CITY OF CLEVELAND, GEORGIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

WALKER, PIERCE & TUCK, CPA'S, P.C.

CITY OF CLEVELAND, GEORGIA
FISCAL YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report 1

Basic Financial Statements
- Government-Wide Financial Statements
  - Statement of Net Position 3
  - Statement of Activities 4
- Fund Financial Statements
  - Governmental Fund Financial Statements
    - Balance Sheet 5
    - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 6
    - Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds 7
    - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 8
  - Proprietary Fund Financial Statements
    - Statement of Net Position 9
    - Statement of Revenues, Expenses, and Changes in Net Position 10
    - Statement of Cash Flows 11
- Notes to Financial Statements 12

Required Supplementary Information (other than MD&A)
- Major Fund
  - Budgetary Comparison Schedule - General Fund 31
  - Notes to the Budgetary Comparison Schedule 32
- Pension Plan
  - Schedule of Net Pension Liability 33

Combining Fund Statements
- Combining Balance Sheet - Nonmajor Governmental Funds 34
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds 35

Compliance Section
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters based on an audit of Financial Statements performed in accordance with Government Auditing Standards 36
- Schedule of Findings and Responses 38
- Schedule of Special Purpose Local Option Sales Tax Estimated Cost and Expenditure Summary 39

Walker Pierce & Tuck
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Cleveland, Georgia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cleveland, Georgia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information. However, the budgetary comparison information and the pension information is presented, as required by generally accepted in the United States of America, on pages 31-33 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cleveland, Georgia's basic financial statements. The combining non-major fund financial statements, schedule of special purpose local option sales tax estimated cost and expenditure summary are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information

The combining non-major fund financial statements and the schedule of expenditures of special purpose local option sales tax are the responsibility of management and were derived from and relate 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 combining non-major fund financial statements and the schedule expenditures of special purpose local option sales tax estimated cost are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of the City of Cleveland, Georgia'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cleveland, Georgia's internal control over financial reporting and compliance.

Walker, Pierce & Tuck, CPA's, PC

Walker, Pierce & Tuck, CPA's, PC
Gainesville, Georgia
December 14, 2015

CITY OF CLEVELAND, GEORGIA

Statement of Net Position
June 30, 2015

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit
Assets & Deferred Outflows of Resources				
Current Assets				
Cash and Cash Equivalents	$ 2,709,208	$ 3,633,318	$ 6,342,526	$ -
Receivables (Net)	286,252	141,262	427,514	-
Accrued Revenue	-	69,533	69,533	-
Restricted Cash	-	487,063	487,063	-
Prepaid Expenses	14,580	4,336	18,916	-
Total Current Assets	3,010,040	4,335,512	7,345,552	-
Non-Current Assets				
Construction in Progress	-	43,860	43,860	-
Nondepreciable Capital Assets	437,520	171,336	608,856	-
Depreciable Capital Assets, Net	829,620	10,118,854	10,948,474	-
Total Non-Current Assets	1,267,140	10,334,050	11,601,190	-
Total Assets	4,277,180	14,669,562	18,946,742	-
Deferred Outflows of Resources	42,173	7,443	49,616	-
Total Assets & Deferred Outflows of Resources	4,319,353	14,677,005	18,996,358	-
Liabilities & Deferred Inflows of Resources				
Current Liabilities				
Accounts Payable and Other Liabilities	59,610	315,125	374,735	-
Internal Balances	(122,112)	122,112	-	-
Accrued Balances	19,689	6,692	26,381	-
Due Within One Year	-	61,139	61,139	-
Total Current Liabilities	(42,813)	505,068	462,255	-
Long-Term Liabilities (Net of Current Portion)				
Net Pension Liability	172,042	30,360	202,402	-
Due in More Than One Year	86,664	1,485,811	1,572,475	-
Total Long-term Liabilities	258,706	1,516,171	1,774,877	-
Total Liabilities	215,893	2,021,239	2,237,132	-
Deferred Inflows of Resources	-	-	-	-
Total Liabilities & Deferred Inflows of Resources	215,893	2,021,239	2,237,132	-
Net Position				
Net Investment in Capital Assets	1,267,140	8,872,665	10,139,805	-
Unspendable	-	4,336	4,336	-
Restricted for:				
Debt Service	-	289,597	289,597	-
Capital Projects	2,028,785	-	2,028,785	-
Downtown Streetscape	8,155	-	8,155	-
Tourism	24,501	-	24,501	-
Law Enforcement	19	-	19	-
Unrestricted	774,860	3,489,168	4,264,028	-
Total Net Position	$ 4,103,460	$ 12,655,766	$ 16,759,226	$ -

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA
Statement of Activities
For the Year Ended June 30, 2015

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
					Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Primary Government:								
Governmental Activities								
General Government	$ 766,156	$ 414,102	$ -	$ 467,287	$ 115,233		$ 115,233	
Public Safety	1,283,250	91,461	35,542	-	(1,156,247)		(1,156,247)	
Streets and Sanitation	326,637	-	28,223	-	(298,414)		(298,414)	
Health and Welfare	-	-	-	-	-		-	
Culture and Recreation	7,152	-	-	-	(7,152)		(7,152)	
Housing and Development	17,990	-	-	-	(17,990)		(17,990)	
Total Governmental Activities	2,401,185	505,563	63,765	467,287	(1,364,570)		(1,364,570)	
Business-Type Activities								
Water and Sewer	1,706,772	1,670,165	-	519,741		$ 483,134	483,134	
Total Business-Type Activities	1,706,772	1,670,165	-	519,741		483,134	483,134	
Total Primary Government	$ 4,107,957	$ 2,175,728	$ 63,765	$ 987,028			(881,436)	
Component Units:								
Downtown Development Authority	$ -	$ -	$ -	$ -				$ -
Total Component Units	$ -	$ -	$ -	$ -				$ -
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes					455,278	-	455,278	
Hotel/Motel Taxes					21,862	-	21,862	
Business Tax					186,452	-	186,452	
Sales Tax					719,378	-	719,378	
Alcoholic Beverage Taxes					119,034	-	119,034	
Franchise Tax					212,503	-	212,503	
Interest and Investment Earnings					2,334	6,479	8,813	
Miscellaneous					21,095	31,260	52,355	
Transfers					(378,909)	378,909	-	
Total General Revenues and Transfers					1,359,027	416,648	1,775,675	
Change in Net Position					(5,543)	899,782	894,239	-
Beginning Net Position					4,116,474	11,755,984	15,872,458	-
Prior Period Adjustment					(7,471)	-	(7,471)	-
Restated Beginning Net Position					4,109,003	11,755,984	15,864,987	-
Ending Net Position					$ 4,103,460	$12,655,766	$16,759,226	$ -

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Balance Sheet
Governmental Funds
June 30, 2015

Assets	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	$ 732,639	$ 1,952,049	$ 24,520	$ 2,709,208
Due from Other Governments	67,510	77,612	-	145,122
Receivables (Net)	141,130	-	-	141,130
Prepaid Expenses	14,580	-	-	14,580
Due From Other Funds	130,961	-	8,155	139,116
Total Assets	1,086,820	2,029,661	32,675	3,149,156
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows	$ 1,086,820	$ 2,029,661	$ 32,675	$ 3,149,156
Liabilities				
Accounts Payable	$ 58,149	$ 225	$ 1,236	$ 59,610
Accrued Expenses	19,689	-	-	19,689
Due To Other Funds	8,155	651	8,198	17,004
Total Liabilities	85,993	876	9,434	96,303
Deferred Inflows of Resources	81,917	-	-	81,917
Total Liabilities and Deferred Inflows	167,910	876	9,434	178,220
Fund balance				
Nonspendable:				
Prepaid Expenses	14,580	-	-	14,580
Restricted for:				
Capital Projects	-	2,028,785	-	2,028,785
Tourism	-	-	15,067	15,067
Downtown Streetscape	-	-	8,155	8,155
Law Enforcement	-	-	19	19
Unassigned	904,330	-	-	904,330
Total Fund Balance	918,910	2,028,785	23,241	2,970,936
Total Liabilities, Deferred Inflows and Fund Balance	$ 1,086,820	$ 2,029,661	$ 32,675	$ 3,149,156

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total Fund Balances - Governmental Funds	$ 2,970,936
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental Capital Assets	3,061,124
Less: Accumulated depreciation	(1,793,984)
Accrued personal leave not reported in governmental funds	(86,664)
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are reported as unearned revenue.	81,917
Pension items not included in fund financial statements	
Deferred Outflows of Resources	42,173
Net Pension Liability	(172,042)
Net Position of Governmental Activities	$ 4,103,460

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

Revenues	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Property Taxes	$ 457,001	$ -	$ -	$ 457,001
Sales Taxes	719,378	-	-	719,378
Intergovernmental	43,042	489,632	-	532,674
Business Tax	186,452	-	-	186,452
Franchise Tax	212,503	-	-	212,503
Fines and Forfeitures	79,307	-	-	79,307
Charges for Services	464,102	-	-	464,102
Excise Taxes	119,034	-	-	119,034
Interest	2,334	5,878	-	8,212
Hotel/Motel Tax	-	-	21,862	21,862
Miscellaneous	21,095	-	-	21,095
Total Revenue	2,304,248	495,510	21,862	2,821,620
Expenditures				
Current				
General Government	636,244	-	8,198	644,442
Public Safety	1,208,214	-	-	1,208,214
Streets and Sanitation	286,279	12,449	-	298,728
Culture and Recreation	7,152	-	-	7,152
Housing and Development	-	-	9,792	9,792
Total Expenditures	2,137,889	12,449	17,990	2,168,328
Excess Revenues Over (Under) Expenditures	166,359	483,061	3,872	653,292
Other Financing Sources (Uses)				
Transfers Out	-	(378,909)	-	(378,909)
Total Other Financing Source (Uses)	-	(378,909)	-	(378,909)
Net Change in Fund Balance	166,359	104,152	3,872	274,383
Beginning Fund Balances	752,551	1,924,633	19,369	2,696,553
Ending Fund Balances	$ 918,910	$ 2,028,785	$ 23,241	$ 2,970,936

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net change in Fund Balances - Total Governmental Funds	$	274,383
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation ($122,063) exceeded net capital outlay ($33,835) in the current period.		(88,228)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures		
Compensated absence liability changed by this amount from prior year.		(14,760)
Pension Expense		(129,869)
Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available". These revenues are reported as deferred inflows of resources.		
Unearned revenues changed by this amount from prior year.		(47,069)
Change in Net Position of Governmental Activities	$	(5,543)

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Statement of Net Position

Proprietary Fund

June 30, 2015

	Water and Sewer Enterprise Fund
Assets	
Current Assets:	
Cash	$ 3,661,754
Restricted Cash and Cash Equivalents	458,627
Accounts Receivable (Net)	141,262
Prepaid Expenses	4,336
Accrued Revenue	69,533
Total Current Assets	4,335,512
Noncurrent Assets:	
Capital Assets:	
Land	171,336
Infrastructure	13,817,257
Buildings and Improvements	57,881
Machinery and Equipment	848,485
Construction in Progress	43,860
Less Accumulated Depreciation	(4,604,769)
Total Capital Assets	10,334,050
Total Noncurrent Assets	10,334,050
Total Assets	14,669,562
Deferred Outflows of Resources	7,443
Total Assets & Deferred Outflows of Resources	14,677,005
Liabilities	
Current Liabilities	
Accounts Payable and Other Liabilities	315,125
Accrued Expenses	6,692
Due To Other Funds	122,112
Notes Payable	61,139
Total Current Liabilities	505,068
Noncurrent Liabilities	
Net Pension Liability	30,360
Compensated Absences	85,565
Due in More Than One Year	1,400,246
Total Noncurrent Liabilities	1,516,171
Total Liabilities	2,021,239
Deferred Inflows of Resources	-
Total Liabilities & Deferred Inflows of Resources	2,021,239
Net Position	
Net Invested in Capital Assets	8,872,665
Unspendable	4,336
Restricted for:	
Debt Service	289,597
Unrestricted	3,489,168
Total Net Position	$ 12,655,766

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	Water and Sewer Enterprise Fund
Operating Revenues	
Charges for service	$ 1,670,165
Miscellaneous Income	31,260
Total Operating Revenues	1,701,425
Operating Expenses	
Personal Services	
Compensation	481,760
Employment Taxes	34,583
Benefits	121,693
Total Personal Services	638,036
Expenses	
Purchased Water	102,401
Administrative	128,407
Supplies	109,853
Repairs and Maintenance	74,425
Utilities	175,660
Miscellaneous	31,367
Depreciation	324,341
Insurance	60,948
Engineering, Lab Fees and Training	36,305
Total Expenses	1,043,707
Total Operating Expenses	1,681,743
Operating Income	19,682
Non-Operating Revenues (Expenses)	
Interest Income	6,479
Interest Expense on Loans	(25,029)
Total Non-Operating Revenues (Expenses)	(18,550)
Income Before Contributions and Transfers	1,132
Capital Contributions	519,741
Transfers In	378,909
Change in Net Position	899,782
Total Net Position - Beginning	11,755,984
Total Net Position - Ending	$ 12,655,766

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, GEORGIA

Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2015

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts From Customers	$ 2,104,998
Payments to Suppliers	(835,148)
Payments to Employees	(600,613)
Net Cash Provided (Used) by Operating Activities:	669,237
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Deferred Outflows of Resources	(7,443)
Decrease in Due To Other Funds	(46,995)
Net Cash Provided (Used) by Non-Capital Financing Activities	(54,438)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital Contribution	519,741
Transfer In	378,909
Proceeds From Debt	677,543
Acquisition and Construction of Capital Assets	(1,002,693)
Debt Payments	(25,029)
Net Cash Provided (Used) by Capital and Related Financing Activitie	548,471
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	6,479
Net Cash Provided by Investing Activities	6,479
Net Increase (Decrease) in Cash and Cash Equivalents	1,169,749
Cash and Cash Equivalents - Beginning of yYear	2,950,632
Cash and Cash Equivalents - End of Year	$ 4,120,381
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ 19,682
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	324,341
Changes in Assets and Liabilities:	
Decrease in Receivables, Accrued Revenue, and Other Assets	25,566
Decrease in Prepaid Expenses	51,000
Decrease in Accounts Payable	(18,581)
Decrease in Grant Receivable	366,668
Decrease in Accrued Expenses	(148,201)
Increase in Customer Deposits	11,339
Increase in Compensated Absences	7,063
Increase in Pension Liability	30,360
Net Cash Provided by Operating Activities	$ 669,237

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Cleveland, Georgia, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the government's accounting policies are described below.

1-A The Reporting Entity

The City of Cleveland, Georgia is a municipal corporation governed by an elected mayor and a four member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are for financial reporting purposes, part of a primary government.

The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

Discretely Presented Component Units. The Downtown Development Authority is governed by a separate board and is a separate legal, public body corporate and politic created and existing under instrumentality of the City of Cleveland, Georgia for the purpose of revitalizing and developing the central business district of Cleveland, Georgia.

The above component unit's financial statements are reflected on the City's Financial Statements under the Discretely Presented Component Unit caption. The Authority is currently inactive and is without assets, liabilities, revenue or expenditures. No separate statements are available.

Organizations for which a primary government is accountable because that government appoints a voting majority of the board, but is not financially accountable, are related organizations. The following entity is a related organization of the City of Cleveland, Georgia and operations are not included in this report:

Cleveland Housing Authority

Based upon GASB criteria, the following entity is not considered a component unit of the City of Cleveland, Georgia and operations are not included in this report:

Turner Creek Water Treatment Plant Management Fund

1-B Basis of Presentation and Basis of Accounting

Basis of Presentation - Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Activity between governmental funds that are representative of lending/borrowing arrangements or interfund transfers are eliminated from the government-wide financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category-governmental and proprietary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund. This fund accounts for *Special Purpose Local Option Sales Tax* financial resources expended for purposes approved by referendum.

The City reports the following major proprietary fund:

Water and Sewer Fund. This fund accounts for the operations of the City's water and sewer services.

Measurement Focus - Basis of Accounting

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the flow of economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are

recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary fund operating revenues and expenses result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as subsidies, investment earnings or interest expense, result from non-exchange transactions or ancillary activities.

Receivables from and payables to external parties are reported separately and not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and adjustments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

1-C Assets, Liabilities, and Equity

Cash and Cash Equivalents

The City considers short-term liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates to be cash equivalents. Only investments with original maturities of three months or less meet this definition. The city has not formally adopted deposit and investment policies that limit the City's allowable deposits or investments.

Investments

As of June 30, 2015, the City did not have investments, nor were any authorized.

Restricted Assets

These assets are held in the capital projects and special revenue funds for specific purposes defined by statute, referendum, or grant contract and are not generally available for general government operations. In addition, restricted assets are also held in the proprietary fund and the business-type activities of the government-wide

financial statements in amounts required to pay customer deposit balances.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" and eliminated on the Statement of Net Position.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade accounts receivable for the City of Cleveland, Georgia are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of ninety days comprise the trade accounts receivable allowance for uncollectibles.

Property Tax Calendar

The City set its mileage rate for 2014 on August 7, 2014 at 4.5 mils. Property tax bills were mailed on August 22, 2014 and were due November 15, 2014. Penalties and interest are due on all accounts not paid by the due date. Fifa's on delinquent tax accounts could be filed on March 9, 2015. The City contracts with the White County Tax Commissioner's office to process tax bills, collect and remit tax payments. The fee for this service is $2.50 per tax bill.

Inventories and Prepaid Items

Inventories are valued at the lower of cost or market. In the governmental funds, the cost of inventory items are recorded as expenditures at the time of purchase. The City maintains no significant inventories. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life

beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of donation.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	20
Public Domain Infrastructure	50
System Infrastructure	30
Vehicles	5
Office Equipment	5
Computer Equipment	5

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Compensated Absences

General leave for the City includes both vacation and sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid full value for any accrued leave earned not to exceed the number of leave hours outlined in the employee policy manual.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations. Vested or accumulated general leave of proprietary fund is recorded as an expense and liability of those funds as the benefits accrue to employees. The balance of compensated absences is recorded as a noncurrent liability and disclosed as a long term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section of 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. The city currently reports deferred outflows of resources for its defined benefit retirement plan. As of June 30, 2015, the City's retirement plan has a balance of deferred outflow of resources of $49,616.

In addition to liabilities, the Statement of Net 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. Currently the City does not have any items that qualify for reporting in this category.

1-D Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance officer to assign fund balances.

Unassigned - Fund balances are reported as unassigned at the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balances only in the general fund. Negative unassigned fund balances may be reported in all funds.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

Committed
Assigned
Unassigned

Net position - Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position are reported as restricted as described in the fund balance section above. All other net position are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE 2. CASH

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties or municipalities.

The City's custodial credit risk policy is to require all banks to collateralize the City's deposits at 110% of account balances and to have a perfected security agreement supporting the collateral agreement with the bank. The City does not have foreign credit risk.

At June 30, 2015, all bank deposits were insured or fully collateralized.

NOTE 3. RECEIVABLES

The following is a summary of amounts due from others at June 30, 2015:

Governmental Activities:	
Due from Other Governments	$145,122
Fines, Net	90,257
Taxes, Net	4,901
Accounts receivable, Net	45,972
	$286,252
Business-Type Activities	$141,262

The following is a summary of the allowance for doubtful accounts for the relevant receivable accounts:

Governmental Activities:	
Fines	$ 54,435
Taxes	44
Accounts Receivable	12,398
	$ 66,877
Business-Type Activities	$ 76,158

NOTE 4. LITIGATION

The Attorneys for the City have advised that there are no known legal matters which will have a material effect on the City's financial condition. No provision has been made to provide reserves for litigation settlements.

NOTE 5. JOINT VENTURES

Under Georgia law, the City in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission and required to pay annual dues thereto. During its year ended June 30, 2015, the City paid $4,047 in such dues. Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Regional Commissions in Georgia. The Commission Board membership includes the chief elected official of each city and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the Commission. Separate financial statements may be obtained from:

Georgia Mountains Regional Commission
1310 W. Ridge Road
Gainesville, GA 30501

NOTE 6. LONG-TERM DEBT

The City's long-term debt consisted of an intergovernmental loan from the Georgia Environmental Facilities Authority to construct the City's Truelove outfall sewer project. On July 12, 2013, the City signed a loan agreement with the Clean Water State Revolving Fund, administered by the Georgia Environmental Facilities Authority to borrow $2,100,828 to finance the costs of acquiring, constructing, and installing the environmental facilities that consist of installing gravity sewers, force mains, a 700 gpm pump station, a standby generator, and all other equipment to make it complete and appurtenant to work. Construction on the project was complete as of June 1, 2015. As of June 1, 2015, the short term debt was replaced with permanent long term financing. The loan carries an interest rate of 1.82% with a 20 year term at $7,269 per month. In prior years, the General Fund has been used to liquidate compensated absences occurring in the governmental funds.

Governmental Activities:	July 1, 2014	Additions	Reductions	June 30, 2015	Due Within One Year
Compensated Absences	$ 71,904	$ 14,760	$ -	$ 86,664	$ -

Interest cost of the long-term debt in the business-type activity is expensed in the current period. For the year ending June 30, 2015, that interest cost was $25,029.

Business-Type Activities:	July 1, 2014	Additions	Reductions	June 30, 2015	Due Within One Year
Compensated Absences	$ 78,502	$ 7,063	$ -	$ 85,565	$ -
Construction Loan	783,842	677,543	1,461,385	-	-
Intergovernmental loan	-	1,461,385	-	1,461,385	61,139
Totals	$ 862,344	$2,145,991	$1,461,385	$ 1,546,950	$ 61,139

Annual debt service requirements for notes payable are as follows:

Year	Principal	Interest	Total
2016	$ 61,139	$ 26,089	$ 87,228
2017	62,261	24,967	87,228
2018	63,403	23,825	87,228
2019	64,567	22,661	87,228
2020	65,752	21,476	87,228
2021-2025	347,310	88,828	436,138
2026-2030	380,372	55,766	436,138
2031-2035	416,581	19,555	436,136
Totals:	$ 1,461,385	$ 283,168	$ 1,744,552

NOTE 7. RISK MANAGEMENT

The City purchased general liability insurance from Selective Insurance Company. The policy starts July 1 and ends June 30th of each year. The premium for the City's fiscal year of 2015 was $71,219. The City purchases Workers Compensation Insurance through Key Risk Insurance Company. The City's policy year starts on January 1st and ends on December 31st of each year. The premium for the policy year of 2015 was $32,118.

As part of these risk pools, the Government is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. With respect to other types of risk including torts, theft or destruction of assets, errors of omissions, and acts of God, the City has purchased sufficient insurance and, therefore, transferred risk of loss. There have been no settlements in the previous three years in excess of insurance.

NOTE 8. HOTEL/MOTEL TAX COMPLIANCE

The City's Hotel/Motel Tax rate is 8%. The Chamber of Commerce has contracted to expend 43.75% and the White County Historical Society has contracted to expend 37.5% on the promotion of tourism and trade. The City retains 18.75% to be spent on tourism and trade. For the year ending June 30, 2015, the City is in compliance with OCGA 48-13-51 which requires the City to spend tax receipts monies on tourism.

Tax Collections	$ 21,862
Amount Provided to the White County Chamber of Commerce	$ 9,565
Amount Provided to the White County Historial Society	$ 8,198

NOTE 9. BUDGET COMPLIANCE

The following are governmental funds for which budgets, at the department control level, were legally adopted:

	Budgeted Expenditures and other Financing Uses	Actual Expenditures and Other Financing Uses	Actual in Excess of Appropriations
General Fund			
General government	$ 830,655	$ 636,244	$ -
Public safety	$ 1,214,700	$ 1,208,214	$ -
Streets and sanitation	$ 394,215	$ 286,279	$ -
Culture and recreation	$ 74,900	$ 7,152	$ -
Transfers	$ -	$ -	$ -
Hotel/Motel tax fund	$ 18,000	$ 17,990	$ -

NOTE 10. UNEARNED REVENUE/DEFERRED INFLOWS OF RESOURCES

Fund Financial Statements – General Fund Deferred Inflows of Resources:

Property Tax Revenues	$ 1,723	Imposed Non-exchange Transaction-taxes earned but not available.
Fines	80,194	Imposed Non-exchange Transaction-fines outstanding but not available.
Total Deferred Inflows	$ 81,917	

NOTE 11. INTERNAL FUND BALANCES AND TRANSFERS

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. This government reports interfund transfers between many of its funds. Some of the transfers are considered immaterial and are aggregated into a single column or row titled All Others. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

These transfers have been eliminated from the government-wide financial statements.

Interfund Balances

	Due from				
	General Fund	Capital Projects Fund	Hotel/Motel Fund	Enterprise Fund	Total
Due to Grant Fund	$ 8,155	$ -	$ -	$ -	$ 8,155
Due to General Fund	-	651	8,198	122,112	130,961
Total	$ 8,155	$ 651	$ 8,198	$ 122,112	$ 139,116

NOTE 11. INTERNAL FUND BALANCES AND TRANSFERS (continued)

Interfund Transfer

	Transfer To	
	Enterprise Fund	Total
Transfer from Capital Projects Fund	$ 378,909	$378,909
Total	$ 378,909	$378,909

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 12. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, was as follows:

Primary Government	**Beginning Balances 7/1/2014**	**Increases**	**Decreases**	**Ending Balances 6/30/2015**
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 424,091	$ 13,429	$ -	$ 437,520
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	424,091	13,429	-	437,520
Capital Assets Being Depreciated:				
Buildings	626,145	-	-	626,145
Infrastructure	465,545	-	-	465,545
Equipment	1,529,262	20,406	17,754	1,531,914
Total Capital Assets Being Depreciated	2,620,952	20,406	17,754	2,623,604
Accumulated Depreciation:				
Buildings	443,487	8,717	-	452,204
Infrastructure	52,229	10,427	-	62,656
Equipment	1,193,959	102,919	17,754	1,279,124
Total Accumulated Depreciation	1,689,675	122,063	17,754	1,793,984
Total Governmental Capital Assets Being Depreciated, Net	931,277	(101,657)	-	829,620
Total Governmental Activities Capital Assets, Net	$ 1,355,368	$ (88,228)	$ -	$ 1,267,140

Business-Type Activities:	Beginning Balances 7/1/2014	Increases	Decreases	Ending Balances 6/30/2015
Capital Assets Not Being Depreciated:				
Land	$ 171,336	$ -	$ -	$ 171,336
Construction in Progress	3,790,816	519,697	4,266,653	43,860
Total Capital Assets Not Being Depreciated	3,962,152	519,697	4,266,653	215,196
Capital Assets Being Depreciated:				
Buildings	57,881	-	-	57,881
Infrastructure	9,100,650	4,716,607	-	13,817,257
Equipment	815,443	33,042	-	848,485
Total Capital Assets Being Depreciated	9,973,974	4,749,649	-	14,723,623
Accumulated Depreciation:				
Buildings	14,382	4,314	-	18,696
Infrastructure	3,537,580	296,906	-	3,834,486
Equipment	728,466	23,121	-	751,587
Total Accumulated Depreciation	4,280,428	324,341	-	4,604,769
Total Capital Assets Being Depreciated, Net	5,693,546	4,425,308	-	10,118,854
Total Business-Type Activities Capital Assets, Net	$ 9,655,698	$4,945,005	$4,266,653	$10,334,050

Depreciation expense was charged to these functions in the government-wide financial statements, as follows:

Governmental Activities:		Business-Type Activities:	
General Government	$ 15,287	Water and Sewer	$324,341
Public Safety	74,951		
Streets and Sanitation	31,825		
	$ 122,063		

NOTE 13: RETIREMENT PLANS

Defined Benefit Retirement Plan

Plan Description

The Georgia Municipal Employees Benefit System (GMEBS) administers an agent multiple-employer defined benefit pension plan, the City of Cleveland Retirement Plan as defined in the Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Under the GMEBS Retirement Fund, the contributions made by the City of Cleveland, Georgia are commingled with contributions made by other participants of the GMEBS Retirement Fund for investment purposes. The plan was effective on October 1, 2013.

The Board of Trustees of the Georgia Municipal Employees Benefit System (GMEBS) is authorized to amend the "Plan" documents pursuant to a formally adopted resolution. The adoption agreements, executed by the City Council, establish the specific benefit provisions of the Defined Benefit Plan and may be amended by a formally adopted resolution by the City Council and approved by the Plan Board of Trustees. The Plan provides for benefits upon retirement, death, disablement, and termination of employment. The pension plan's financial report is included in the report of the Georgia Municipal Employees Benefit System.

A copy of the Pension Plan financial reports can be obtained from:

Georgia Municipal Association
201 Pryor Street, NW
Atlanta, Ga. 30303-3606

Employee membership data related to the Plan, as of December 31, 2014 was as follows:

Active employees	17
Active elected officials	0
Vested former participants	0
Retired participants and beneficiaries	0

Funding Policy

The City is required to contribute an actuarially determined amount annually to the Plan's trust. The Contribution amount is determined using actuarial methods and assumptions provided for by the adoption agreement and intended to satisfy the minimum contribution requirements set forth in controlling State of Georgia statutes. The City's retirement plan is subject to minimum funding standards of the Public Retirement Systems Standard Law (Georgia Code Section 47-20-10). The minimum annual contribution under these standards is $49,751, which is 6.60% of the current-year covered payroll. The minimum contribution amount is determined as the sum of the normal cost (including administrative expenses), the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability or the 10-year level percentage of payroll amortization surplus, and interest on these amounts from the valuation date to the date contributions are paid. The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contributions to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan.

Recommended Contribution

	Year Beginning 1/1/2015	1/1/2014
Total Benefit Normal Cost	$ 38,751	$ -
Administrative Expenses	2,502	$ -
Expected Employee Contributions	-	$ -
Employer Normal Cost	$ 41,253	$ -
Actuarial Accrued Liability at Valuation Date	$ 568,634	$ -
Actuarial Value of Assets at Valuation Date	474,114	$ -
Underfunded/(Surplus) Actuarial Accrued Liability	$ 94,520	$ -
Payment on Unfunded/(Surplus) Actuarial Accrued Liability	7,898	$ -
Full Funding Credit	-	$ -
Recommended Mid-Year Contribution at Valuation Date	$ 50,151	$ -
Adjustment to Fiscal Year (Begins July 1, 2015)	19,087	$ -
Total Recommended Mid-Year Contribution, For Fiscal Year	$ 52,058	$ -
Recommended Contribution As A Percentage Of Expected Payroll	6.80%	$ -

For employees employed by the City on or after October 1, 2013, participation is mandatory after meeting the eligibility requirements. Employees employed before October 1, 2013 will be considered as participants as of October 1, 2013 and will be credited with past service. Benefits fully (100%) vest after five years of service.

Normal retirement age is 65 and 5 years of Total Credited Service and the qualification of Early Retirement is age 55 with 10 years of Total Credited Service.

Upon eligibility to retire, participants are entitled to a monthly benefit in the amount of 1/12 of 1.75% of Final Average Earnings multiplied by Years of Credited Service as an Eligible Regular Employee. Final Average Earnings is defined as the annual average of earnings paid to a participant by the City for the 5 consecutive years of Credited Service preceding the participant's most recent termination in which his or her earnings were the highest.

The following chart shows the historical funding information. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Funding History

Actuarial Valuation Date		1/1/2015
Actuarial Value of Assets (a)	$	474,114
Actuarial Accrued Liability (b)	$	568,634
Underfunded/(Surplus) (b) - (a)	$	94,520
Funded Ratio (a) / (b)		83.38%
Covered Payroll	$	752,864
Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll		12.55%

Actuarial Cost Method. Projected Unit Credit Cost Method.

Amortization Method. Closed level dollar for remaining underfunded liability.

Asset Valuation Method. Sum of actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial assumptions. The total pension liability in the January 1, 2015 actuarial valuation date was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Net Investment Rate of Return	7.75% (on-going basis)
Projected Salary Increases	3.25% plus service based merit increases
Inflation	3.25%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table and the RP-2000 Disabled Retirees Mortality Table with sex-distinct rates, set forward two years for males and one year for females. Mortality experience will be reviewed periodically and updated if necessary.

The mortality and economic actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014. There have been no assumption changes and no changes in benefit provisions since GASB 67/68 implementation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nominal Real Rate of Return
Domestic Equity	50%	5.95%	9.20%
International Equity	15%	6.45%	9.70%
Fixed Income	25%	1.55%	4.80%
Real Estate	10%	3.75%	7.00%
Cash	0%		
Total	100%		

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 the employee contributions will be made at the current contribution rate and that City contributions will be made at equal rates to the difference between actuarially determined contribution rates and the employee rate. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability.

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

Net Pension Liability. The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015.

At June 30, 2015, the City reported a net pension liability. The amount recognized by the City were as follows:

City's Net Pension Liability:	
Governmental Activities	$ 172,042
Business-Type Activities	$ 30,360
Total Net Pension Liability	$ 202,402

Changes in the City's net pension liability for the year ended September 30, 2014 were as follows:

Changes In The Net Pension Liability

	Total Pension Liability (TPL) (a)	Plan Net Position (FNP) (b)	Net Pension Liability (NPL) (a)-(b)
Balances at September 30, 2013	-	-	-
			-
Changes for the Year:			
Service Cost	$ 41,935	$ -	$ 41,935
Interest Expense	-	-	-
Benefit Changes (Changes of benefit terms)	-	-	-
Experience Losses (gains)	-	-	-
(Amortized over avg remain svc period of actives & inactives)			
Changes of Assumptions	-	-	-
Contributions - Employer/Nonemployer	-	43,677	(43,677)
Contributions - Employee	-	420,046	(420,046)
Contributions - State	-	-	-
Other Changes - Contribution timing differences	-	-	-
Net Investment Income	-	13,455	(13,455)
Expected Return on Plan Investments	-	-	-
Amortized Portion of Current-period	-	-	-
Differences between Actual			
and Expected Returns on Plan Investments	-	-	-
Refunds of Contributions	-	-	-
Benefits Paid	-	-	-
Plan Administrative Expenses	-	(3,064)	3,064
Contributions for Specific Liabilities	-	-	-
Other Changes	634,581		634,581
Amortization of or Change in Beginning Balances of Deferred Outflow	-	-	-
NET CHANGES:	**$ 676,516**	**$ 474,114**	**$ 202,402**
Balances at September 30, 2014	**$ 676,516**	**$ 474,114**	**$ 202,402**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's 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:

	Discount Rate	Net Pension Liability
1% Decrease	6.75%	$359,322
Current Discount Rate	7.75%	$202,402
1% Increase	8.75%	$79,806

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

Pension Expense for the Year Ended June 30, 2015

Service Cost	$ 41,935
Interest on TPL	-
Employee Contributions	(420,046)
Administrative Expenses	3,064
Expected Return on Assets	(17,851)
Expensed Portion of Current Year Period Differences Between Expected And Actual Experience in TPL	-
Expensed Portion of Current Year Period Assumption Changes	-
Current Year Plan Changes (Establishment of New Plan)	634,581
Expensed Portion of Current Year Period Differences Between Projected and Actual Investment Earnings	-
	879
Current Year Recognition of Deferred Inflows and Outflows Established in Prior Years	-
Total Pension Expense	$ 242,562

For the year ended June 30, 2015, the City of Cleveland recognized pension expense of $242,562.

At September 30, 2014, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows/Inflows of Resources Related to Pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected And Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-
	$3,517	-
City Contributions Subsequent to the Measurement Date	$46,099	-
Total	$49,616	-

The $46,099 of deferred outflow of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

The deferred outflow of resources are reported on the Statement of Net Position as follows:

	Governmental Activities	Business-Type Activities	Total
Difference Between Expected & Actual Experience	2,989	528	$ 3,517
Employer Contributions Oct 1, 2014 - June 30, 2015	39,184	6,915	$ 46,099

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in the pension expense as follows:

Projected Recognition of Deferred Outflows/ (Inflows)

	Year Established	Outstanding Balance at 1-Jul-14	Amount recognized During FYE 30-Jun-15	Outstanding Balance at 30-Jun-15	Deferred Outflows/(Inflows) Recognized in Future Years 2016	2017	2018	2019	2020	2021 and thereafter
Fiscal Year Outflow:										
Demographics	2015	-	-	-	-	-	-	-	-	-
Investment	2015	4,396	879	3,517	879	879	879	879	-	-
Assumption Change	2015	-	-	-	-	-	-	-	-	-
Total Outflows		4,396	879	3,517	879	879	879	879	-	-
Fiscal Year Inflows										
Total Inflows		-	-	-	-	-	-	-	-	-
Total		$ 4,396	$ 879	$ 3,517	$ 879	$ 879	$ 879	$ 879	$ -	$ -

$3,517 will be amortized over a 5yr period.

Defined Contribution Plan

The City also sponsors a defined contribution plan for all eligible employees. All full time employees and one part time employee who was eligible participated in the plan as of June 30, 2015. Contributions to the plan are funded on a monthly basis. Employees are not permitted to contribute consequently, the City does not have a matching obligation. Employees are 100% vested after being employed as an eligible employee for 5 years.

The City has authorized the Georgia Municipal Association through its legal counsel to amend the Defined Contribution Plan on its behalf with the approval of the Plan Trustees.

The Plan holds assets in a separate trust in the name of each participant. The assets of the trust are not reported on the City's financial statements. The adoption agreement can be amended by a formal resolution of the City Council and the Board of Trustees of GMEBS. For the year ending June 30, 2015, the City contributed on behalf of participating employees $146,477.

In addition to the above defined contribution plan, the City also sponsors the Deferred Compensation Plan of the City of Cleveland, a Section 457 defined contribution plan for the benefit of its employees. At June 30, 2015, there was one employee participating in the plan. Contributions to the plan are funded on a monthly basis. The City does not match employee contributions. All employees are eligible to participate in the plan. Employees can

begin to participate in the plan the following month after employment begins. The plan holds its assets in a separate trust invested in annuity contracts in the name of each participant and consequently is not reported on the City's financial statements. As administrator of the plan, the City may amend the plan at its discretion. For the year ending June 30, 2015, the employee contributed $1,200 to the plan.

NOTE 14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 14, 2015.

NOTE 15. PRIOR PERIOD ADJUSTMENT

During fiscal year 2015, the City adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. In accordance with GASB 68, a prior period adjustment was recorded to adjust the City's net pension liability as required. The amount of the prior period adjustment is ($7,471). The restated beginning net position is $4,109,003.

CITY OF CLEVELAND, GEORGIA

Required Supplementary Schedule

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences Over / (Under)	Actual Amounts GAAP Basis	Variance with Final Budget Over / (Under)
Revenues						
Property Taxes	$ 479,325	$ 479,325	$ 457,001	$ -	$ 457,001	$ (22,324)
Sales Taxes	670,000	670,000	719,378	-	719,378	49,378
Intergovernmental	-	-	43,042	-	43,042	43,042
Business Taxes	150,000	150,000	186,452	-	186,452	36,452
Franchise Taxes	200,000	200,000	212,503	-	212,503	12,503
Fines and Forfeitures	54,450	54,450	79,307	-	79,307	24,857
Charges for Services	411,000	411,000	464,102	-	464,102	53,102
Excise Taxes	120,000	120,000	119,034	-	119,034	(966)
Interest	2,500	2,500	2,334	-	2,334	(166)
Miscellaneous	15,000	15,000	21,095	-	21,095	6,095
Fund Balance	412,195	412,195	-	-	-	(412,195)
Total Revenues	2,514,470	2,514,470	2,304,248	-	2,304,248	(210,222)
Expenditures						
Current Operating:						
General Government	830,655	830,655	636,244	-	636,244	(194,411)
Public Safety	1,214,700	1,214,700	1,208,214	-	1,208,214	(6,486)
Streets and Sanitation	394,215	394,215	286,279	-	286,279	(107,936)
Culture and Recreation	74,900	74,900	7,152	-	7,152	(67,748)
Total Expenditures	2,514,470	2,514,470	2,137,889	-	2,137,889	(376,581)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	166,359	-	166,359	166,359
Other Financing Sources (Uses)						
Sale of Assets	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Net Change in Fund Balance	$ -	$ -	166,359	$ -	166,359	$ 166,359
Fund Balance - Beginning			752,551		752,551	
Fund Balance - Ending			$ 918,910		$ 918,910	

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the official Code of Georgia. In accordance with those provisions, the following process is used to adopt the annual budget:

(a). Prior to June 1, the City Finance Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

(b). Public hearings are conducted at regular Commission meetings to obtain taxpayer comments. Public hearings are normally scheduled no later than 15 days prior to the beginning of the budget year.

(c). Subsequent to the public hearings, the budget is legally enacted through the passage of a resolution by the City Council.

All governmental funds with revenues and/or expenditures as defined by State law are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is at the department level within a fund.

Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

BUDGET AMENDMENTS

Fund type	Original Budget	Supplemental Appropriations	Supplemental Decreases	Revised Appropriations
General Fund	$ 2,514,470	$ -	$ -	$ 2,514,470

CITY OF CLEVELAND, GEORGIA
Required Supplementary Information
Defined Benefit Retirement Plan
June 30, 2015

Schedule of Changes in the Net Pension Liability and Related Ratios
City of Cleveland Retirement Plan
Last 10 Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service Cost	$ 41,935									
Interest	-									
Differences Between Expected and Actual Experience	-									
Changes of Assumptions	-									
Changes of Benefit Terms	634,581									
Benefit Payments, Including Refunds of Employee Contributions	-									
Net Change in Total Pension Liability	676,516									
Total Pension Liability - Beginning	-									
Total Pension Liability - Ending (a)	$ 676,516									
Plan Fiduciary Net Position										
Contributions - Employer	$ 43,677									
Contributions - Employee	420,046									
Net Investment Income	13,455									
Benefit Payments, Including Refunds of Employee Contributions	-									
Administrative Expense	(3,064)									
Other	-									
Net Change in Fiduciary Net Position	474,114									
Plan Fiduciary Net Position - Beginning	-									
Plan Fiduciary Net Position - Ending (b)	$ 474,114									
Net Pension Liability - Ending: (a)-(b)	$ 202,402									
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	70.08%									
Covered-Employee Payroll	$ 752,864									
Net Pension Liability as a Percentage of Covered-Employee Payroll	26.88%									

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Contributions
City of Cleveland Retirement Plan
Last 10 Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially Determined Contribution	$ -									
Contributions in Relation to the Actuarially	-									
Determined Contribution	-									
Contribution Deficiency (Excess)	-									
Covered-Employee Payroll	-									
Contributions as a Percentage of	-									
Covered-Employee Payroll	$ -									

Note: 2015 information will be determined after fiscal year end and will be in the 2016 valuation report.

There was no changes in benefit terms and assumptions for the year ended 2015.

CITY OF CLEVELAND, GEORGIA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2015

	Special Revenue Funds			
	Hotel/Motel Tax Fund	Grant Fund	Confiscated Asset Fund	Totals
Assets				
Cash	$ 24,501	$ -	$ 19	$ 24,520
Restricted Cash	-	-	-	-
Due from Other Funds	-	8,155	-	8,155
Total Assets	24,501	8,155	19	32,675
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows	$ 24,501	$ 8,155	$ 19	$ 32,675
Liabilities				
Accounts Payable	$ 1,236	$ -	$ -	$ 1,236
Due to Other Funds	8,198	-	-	8,198
Total Liabilities	9,434	-	-	9,434
Deferred Inflows of Resources	-	-	-	-
Total Liabilities and Deferred Inflow	9,434	-	-	9,434
Fund Balance				
Restricted for:				
Law Enforcement	-	-	19	19
Downtown Streetscape Grant	-	8,155	-	8,155
Tourism	15,067	-	-	15,067
	15,067	8,155	19	23,241
Total Liabilities, Deferred Inflows and Fund Balances	$ 24,501	$ 8,155	$ 19	$ 32,675

CITY OF CLEVELAND, GEORGIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year ended June 30, 2015

	Special Revenue Funds			
	Hotel/Motel Tax Fund	Grant Fund	Confiscated Asset Fund	Total
Revenues				
Revenue	$ 21,862	$ -	$ -	$ 21,862
Total Revenues	21,862	-	-	21,862
Expenditures				
Current:				
General Government	8,198	-	-	8,198
Housing and Development	9,792	-	-	9,792
Total Expenditures	17,990	-	-	17,990
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,872	-	-	3,872
Other Financing Sources and (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	-	-	-	-
Net Changes in Fund Balance	3,872	-	-	3,872
Fund Balance - Beginning	11,195	8,155	19	19,369
Fund Balance - Ending	$ 15,067	$ 8,155	$ 19	$ 23,241

Walker Pierce & Tuck
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

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

To the City Council
City of Cleveland, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cleveland, Georgia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Cleveland, Georgia's basic financial statements and have issued our report thereon dated December 14, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness: 2015-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cleveland, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

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our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

The City of Cleveland, Georgia's Response to Findings

The City of Cleveland, Georgia's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of Cleveland, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

Walker, Pierce & Tuck, CPA's, P.C.

Walker, Pierce & Tuck, CPA's, P.C.
Gainesville, Georgia
December 14, 2015

City of Cleveland, Georgia
Schedule of Findings and Responses
For the Year Ended June 30, 2015

2015-1

Condition:	The City does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.
Criteria:	The City should possess the ability to prepare its own financial statements or have access to someone with adequate technical training and education to review the financial statements prepared by others.
Cause:	The City staff does not have the accounting skills necessary to prepare financial statements in accordance with accounting principles generally accepted in the United States.
Effect:	The City does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.
Recommendation:	The City should consider employing someone or contracting with another entity to review the financial statements prepared by the auditor.
Response:	While the City agrees with the finding, it is not economically feasible to follow this recommendation.

CITY OF CLEVELAND, GEORGIA

Schedule of Special Purpose Local Option Sales Tax

Estimated Cost and Expenditure Summary

For the Year Ended June 30, 2015

Project Description	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST 1999					
Construction and Repair of Roads, Streets and Bridges	$ 2,800,000	$ 2,800,000	$2,505,694	$ 12,449	$2,518,143
Total SPLOST 1999	2,800,000	2,800,000	2,505,694	12,449	2,518,143
SPLOST 2004					
Water and Sewer Improvements	2,600,000	3,380,264	3,094,754	285,510	3,380,264
Downtown Redevelopment	400,000	392,931	392,931	-	392,931
Total SPLOST 2004	3,000,000	3,773,195	3,487,685	285,510	3,773,195
SPLOST 2009					
Purchase of Administrative, police and fire facilities	250,000	250,000	250,000	-	250,000
Water and Sewer Infrastructure	3,130,000	3,130,000	701,166	67,407	768,573
Total SPLOST 2009	3,380,000	3,380,000	951,166	67,407	1,018,573
SPLOST 2014					
Water/Sewer Imrovements Including Equipment & Vehicles	1,033,600	1,033,600	-	25,992	25,992
Acquisition and/or Capital Improvement of Buildings, Public Infrastructure and Vehicles	236,400	236,400	-	-	-
Roads, Streets, Bridges and Sidewalk Projects	750,000	750,000	-	-	-
Cultural & Recreational Equipment	450,000	450,000	-	-	-
Total SPLOST 2014	2,470,000	2,470,000	-	25,992	25,992

SPLOST 2004 was complete as of 6/30/2015.