><u>-</u></u>

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

CITY OF CLEVELAND, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) – ECONOMIC DEVELOPMENT REVOLVING FUND
For the Year Ended September 30, 2017

	<u>Budgeted Amount</u>		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Miscellaneous revenues	\$ 13,500	14,496	14,496	-
Total Revenues	<u>13,500</u>	<u>14,496</u>	<u>14,496</u>	<u>-</u>
EXPENDITURES:				
Economic development	1,825,593	-	-	-
Total Expenditures	<u>1,825,593</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(1,812,093)</u>	<u>14,496</u>	<u>14,496</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	1,185,000	-	-	-
Transfers in	68,409	68,409	68,409	-
Total other financing sources (uses)	<u>1,253,409</u>	<u>68,409</u>	<u>68,409</u>	<u>-</u>
Net Change in Fund Balance	<u><u>\$ (558,684)</u></u>	<u><u>82,905</u></u>	<u><u>82,905</u></u>	<u><u>-</u></u>

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

CITY OF CLEVELAND, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) – SPECIAL INDUSTRIAL PROJECT FUND
For the Year Ended September 30, 2017

	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Lease payment	\$ 225,650	225,650	225,650	-
Miscellaneous revenues	250	596	596	-
Total Revenues	225,900	226,246	226,246	-
EXPENDITURES:				
Other services and charges	124,304	124,304	124,304	-
Capital outlay	-	-	-	-
Total Expenditures	124,304	124,304	124,304	-
Excess of Revenues over (under) Expenditures	101,596	101,942	101,942	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(101,346)	(101,346)	(101,346)	-
Total other financing sources (uses)	(101,346)	(101,346)	(101,346)	-
Net Change in Fund Balance	\$ 250	596	596	-

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

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*
For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0759%	0.0727%	0.0703%
Proportionate share of the net pension liability (asset)	\$ 12,617,158	12,986,035	10,866,994
Covered-employee payroll	\$ 4,868,652	4,652,053	4,390,822
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	259.15%	279.15%	247.49%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%

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

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

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF CITY CONTRIBUTIONS
LAST 10 FISCAL YEARS*
For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 754,743	733,580	701,340
Contributions in relation to the contractually required contribution	<u>754,743</u>	<u>733,580</u>	<u>701,340</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 4,792,014	4,657,646	4,452,949
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

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

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

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2017

BUDGETARY COMPARISON SCHEDULES

A. Budgetary Information.

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

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

C. Basis of Presentation.

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

D. Budget/GAAP Reconciliation.

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

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

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

<u>Governmental Fund Type</u>	<u>General Fund</u>	<u>Economic Development and Tourism</u>	<u>Public Improvement Bond Fund</u>	<u>Economic Development Revolving Fund</u>	<u>Special Industrial Project Fund</u>
Budget (Cash Basis)	\$ (400,300)	(86,223)	741,514	82,905	596
Increase (Decrease)					
Net adjustments for revenue accruals	486,589	(19,823)			
Net adjustments for expense accruals	(45,964)	(653)	(13,293)	(68,409)	101,347
Net Change in Fund Balance - GAAP Basis	<u>\$ 40,325</u>	<u>(106,699)</u>	<u>728,221</u>	<u>14,496</u>	<u>101,943</u>

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

No funds with actual expenditures over budgeted amounts were identified.

F. Unbudgeted Funds.

There were no unbudgeted funds for the fiscal year ended September 30, 2017.

CITY OF CLEVELAND, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2017

PENSION SCHEDULES

A. Changes in benefit provisions.

2017

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

B. Changes of assumptions.

2015

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

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

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

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

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

2016

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

2017

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

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

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

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

CITY OF CLEVELAND, MISSISSIPPI

SUPPLEMENTAL INFORMATION

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2017

<u>Federal Agency / Pass-Through Entity / Program Title</u>	<u>Federal CFDA</u>	<u>Agency or Pass- through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation			
Airport Improvement Program	20.106	3-28-0015-021-2017	\$ 151,206
Total U.S. Department of Transportation			151,206
U.S. Environmental Protection Agency			
Passed-through Mississippi Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds *	66.458	SRF-C280809-06	805,202
Total U.S. Environmental Protection Agency			805,202
Department of Housing and Urban Development			
Passed-through Mississippi Home Corporation Home Investment Partnerships Program	14.239	1220-M08-SG-280-153	12,600
Total Department of Housing and Urban Development			12,600
Delta Area Economic Development			
Direct Program: Delta Regional Authority	90.201	MS-50428	408,243
Total Delta Area Economic Development			408,243
Total Expenditures of Federal Awards			\$ 1,377,251

* Denotes Major Federal Award Program

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Basis of Presentation** – The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the City of Cleveland, Mississippi under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Cleveland, Mississippi, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.
- Summary of Significant Accounting Policies** – Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
- Indirect Cost Rate** – The City of Cleveland, Mississippi has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Loan or Loan Guarantee Programs** – The City received the following WPCRLF federal funds (CFDA No. 66.458, U. S. Environmental Protection Agency) passed through the Mississippi Department of Environmental Quality in fiscal year 2017:

<u>Loan Numbers</u>	<u>Beginning Loan Disbursements</u>	<u>State Funds</u>	<u>Federal Funds</u>	<u>Total Loan Disbursed</u>
SRF-C280809-06	\$ -0-	2,461,606	805,202	3,266,808

*Federal Expenditures per Schedule of Expenditures of Federal Awards

CITY OF CLEVELAND, MISSISSIPPI

OTHER INFORMATION

CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
September 30, 2017

Name	Position	Bond Amount	Expiration Date	Surety Company
Billy Nowell	Mayor	100,000	Jul-21	Western
Maurice Smith	Alderman Ward 1	100,000	Jul-21	FCCI
Robert L. Sanders	Alderman Ward 2	100,000	Jul-21	Western
Danny Abraham	Alderman Ward 3	100,000	Jul-21	FCCI
Kirkham Povall	Alderman Ward 4	100,000	Jul-21	Western
James Paul Janoush	Alderman Ward 5	100,000	Jul-21	FCCI
Theodore R. Campbell	Alderman Ward 6	100,000	Jul-21	FCCI
Gary Gainspoletti	Alderman-At-Large	100,000	Apr-21	FCCI
Dominique Green	City Clerk	50,000	Sep-18	FCCI
Linda Brown	Deputy City Clerk	65,000	Oct-18	St. Paul
Betha Watson	Payroll Clerk	50,000	Jul-19	St. Paul
Jamie Ferguson Jacks	City Attorney	50,000	Jul-19	FCCI
Michele Lucas	Municipal Court Clerk	50,000	Mar-19	FCCI
Jodie W. Felton	Deputy Court Clerk	50,000	Jul-19	FCCI
Patsy Lawson	Deputy Court Clerk	50,000	Jul-19	St. Paul
Charles "Buster" Bingham	Chief of Police	50,000	Oct-18	FCCI
Marilyn D. Adams Cox	Utility Manager	50,000	Aug-18	St. Paul
Rose M. Walters	Utility Clerk	50,000	Jun-19	Western
Brittney Beevers	Utility Clerk	50,000	Jun-18	Western
Secandrice Davis	Utility Clerk	50,000	Dec-18	Western
Jeffery Clint Johnson	Airport Director	50,000	Aug-18	FCCI
Stephen Glorioso	Parks Director	50,000	Aug-19	FCCI
Greg Jackson	Fire Inspector	50,000	Jun-19	FCCI
Kenneth Taylor	Community Development Director	50,000	Feb-19	FCCI
Kimberly Chisolm	Assistant Director	50,000	Jan-19	St. Paul
Hope Johnson	Office Clerk	50,000	Mar-19	FCCI
Billy Trotter	Code Enforcement Officer	50,000	Mar-19	FCCI
Danita Staples	Housing Inspector	50,000	Jan-19	FCCI
Britonya Gort	Collections Clerk	50,000	Apr-19	Western
Brandy Murphy	Public Works Clerk	50,000	Jan-19	FCCI
Michelle Arbuckle	Accountant	50,000	Nov-18	FCCI

**CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
September 30, 2017**

Description	Issue Date	Balance 09/30/16	Issued	Paid	Balance 09/30/17	Amount Due	
						2018	Remaining Years
General Obligation Bonds							
Public Improvement	12/28/06	\$ 115,000		115,000	-		-
General Obligation	03/01/07	525,000		75,000	450,000	80,000	370,000
Public Improvement	05/01/10	560,000		140,000	420,000	140,000	280,000
Public Improvement	05/01/11	575,000		115,000	460,000	115,000	345,000
Public Improvement	01/26/12	840,000		140,000	700,000	140,000	560,000
Public Improvement	04/15/13	895,000		115,000	780,000	120,000	660,000
Public Improvement	04/15/14	1,160,000		125,000	1,035,000	130,000	905,000
Public Improvement	08/01/15	1,285,000		125,000	1,160,000	130,000	1,030,000
Public Improvement	02/01/16	1,900,000		145,000	1,755,000	175,000	1,580,000
Public Improvement	03/02/17		2,000,000		2,000,000	155,000	1,845,000
Total General Obligation Bonds		<u>7,855,000</u>	<u>2,000,000</u>	<u>1,095,000</u>	<u>8,760,000</u>	<u>1,185,000</u>	<u>7,575,000</u>
Other Loans							
State of Mississippi (MDA Faurecia - City)	08/01/03	164,773		58,008	106,765	59,722	47,043
State of Mississippi (MDA Faurecia - County)	08/01/03	164,773		58,008	106,765	59,722	47,043
State of Mississippi (MDEQ #1)	08/01/03	726,508		102,295	624,213	104,100	520,113
State of Mississippi (MDEQ #2)	09/25/03	696,388		81,816	614,572	83,258	531,314
State of Mississippi (MDEQ #3)	04/21/06	635,367		62,547	572,820	63,809	509,011
State of Mississippi (MDEQ #4)	10/14/05	1,001,722		83,734	917,988	85,852	832,136
State of Mississippi (MDEQ #5)	08/25/06	828,975		59,414	769,561	60,462	709,099
State of Mississippi (MDEQ #6)	02/10/17	-	3,266,808		3,266,808		3,266,808
Total Other Loans		<u>4,218,506</u>	<u>3,266,808</u>	<u>505,822</u>	<u>6,979,492</u>	<u>516,925</u>	<u>6,462,567</u>
Capital Leases							
Street Sweeper Lease	06/04/13	69,598		55,485	14,113	14,113	-
Siemens Public, Inc.	09/21/12	2,799,563		197,328	2,602,235	203,237	2,398,998
Total Capital Leases		<u>2,869,161</u>	<u>-</u>	<u>252,813</u>	<u>2,616,348</u>	<u>217,350</u>	<u>2,398,998</u>
Other							
Compensated Absences		<u>350,398</u>		<u>172,020</u>	<u>178,378</u>		
Total Long Term Debt		<u>\$ 15,293,065</u>	<u>5,266,808</u>	<u>2,025,655</u>	<u>18,534,218</u>	<u>1,919,275</u>	<u>16,436,565</u>

**CITY OF CLEVELAND, MISSISSIPPI
GENERAL BOND AND INTEREST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL (NON-GAAP BASIS)
September 30, 2017**

	<u>Budgeted Amount</u>		<u>Actual Non-GAAP Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 1,392,617	1,347,566	1,347,566	-
Miscellaneous revenues	2,800	3,426	3,426	-
Total Revenues	<u>1,395,417</u>	<u>1,350,992</u>	<u>1,350,992</u>	<u>-</u>
EXPENDITURES:				
Debt service	1,224,488	1,202,108	1,202,108	-
Total Expenditures	<u>1,224,488</u>	<u>1,202,108</u>	<u>1,202,108</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>170,929</u>	<u>148,884</u>	<u>148,884</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 170,929</u>	<u>148,884</u>	<u>148,884</u>	<u>-</u>

CITY OF CLEVELAND, MISSISSIPPI
BAXTER BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL (NON-GAAP BASIS)
September 30, 2017

	<u>Budgeted Amount</u>		<u>Actual Non-GAAP Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Lease payment	\$ 179,836	89,918	89,918	-
Miscellaneous revenues		8	8	-
Total Revenues	<u>179,836</u>	<u>89,926</u>	<u>89,926</u>	<u>-</u>
EXPENDITURES:				
Debt Service	196,108	104,250	104,250	-
			-	-
Total Expenditures	<u>196,108</u>	<u>104,250</u>	<u>104,250</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>\$ (16,272)</u>	<u>(14,324)</u>	<u>(14,324)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,332	14,332	14,332	-
Total other financing sources (uses)	<u>14,332</u>	<u>14,332</u>	<u>14,332</u>	<u>-</u>
Net Change in Fund Balance	<u>(1,940)</u>	<u>8</u>	<u>8</u>	<u>-</u>

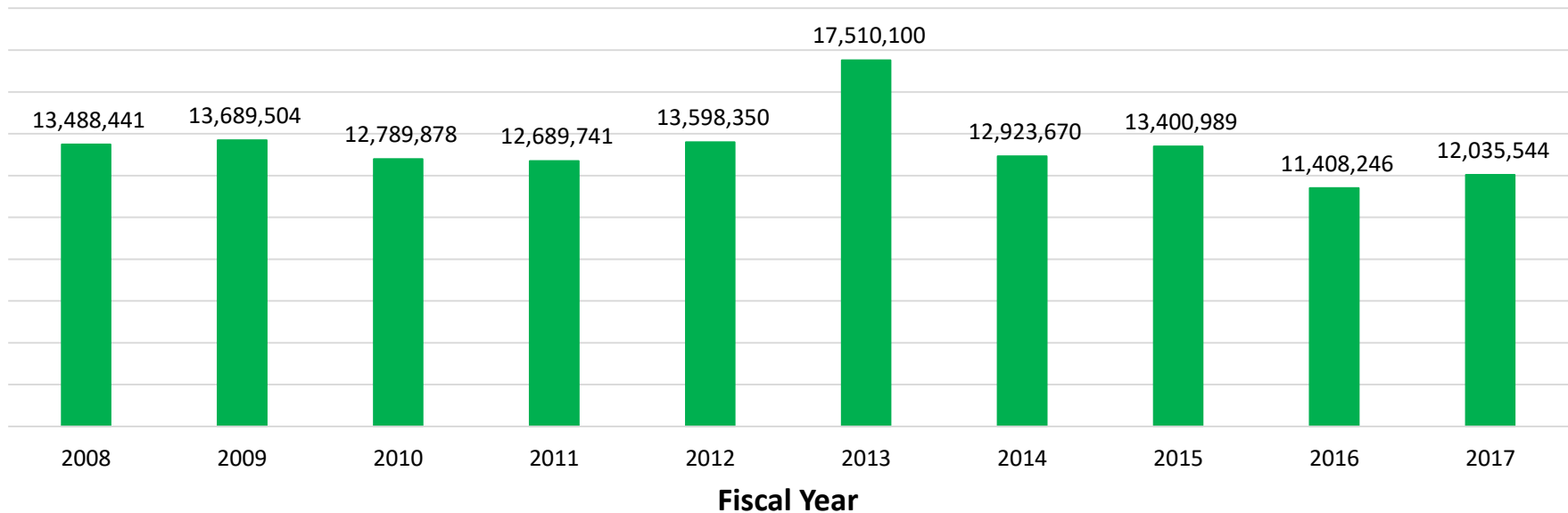
CITY OF CLEVELAND, MISSISSIPPI

STATISTICAL INFORMATION

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

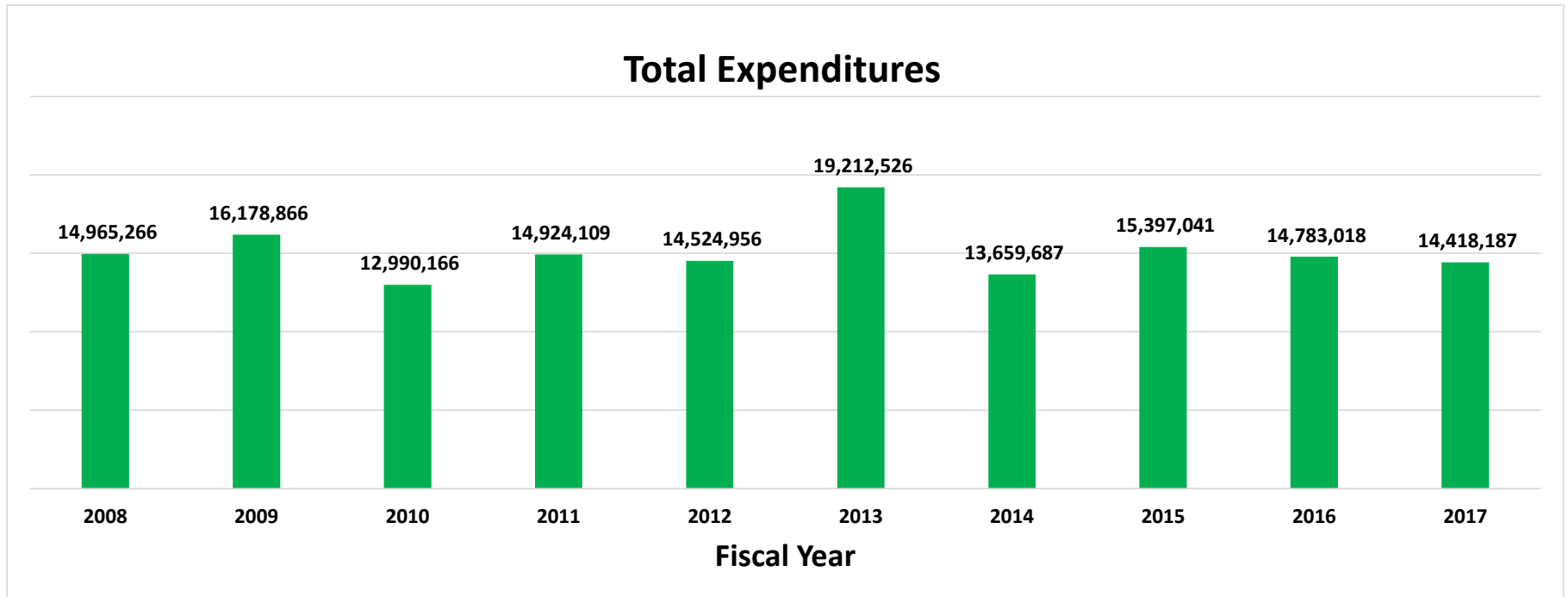
Fiscal Year	Taxes	Fines, Fees, Licenses & Permits	Intergovernmental	Charges for Services	Miscellaneous Operating	Miscellaneous Non-Operating	Total Revenues
2008	\$ 3,072,979	944,163	6,592,328	1,597,921	428,186	852,864	13,488,441
2009	3,136,119	755,380	7,212,995	1,737,822	216,569	630,619	13,689,504
2010	3,168,545	989,414	6,146,587	1,825,170	29,030	631,132	12,789,878
2011	3,452,491	891,512	5,786,887	1,884,367	30,857	643,627	12,689,741
2012	3,476,266	753,102	6,415,166	1,922,129	45,755	985,932	13,598,350
2013	3,639,795	787,222	10,361,838	2,077,427	63,957	579,861	17,510,100
2014	3,616,307	851,674	5,470,529	2,071,062	65,761	848,337	12,923,670
2015	3,776,839	699,309	6,095,298	2,072,728	71,447	685,368	13,400,989
2016	3,831,742	617,105	5,737,746	835,082	77,200	309,371	11,408,246
2017	4,237,451	618,293	5,998,010	818,452	75,830	287,508	12,035,544
Total	\$ 35,408,534	7,907,174	65,817,384	16,842,160	1,104,592	6,454,619	133,534,463

Total Revenues



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

Fiscal Year	General Government	Public Safety	Public Works	Highways and Streets	Health and Sanitation	Culture and Recreation	Economic Development	Capital Projects	Debt Service	Total Expenditures
2008	\$ 1,189,489	3,761,879	819,344	1,690,601	1,292,494	1,105,603	452,682	1,953,008	2,700,166	14,965,266
2009	1,352,733	3,965,360	706,067	1,969,169	1,418,983	863,474	1,937,488	1,784,719	2,180,873	16,178,866
2010	1,155,818	4,425,880	1,087,903	1,232,154	1,429,977	564,985	815,055	1,038,348	1,240,046	12,990,166
2011	1,223,615	5,042,335	995,353	2,492,573	1,463,742	901,062	604,798	902,879	1,297,752	14,924,109
2012	1,181,600	4,601,551	1,156,836	1,675,949	1,551,409	961,954	789,551	1,259,822	1,346,284	14,524,956
2013	1,321,087	4,304,466	1,022,361	2,242,434	1,580,199	883,663	578,485	5,922,445	1,357,386	19,212,526
2014	1,359,258	4,500,937	1,275,236	1,186,603	1,570,646	839,559	735,750	797,409	1,394,289	13,659,687
2015	1,412,720	4,136,760	1,326,127	1,603,993	1,580,391	786,258	2,345,934	817,882	1,386,976	15,397,041
2016	1,933,730	4,558,367	3,014,995	1,236,959	650,108	808,905	1,153,562	34,915	1,391,477	14,783,018
2017	1,808,925	4,786,186	979,040	1,344,687	609,391	882,943	1,188,420	1,344,154	1,474,441	14,418,187
Total	\$ 13,938,975	44,083,721	12,383,262	16,675,122	13,147,340	8,598,406	10,601,725	15,855,581	15,769,690	106,455,576



**CITY OF CLEVELAND, MISSISSIPPI
COMPUTATION OF LEGAL DEBT MARGIN
For the Year Ended September 30,2017**

<u>Description</u>	<u>Total Outstanding G/O Debt</u>	<u>Bonds/Notes Subject To 15% Limitation</u>	<u>Bonds/Notes Subject To 20% Limitation</u>
<u>OUTSTANDING GENERAL OBLIGATION DEBT:</u>			
General Obligation	\$ 450,000	450,000	450,000
Public Improvement	420,000	420,000	420,000
Public Improvement	460,000	460,000	460,000
Public Improvement	700,000	700,000	700,000
Public Improvement	780,000	780,000	780,000
Public Improvement	1,035,000	1,035,000	1,035,000
Public Improvement	1,160,000	1,160,000	1,160,000
Public Improvement	1,755,000	1,755,000	1,755,000
Public Improvement	2,000,000	2,000,000	2,000,000
Total Outstanding General Obligation Debt	<u>\$ 8,760,000</u>	<u>8,760,000</u>	<u>8,760,000</u>
<u>AUTHORIZED DEBT LIMIT:</u>			
Assessed Value for the fiscal year ended September 30, 2017	\$ 89,774,876	\$ 13,466,231	17,954,975
Present Debt (Subject to 15% and 20% Limitation, respectively)		<u>8,760,000</u>	<u>8,760,000</u>
Margin for Further Indebtedness (Under 15% and 20% Limitation, respectively)		<u>\$ 4,706,231</u>	<u>9,194,975</u>

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

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%) of the assessed value of taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property that benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-5.

CITY OF CLEVELAND, MISSISSIPPI

SPECIAL REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 22, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the City of Cleveland, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated June 22, 2018, included within this document.

Purpose of this Report

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



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

June 22, 2018



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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

Report on Compliance for the Major Federal Program

We have audited the City of Cleveland, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Cleveland, Mississippi's major federal program for the year ended September 30, 2017. The City of Cleveland, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Cleveland, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the City of Cleveland, Mississippi's compliance.

Opinion on the 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 its major federal program for the year ended September 30, 2017.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Bridgers, Goodman & Aldridge, PLLC

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

June 22, 2018



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of and for the fiscal year ended September 30, 2017, which collectively comprise the City of Cleveland, Mississippi's basic financial statements and have issued our report thereon dated June 22, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

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

This report is intended for the information and use of management, City Council, State Auditor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Bridgers, Goodman & Aldridge, PLLC

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

June 22, 2018

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

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

In planning and performing our audit of the financial statements of the City of Cleveland, Mississippi for the year ended September 30, 2017, we considered the City of Cleveland, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the City of Cleveland, Mississippi's financial reporting, we have performed some additional limited internal control and compliance tests. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 22, 2018 on the financial statements of the City of Cleveland, Mississippi.

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

Water and Sewer Department

2017-001 Finding: During the course of our test work, we found that the deposits are not being made in a timely manner. Failure to implement controls over cash could result in the loss or misappropriations of public funds and delay in the timely reconciliation of bank accounts.

Recommendation: The City should ensure that the deposits are being made in a timely manner.

City Clerk Response: The Water Department has enacted a policy to ensure the timely deposit of received funds. The Policy requires that each Water Clerk reconcile their cash drawers to the billing system's reports at the close of each day, therefore allowing for the funds to be deposited the next business day. Failure to prepare the deposit at the end of the day will result in a written warning upon first occurrence, and potential suspension or termination in the event of additional occurrences. Additionally, the City Clerk will review the deposit log, detailing the preparation date of the deposit and the day the deposit was remitted to the bank, on a monthly basis to ensure the timeliness of the deposits.

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Bridgers, Goodman & Aldridge, PLLC". The signature is written in black ink on a light-colored background.

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

June 22, 2018

CITY OF CLEVELAND, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CITY OF CLEVELAND, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2017**

Section 1: Summary of Auditor’s Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major federal programs: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified? | None Reported |
| 5. | Type of auditor’s report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding disclosed that are required to be reported in accordance with 2CFR 200.516(a)? | No |
| 7. | Identification of major federal program: | |
| a. | 66.458, Capitalization Grants for Clean Water State Revolving Funds | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.516(b)? | No |

Section 2: Financial Statement Findings

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

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.