CITY OF CLEVELAND, GEORGIA

FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2016

WALKER, PIERCE & TUCK, CPA'S, PC

CITY OF CLEVELAND, GEORGIA
FISCAL YEAR ENDED JUNE 30, 2016
TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report 1-2

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 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 12-28

Required Supplementary Inforation (other than MD&A)
- Budgetary Comparison Schedules
  - General Fund 29
  - Notes to Required Supplementary Information on Budgetary Accounting and Control 30
- Defined Benefit Retirement Plan
  - Schedule of Net Pension Liability and Related Ratios 31
  - Schedule of Contributions 32

Combining and Individual Fund Statements
- Combining Balance Sheet- Nonmajor Governmental Funds 33
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds 34

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 35-36
- Schedule of Findings and Responses 37
- Schedule of Special Purpose Local Option Sales Tax Estimated Cost and Expenditure Summary 38

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

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Cleveland, Georgia

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, Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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, each major fund, and the aggregate remaining fund information of the City of Cleveland, Georgia, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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, schedule of changes in net pension liability and contributions are presented, as required by generally accepted in the United States of America, on pages 29-32 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 and individual nonmajor fund financial statements and the Schedule of Expenditures of Special Purpose Local Option Sales Tax, as required by O.C.G.A. 48-8-121 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.

Supplementary Information

The combining and individual nonmajor 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 and individual nonmajor fund financial statements and the Schedule of Expenditures of Special Purpose Local Option Sales Tax 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 05, 2016, 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 the City of Cleveland, Georgia's internal control over financial reporting and compliance.

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

Walker, Pierce and Tuck, CPA's, P.C.
Gainesville, Georgia
December 05, 2016

CITY OF CLEVELAND, GEORGIA

Statement of Net Position

June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 3,194,884	$ 3,605,832	$ 6,800,716
Restricted cash	-	550,360	550,360
Receivables (net)	221,355	173,559	394,914
Intergovernmental receivable	75,181	-	75,181
Prepaid expenditures	15,294	4,548	19,842
Accrued revenue	-	74,924	74,924
Interfund balances	132,384	(132,384)	-
Total Current Assets	3,639,098	4,276,839	7,915,937
Noncurrent Assets			
Capital assets			
Nondepreciable	437,520	369,070	806,590
Depreciable, net	827,342	9,920,715	10,748,057
Total Noncurrent Assets	1,264,862	10,289,785	11,554,647
Total Assets	4,903,960	14,566,624	19,470,584
Deferred Outflows of Resources	104,624	18,464	123,088
Total Assets and Deferred Outflows of Resources	5,008,584	14,585,088	19,593,672
Liabilities			
Current Liabilities			
Accounts payable	50,560	47,059	97,619
Accrued expenses	37,138	12,421	49,559
Notes payable	-	62,261	62,261
Amounts held in trust	120	173,580	173,700
Total Current Liabilities	87,818	295,321	383,139
Long-term Liabilities			
Net pension liability	228,411	40,307	268,718
Notes payable	-	1,337,985	1,337,985
Compensated absences	99,824	96,706	196,530
Total Long-term Liabilities	328,235	1,474,998	1,803,233
Total Liabilities	416,053	1,770,319	2,186,372
Deferred Inflows of Resources	-	-	-
Total Liabilities and Deferred Inflows of Resources	416,053	1,770,319	2,186,372
Net Position			
Net Investment in Capital Assets	1,264,862	8,889,539	10,154,401
Restricted for:			
Capital projects	2,416,069	-	2,416,069
Public safety	19	-	19
Tourism	19,995	-	19,995
Downtown streetscape	8,155	-	8,155
Unrestricted	883,431	3,925,230	4,808,661
Total Net Position	$ 4,592,531	$ 12,814,769	$ 17,407,300

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

CITY OF CLEVELAND, GEORGIA

Statement of Activities

For the Year Ended June 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Total
Primary Government:							
Governmental Activities:							
General government	$ 927,183	$ 385,422	$ -	$ 482,469	$ (59,292)	$ -	$ (59,292)
Public safety	1,237,684	119,711	34,937	-	(1,083,036)	-	(1,083,036)
Public works	315,533	-	-	-	(315,533)	-	(315,533)
Recreation and culture	9,084	-	-	-	(9,084)	-	(9,084)
Housing and development	16,248	-	-	-	(16,248)	-	(16,248)
Total Governmental Activities	2,505,732	505,133	34,937	482,469	(1,483,193)	-	(1,483,193)
Business-type Activities:							
Water and sewer	1,715,507	1,856,519	-	-	-	141,012	141,012
Total Business-type Activities	1,715,507	1,856,519	-	-	-	141,012	141,012
Total primary government	$ 4,221,239	$ 2,361,652	$ 34,937	$ 482,469	(1,483,193)	141,012	(1,342,181)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					504,329	-	504,329
Franchise fees					220,335	-	220,335
Excise taxes					155,373	-	155,373
Business tax					278,303	-	278,303
Sales tax					752,596	-	752,596
Hotel/Motel tax					26,288	-	26,288
Interest and investment earnings					2,282	4,879	7,161
Miscellaneous					24,016	21,854	45,870
Transfers					8,742	(8,742)	-
Total General Revenues and Transfers					1,972,264	17,991	1,990,255
Change in Net Position					489,071	159,003	648,074
Net Position Beginning of Year					4,103,460	12,655,766	16,759,226
Ending Net Position					$ 4,592,531	$ 12,814,769	$ 17,407,300

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

CITY OF CLEVELAND, GEORGIA

Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 830,025	$ 2,342,017	$ 22,842	$ 3,194,884
Intergovernmental receivable	75,181	-	-	75,181
Receivables (net)	143,890	74,052	3,413	221,355
Prepaid expenditures	15,294	-	-	15,294
Due from other funds	137,132	-	8,155	145,287
Total Assets	1,201,522	2,416,069	34,410	3,652,001
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 1,201,522	$ 2,416,069	$ 34,410	$ 3,652,001
Liabilities				
Accounts payable	$ 49,187	$ -	$ 1,493	$ 50,680
Accrued expenses	37,138	-	-	37,138
Due to other funds	8,155	-	4,748	12,903
Total Liabilities	94,480	-	6,241	100,721
Deferred Inflows of Resources	98,477	-	-	98,477
Total Liabilities and Deferred Inflows of Resources	192,957	-	6,241	199,198
Fund Balances				
Nonspendable:				
Prepaid expenditures	15,294	-	-	15,294
Restricted for:				
Capital projects	-	2,416,069	-	2,416,069
Law enforcement	-	-	19	19
Tourism	-	-	19,995	19,995
Downtown Streetscape	-	-	8,155	8,155
Unassigned	993,271	-	-	993,271
Total Fund Balances	1,008,565	2,416,069	28,169	3,452,803
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,201,522	$ 2,416,069	$ 34,410	$ 3,652,001

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

CITY OF CLEVELAND, GEORGIA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Total Governmental Fund Balances		$	3,452,803
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	3,167,857		
Less: Accumulated depreciation	(1,902,995)		
Total capital assets			1,264,862
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:			
Accrued personal leave not reported in governmental funds			(99,824)
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 deferred in the funds.			98,477
Pension items not included in fund financial statements.			
Deferred outflows of resources			104,624
Net pension liability			(228,411)
Net Position of Governmental Activities		$	4,592,531

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, 2016

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property tax	$ 503,252	$ -	$ -	$ 503,252
Sales tax	752,596	-	-	752,596
Business tax	278,303	-	-	278,303
Franchise tax	220,335	-	-	220,335
Excise tax	155,373	-	-	155,373
Hotel/Motel tax	-	-	26,288	26,288
Intergovernmental	34,937	478,911	-	513,848
Fines and forfeitures	44,109	-	-	44,109
Charges for services	445,541	-	-	445,541
Interest	2,282	3,558	-	5,840
Miscellaneous	24,016	-		24,016
Total Revenue	2,460,744	482,469	26,288	2,969,501
Expenditures				
Current:				
General government	829,907	-	4,748	834,655
Public safety	1,296,686	-	-	1,296,686
Public works	294,464	3,927	-	298,391
Recreation and culture	55,144	-	-	55,144
Housing and development	-	-	11,500	11,500
Total Expenditures	2,476,201	3,927	16,248	2,496,376
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,457)	478,542	10,040	473,125
Other Financing Sources (Uses)				
Transfers in	105,112	-	-	105,112
Transfers out	-	(91,258)	(5,112)	(96,370)
Total Other Financing Sources (Uses)	105,112	(91,258)	(5,112)	8,742
Net Change in Fund Balances	89,655	387,284	4,928	481,867
Fund Balances Beginning of Year	918,910	2,028,785	23,241	2,970,936
Fund Balances End of Year	$ 1,008,565	$ 2,416,069	$ 28,169	$ 3,452,803

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, 2016

Net Changes in Fund Balances-Total Governmental Funds		$ 481,867
Amounts reported as governmental activities in the Statement of Activities are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because:		
Capital outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation.		
Capital outlay	106,733	
Less: Current year depreciation	(109,011)	
		(2,278)
Net pension liability is not available during the current period and therefore is not reported in the funds		
End of Fiscal Year	(228,411)	
Beginning of Fiscal Year	172,042	
		(56,369)
Contributions made after pension measurement date, changes in assumptions, and differences in expected and actual results of the defined benefit pension plan are reported as deferred outflows and not reported in the funds.		
End of Fiscal Year	104,624	
Beginning of Fiscal Year	(42,173)	
		62,451
Compensated absences are reported in the Statement of Activities, but do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated absence liability at June 30, 2015	86,664	
Compensated absence liability at June 30, 2016	(99,824)	
		(13,160)
Because some revenues will not be collected for several months after the City's fiscal year end, they are considered "available" revenues and are deferred in the governmental funds.		
Deferred revenue at June 30, 2015	(81,917)	
Deferred revenue at June 30, 2016	98,477	
		16,560
Change in Net Position of Governmental Activities		$ 489,071

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

CITY OF CLEVELAND, GEORGIA

Statement of Net Position
Proprietary Fund
June 30, 2016

	Water and Sewer Fund
Current Assets	
Cash and cash equivalents	$ 3,605,832
Restricted cash and cash equivalents	550,360
Accounts receivable (net)	173,559
Prepaid expenses	4,548
Accrued revenue	74,924
Total Current Assets	4,409,223
Noncurrent Assets	
Capital assets	
Non-depreciable	369,070
Depreciable, net	9,920,715
Total Noncurrent Assets	10,289,785
Total Assets	14,699,008
Deferred Outflows of Resources	18,464
Total Assets and Deferred Outflows of Resources	14,717,472
Liabilities	
Current Liabilities	
Accounts payable	47,059
Accrued expenses	12,421
Due to other funds	132,384
Notes payable	62,261
Total Current Liabilities	254,125
Long-term Liabilities	
Net pension liability	40,307
Compensated absences	96,706
Customer deposits	173,580
Notes payable	1,337,985
Total Long-term Liabilities	1,648,578
Total Liabilities	1,902,703
Deferred Inflows of Resources	-
Total Liabilities and Deferred Inflows of Resources	1,902,703
Net Position	
Net investment in capital assets	8,889,539
Unrestricted	3,925,230
Total Net Position	$ 12,814,769

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, 2016

	Water and Sewer Fund
Operating Revenue	
Charges for services	$ 1,856,519
Miscellaneous income	21,854
Total Operating Revenue	1,878,373
Operating Expenses	
Personnel services:	
Salaries and wages	515,427
Employment Taxes	40,464
Benefits	112,902
Total Personnel Services	668,793
Purchased / contracted services:	
Professional and technical	10,000
Other purchased services	14,393
Total Purchased / contracted services	24,393
Other operating expenses:	
Purchased water	107,892
Administrative	927
Supplies	125,150
Insurance	65,712
Repairs and maintenance	106,767
Utilities	188,401
Engineering, lab fees and training	7,736
Depreciation	366,181
Miscellaneous	27,466
Total Other Operating Expenses	996,232
Total Operating Expenses	1,689,418
Operating Income (Loss)	188,955
Nonoperating Revenues (Expenses)	
Interest income	4,879
Interest expense	(26,089)
Total Nonoperating Revenues and (Expenses)	(21,210)
Income (Loss) Before Contributions and Transfers	167,745
Transfer in	91,258
Transfer (out)	(100,000)
Change in Net Position	159,003
Net Position Beginning of Year	12,655,766
Net Position End of Year	$ 12,814,769

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, 2016

	Water and Sewer Fund
Cash flows from operating activities:	
Receipts from customers	$ 1,845,235
Payments to suppliers	(743,420)
Payments to employees	(652,997)
Net cash provided (used) by operating activities	448,818
Cash flows from noncapital financing activities:	
Transfer from other funds	91,258
Transfer to other funds	(100,000)
Net cash provided (used) by noncapital financing activities	(8,742)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(321,916)
Debt payments, principal and interest	(87,228)
Net cash provided (used) by capital and related financing activities	(409,144)
Cash flows from investing activities:	
Interest income	4,879
Net cash provided (used) by investing activities	4,879
Net increase (decrease) in cash and cash equivalents	35,811
Cash and cash equivalents, June 30, 2015	4,120,381
Cash and cash equivalents, June 30, 2016	$ 4,156,192
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ 188,955
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	366,181
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(37,688)
(Increase) decrease in prepaid expenses	(212)
(Increase) decrease in deferred outflows of resources	(11,021)
Increase (decrease) in due to other funds	10,272
Increase (decrease) in accounts payable	(99,036)
Increase (decrease) in accrued expenses	5,729
Increase (decrease) in compensated absences	11,141
Increase (decrease) in customer deposits	4,550
Increase (decrease) in net pension liability	9,947
Net cash provided (used) by operating activities	$ 448,818

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

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 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, 2016, 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 2015 on July 30, 2015 at 5 mils. Property tax bills were mailed on August 27, 2015 and were due November 15, 2015. 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 23, 2016. 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
Public domain infrastructure	50
System infrastructure	30
Building improvements	20
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.

Currently, the City has one resource that qualifies as deferred outflows in its governmental activities. This resource is its defined benefit pension plan. The City has two resources that qualify as deferred outflows in its proprietary funds. These resources are its defined benefit pension plan and a deferred charge on refunding.

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 has two resources that qualify as deferred inflows in the governmental funds, due to availability. They are property taxes and fines.

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, 2016, all bank deposits were insured or fully collateralized.

NOTE 3. RECEIVABLES

The following is a summary of amounts due from others at June 30, 2016:

Governmental Activities:		
Property taxes receivable - net	$	4,905
Hotel/motel taxes receivable - net		3,413
Fines receivable - net		101,097
Sanitation receivable -net		37,676
Other charges for services - net		212
Due from other governments - SPLOST		74,052
Due from other governments - LOST		75,181
Total Governmental Receivables:	$	296,536
Business-type Activities:		
Water sewer fees receivable - net	$	173,559

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

Allowance for Bad Debts:

Governmental Activities:		
Property taxes receivable - net	$	69
Fines receivable - net		54,435
Sanitation receivable -net		14,882
Total Governmental Allowance for Bad Debts:	$	69,386
Business-type Activities:		
Water sewer fees receivable - net	$	78,132
Total Business-type Allowance for Bad Debts:	$	78,132

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, 2016, the City paid $4,062 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.

Changes in long-term debt:

	Balance as of June 30, 2015	Additions	Reductions	Balance as of June 30, 2016	Due Within One Year
Governmental Activities:					
Compensated Absences	$ 86,664	$ 13,160	$ -	$ 99,824	$ -
Net Pension Liability	172,042	114,239	(57,870)	228,411	-
Total governmental activities	$ 258,706	$ 127,399	$ (57,870)	$ 328,235	$ -

Interest cost of the long-term debt in the business-type activity is expensed in the current period. For the year ending June 30, 2016, that interest cost was $26,089.

	Balance as of June 30, 2015	Additions	Reductions	Balance as of June 30, 2016	Due Within One Year
Business-Type Activities:					
Notes Payable	$ 1,461,385	$ -	$ (61,139)	$ 1,400,246	$ 62,261
Compensated Absences	85,565	11,141	-	96,706	-
Net Pension Liability	30,360	20,160	(10,213)	40,307	-
Total business-type activities	$ 1,577,310	$ 31,301	$ (71,352)	$ 1,537,259	$ 62,261

Annual debt service requirements for notes payable are as follows:

Year	Principal	Interest	Total
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	66,959	20,269	87,228
2022-2026	353,684	82,454	436,138
2027-2031	387,353	48,786	436,138
2032-2035	336,267	12,644	348,911
Totals:	$ 1,400,246	$ 257,081	$ 1,657,327

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 2016 was $74,746. 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 2016 was $35,968.

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, 2016, the City is in compliance with OCGA 48-13-51 which requires the City to spend tax receipts monies on tourism.

Tax Collections	$	26,288
Amount Provided to the White County Chamber of Commerce	$	11,501
Amount Provided to the White County Historical Society	$	9,860

NOTE 9. BUDGET COMPLIANCE

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

Department	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Variance with Final Budget Over (Under)
General Fund			
General Government	$ 949,395	$ 829,907	$ (119,488)
Public Safety	1,377,535	1,296,686	(80,849)
Public Works	416,730	294,464	(122,266)
Recreation & Culture	75,000	55,144	(19,856)
	$ 2,818,660	$ 2,476,201	$ (342,459)

NOTE 10. UNEARNED REVENUE/DEFERRED INFLOWS OF RESOURCES

As of June 30, 2016, deferred inflows of resources and unearned revenue consisted of the following:

Governmental Fund Financial Statements:		
Deferred inflows of resources		
Property Taxes	$ 2,544	Non-exchange transaction resource collected
Fines	95,933	beyond the City's period of availability.
Total deferred inflows of resources	$ 98,477	

NOTE 11. DEFERRED OUTFLOWS OF RESOURCES

As of June 30, 2016, deferred outflows of resources consisted of the following:

Governmental Activities:	
Deferred outflows of resources	
Defined benefit retirement plan - See note 14	$ 104,624
Total deferred inflows of resources - governmental activities	$ 104,624
Business-type Activities:	
Deferred outflows of resources	
Defined benefit retirement plan - See note 14	$ 18,464
Total deferred inflows of resources - business-type activities	$ 18,464
Total Deferred Outflows of Resources - Government-wide	$ 123,088

NOTE 12. 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.

Due To:	Due From: General Fund	Water and Sewer Fund	Hotel / Motel Fund	Total
General Fund	$ -	$ 132,384	$ 4,748	$ 137,132
Grant Fund	8,155	-	-	8,155
	$ 8,155	$ 132,384	$ 4,748	$ 145,287

Transfer To:	Transfer From: Capital Projects Fund	Water and Sewer Fund	Hotel / Motel Fund	Total
General Fund	$ -	$ 100,000	$ 5,112	$ 105,112
Water and Sewer Fund	91,258	-	-	91,258
	$ 91,258	$ 100,000	$ 5,112	$ 196,370

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 13. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Primary Government:					
Governmental Activities:					
Non-Depreciable Assets:					
Land	$ 437,520	$ -	$ -	$ -	$ 437,520
Total non-depreciable capital assets	437,520	-	-	-	437,520
Depreciable Assets:					
Buildings & Improvements	626,145	47,040	-	-	673,185
Machinery & Equipment	1,531,914	59,693	-	-	1,591,607
Infrastructure	465,545	-	-	-	465,545
Total depreciable capital assets	2,623,604	106,733	-	-	2,730,337
Accumulated Depreciation:					
Buildings & Improvements	452,204	9,697	-	198	462,099
Machinery & Equipment	1,279,124	88,887	-	3,500	1,371,511
Infrastructure	62,656	10,427		(3,698)	69,385
Total accumulated depreciation	1,793,984	109,011	-	-	1,902,995
Total depreciable capital assets, net	829,620	(2,278)	-	-	827,342
Governmental activities capital assets, net	$ 1,267,140	$ (2,278)	$ -	$ -	$ 1,264,862

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land	$ 171,336	$ -	$ -	$ -	$ 171,336
Construction in progress	43,860	153,874	-	-	197,734
Total non-depreciable capital assets	215,196	153,874	-	-	369,070
Depreciable Assets:					
Buildings and improvements	57,881	-	-	-	57,881
Machinery and equipment	848,485	14,088	-	-	862,573
Infrastructure	13,817,257	153,954	-	-	13,971,211
Total depreciable capital assets	14,723,623	168,042	-	-	14,891,665
Accumulated Depreciation:					
Buildings and improvements	18,696	4,315	-	-	23,011
Machinery and equipment	751,587	26,130	-	-	777,717
Infrastructure	3,834,486	335,736		-	4,170,222
Total accumulated depreciation	4,604,769	366,181	-	-	4,970,950
Total depreciable capital assets, net	10,118,854	(198,139)	-	-	9,920,715
Business-type activities capital assets, net	$ 10,334,050	$ (44,265)	$ -	$ -	$ 10,289,785

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

Governmental Activities:	
General Government	$ 17,179
Public Safety	60,093
Public Works	31,739
Total depreciation expense - governmental activities	$ 109,011
Business-type Activities:	
Water and Sewer	$ 366,181
Total depreciation expense - business-type activities	$ 366,181

NOTE 14: 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, 2015 was as follows:

Active employees 22

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 $58,265, 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	
	1/1/2016	1/1/2015
Total Benefit Normal Cost	$ 44,706	$ 38,751
Administrative Expenses	5,379	2,502
Expected Employee Contributions		-
Employer Normal Cost	$ 50,085	$ 41,253
Actuarial Accrued Liability at Valuation Date	$ 671,522	$ 568,634
Actuarial Value of Assets at Valuation Date	570,839	474,114
Underfunded/(Surplus) Actuarial Accrued Liability	$ 100,683	$ 94,520
Payment on Unfunded/(Surplus) Actuarial Accrued Liability	8,678	7,898
Full Funding Credit		-
Recommended Mid-Year Contribution at Valuation Date	$ 58,763	$ 50,151
Adjustment to Fiscal Year (Begins July 1, 2016)	2,235	19,087
Total Recommended Mid-Year Contribution, For Fiscal Year	$ 60,998	$ 52,058
Recommended Contribution As A Percentage Of Expected Payroll	6.44%	6.80%

Summary of Plan Provisions

Employer	City of Cleveland
Social Security	No
Participant Contribution	Non-Contributory
Original Effective Date	10/1/2013
Eligibility Requirements	Employees: No waiting period Officials: Not covered
Normal Retirement Age	65+5
Early Retirement	55+10
Benefit Formula	1.75%
Official's Benefits	None
Vesting	5 years
Death Benefits	Auto A - Participant must be vested in a Normal Retirement Term vest Auto A death benefit
Disability Minimum	20% - Participant must be vested in a Normal Retirement
Cost-of-Living	None
Other	Prior service from 10-1-13 counts for purposes of satisfying the minimum service requirements for participation, benefit eligibility and vesting only. Service Credit Purchase – Participants who are eligible regular employees of the city and actively employed with the city as of 9-30-13 and vested may purchase service. See Service Credit Addendum for details) No changes in plan features since last valuation.

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	1/1/2016
Actuarial Value of Assets (a)	$ 570,839
Actuarial Accrued Liability (b)	$ 671,522
Underfunded/(Surplus) (b) - (a)	$ 100,683
Funded Ratio (a) / (b)	83.38%
Covered Payroll	$ 931,713
Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	10.81%

Actuarial Cost Method. Projected Unit Credit.

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, 2016 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%

The mortality and economic actuarial assumptions used in the January 1, 2016 valuation were approved by the Board in December, 2014 based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014 conducted by Segal. The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be review periodically and updated if necessary.

Mortality Rates

Healthy:	RP-2000 Combined Health Mortality Table with sex-distinct rates, set forward two years for male and one year for females
Disabled:	RP-2000 Diabled Retiree Mortality Table with sex-distinct rates
Plan termination basis (all lives):	1994 Group Annuity Reserving Unisex Table

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, 2015 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.

Net Pension Liability. The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. At June 30, 2016, 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, 2015 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, 2014	**676,516**	**474,114**	**202,402**
Changes for the Year:			
Service Cost	$ 48,885	$ -	$ 48,885
Interest Expense	52,430	-	52,430
Benefit Changes (Changes of benefit terms)	-	-	-
Experience Losses (gains)	29,448	-	29,448
(Amortized over avg remain svc period of actives & inactives)			
Changes of Assumptions	-	-	-
Contributions - Employer/Nonemployer	-	64,832	(64,832)
Contributions - Employee	-	-	-
Contributions - State	-	-	-
Other Changes - Contribution timing differences	-	-	-
Net Investment Income	-	3,251	(3,251)
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	-	(3,636)	3,636
Contributions for Specific Liabilities	-	-	-
Other Changes	-		-
Amortization of or Change in Beginning Balances of Deferred Outflow	-	-	-
NET CHANGES:	$ 130,763	$ 64,447	$ 66,316
Balances at September 30, 2015	**$ 807,279**	**$ 538,561**	**$ 268,718**

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%	$457,772
Current Discount Rate	7.75%	$268,718
1% Increase	8.75%	$121,203

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, 2016

Service Cost	$ 48,885
Interest on TPL	52,430
Employee Contributions	-
Administrative Expenses	3,636
Expected Return on Assets	(39,115)
Expensed Portion of Current Year Period Differences Between Expected And Actual Experience in TPL	2,454
Expensed Portion of Current Year Period Assumption Changes	-
Current Year Plan Changes (Establishment of New Plan)	-
Expensed Portion of Current Year Period Differences Between Projected and Actual Investment Earnings	7,172
Current Year Recognition of Deferred Inflows and Outflows Established in Prior Years	879
Total Pension Expense	$ 76,341

For the year ended June 30, 2016, the City of Cleveland recognized pension expense of $76,341.

At September 30, 2015, 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	$ 26,994	$ -
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	31,329	
City Contributions Subsequent to the Measurement Date	64,765	
Total	$ 123,088	$ -

The $64,765 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 Projected & Actual Earnings on Pension Plan Investments	$ 22,945	$ 4,049	$ 26,994
Difference Between Expected & Actual Experience	$ 26,629	$ 4,700	$ 31,329
Employer Contributions Oct 1, 2015 - June 30, 2016	$ 55,049	$ 9,715	$ 64,764

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 July 1, 2015	Recognized During FYE June 30, 2016	Outstanding Balance at June 30, 2016	Deferred Outflows/(Inflows) Recognized in Future Years 2017	2018	2019	2020	2021	2022 and thereafter
Fiscal Year Outflows										
Investment	2015	$ 3,517	$ 879	$ 2,638	$ 879	$ 879	$ 879	$ -	$ -	$ -
Demographics	2016	29,448	2,454	26,994	2,454	2,454	2,454	2,454	2,454	14,724
Investment	2016	35,864	7,173	28,691	7,173	7,173	7,173	7,173	-	-
Total Outflows		$ 68,829	$ 10,506	$ 58,323	$ 10,506	$ 10,506	$ 10,506	$ 9,627	$ 2,454	$ 14,724
Fiscal Year Inflows										
Total Inflows		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Defined Contribution Plan

The City also sponsors a defined contribution plan for all eligible employees. All full time employees are eligible to participate in the plan as of June 30, 2016. 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 401(a) 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, 2016, the City contributed on behalf of participating employees $84,478.

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, 2016, 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, 2016, the employee contributed $1,200 to the plan.

NOTE 15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 05, 2016.

CITY OF CLEVELAND, GEORGIA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Budget to GAAP Differences	Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Over / (Under)	GAAP Basis	Final Budget
Revenues						
Property tax	546,145	546,145	503,252	-	503,252	(42,893)
Sales tax	715,000	715,000	752,596	-	752,596	37,596
Business tax	250,000	250,000	278,303	-	278,303	28,303
Franchise tax	200,000	200,000	220,335	-	220,335	20,335
Excise tax	125,000	125,000	155,373	-	155,373	30,373
Intergovernmental	-	-	34,937	-	34,937	34,937
Fines and forfeitures	62,900	62,900	44,109	-	44,109	(18,791)
Charges for services	362,450	362,450	445,541	-	445,541	83,091
Investment earnings	2,300	2,300	2,282	-	2,282	(18)
Miscellaneous	15,025	15,025	24,016	-	24,016	8,991
Total Revenues	2,278,820	2,278,820	2,460,744	-	2,460,744	181,924
Expenditures						
Current Operating:						
General government	949,395	949,395	829,907	-	829,907	(119,488)
Public safety	1,377,535	1,377,535	1,296,686	-	1,296,686	(80,849)
Public works	416,730	416,730	294,464	-	294,464	(122,266)
Recreation and culture	75,000	75,000	55,144	-	55,144	(19,856)
Total Expenditures	2,818,660	2,818,660	2,476,201	-	2,476,201	(342,459)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(539,840)	(539,840)	(15,457)	-	(15,457)	524,383
Other Financing Sources (Uses)						
Transfers in	100,000	100,000	105,112	-	105,112	5,112
Budgeted Fund Balance	439,840	439,840	-	-	-	(439,840)
Total Other Financing Sources (Uses)	539,840	539,840	105,112	-	105,112	(434,728)
Net Change in Fund Balances	$ -	$ -	89,655	$ -	89,655	$ 89,655
Fund Balance Beginning of Year			918,910		918,910	
Fund Balance End of Year			$ 1,008,565		$ 1,008,565	

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 in November or December 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 the city council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Budgetary Requirements

There were no amendments to the original budget by the City Council during the fiscal year ending June 30, 2016.

CITY OF CLEVELAND, GEORGIA
Required Supplementary Information
Defined Benefit Retirement Plan
June 30, 2016

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service Cost	$ 48,885	$ 41,935								
Interest	52,430	-								
Differences Between Expected and Actual Experience	29,448	-								
Changes of Assumptions	-	-								
Changes of Benefit Terms	-	634,581								
Benefit Payments, Including Refunds of Employee Contributions	-	-								
Net Change in Total Pension Liability	130,763	676,516								
Total Pension Liability - Beginning	676,516	-								
Total Pension Liability - Ending (a)	$ 807,279	$ 676,516								
Plan Fiduciary Net Position										
Contributions - Employer	$ 64,832	$ 43,677								
Contributions - Employee	-	420,046								
Net Investment Income	3,251	13,455								
Benefit Payments, Including Refunds of Employee Contributions	-	-								
Administrative Expense	(3,636)	(3,064)								
Other	-	-								
Net Change in Fiduciary Net Position	64,447	474,114								
Plan Fiduciary Net Position - Beginning	474,114	-								
Plan Fiduciary Net Position - Ending (b)	$ 538,561	$ 474,114								
Net Pension Liability - Ending: (a)-(b)	$ 268,718	$ 202,402								
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	66.71%	70.08%								
Covered-Employee Payroll	$ 931,713	$ 752,864								
Net Pension Liability as a Percentage of Covered-Employee Payroll	28.84%	26.88%								

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

CITY OF CLEVELAND, GEORGIA
Required Supplementary Information
Defined Benefit Retirement Plan
June 30, 2016

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially Determined Contribution	$ -	N/A								
Contributions in Relation to the Actuarially	-	58,048								
Determined Contribution	-	-								
Contribution Deficiency (Excess)	-	N/A								
Covered-Employee Payroll	-	752,864								
Contributions as a Percentage of	-	-								
Covered-Employee Payroll	$ -	7.71%								

Note: 2016 information will be determined after fiscal year end and will be in the 2017 valuation report. Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions. 2015 covered payroll is based on data collected as of August 31, 2014 for the 2015 actuarial valuation.

Changes of Assumptions
As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

Benefit Changes
There has been no changes in plan provisions since GASB 67/68 implementation.

CITY OF CLEVELAND, GEORGIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Hotel / Motel Fund	Grant Fund	Confiscated Assets Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	$ 22,823	$ -	$ 19	$ 22,842
Accounts receivable (net)	3,413	-	-	3,413
Due from other funds	-	8,155	-	8,155
Total Assets	26,236	8,155	19	34,410
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	26,236	8,155	19	34,410
Liabilities				
Accounts payable	1,493	-	-	1,493
Due to other funds	4,748	-	-	4,748
Total Liabilities	6,241	-	-	6,241
Deferred Inflows of Resources	-	-	-	-
Total Liabilities and Deferred Inflows of Resources	6,241	-	-	6,241
Fund Balance				
Restricted for:				
Law Enforcement	-	-	19	19
Tourism	19,995	-	-	19,995
Downtown Streetscape	-	8,155	-	8,155
Total Fund Balance	19,995	8,155	19	28,169
Total Liabilities, Deferred Inflows and Fund Balance	$ 26,236	$ 8,155	$ 19	$ 34,410

CITY OF CLEVELAND, GEORGIA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

	Hotel / Motel Fund	Grant Fund	Confiscated Assets Fund	Total Nonmajor Governmental Funds
Revenues				
Hotel/Motel tax	$ 26,288	$ -	$ -	$ 26,288
Total Revenue	26,288	-	-	26,288
Expenditures				
Current:				
General government	4,748	-	-	4,748
Housing and development	11,500	-	-	11,500
Total Expenditures	16,248	-	-	16,248
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,040	-	-	10,040
Other Financing Sources (Uses)				
Transfers out	(5,112)	-	-	(5,112)
Total Other Financing Sources (Uses)	(5,112)	-	-	(5,112)
Net Change in Fund Balances	4,928	-	-	4,928
Fund Balances Beginning of Year	15,067	8,155	19	23,241
Fund Balances End of Year	$ 19,995	$ 8,155	$ 19	$ 28,169

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, each major fund and the aggregate remaining fund information of the City of Cleveland, Georgia, as of and for the year ended June 30, 2016 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 05, 2016.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. (2016-1 – 2016-2).

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 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.

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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 05, 2016

Findings – Financial Statement Audit

2016-1

Condition:	The City accounting staff requires additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external audit for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common for governments of similar size and structure to the City. Under current auditing standards, providing technical assistance does not impair independence of the external auditor. However, future changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the auditor. This does not indicate that the Finance Manager is not trained to perform the daily accounting functions, but the City has elected as a cost benefit to outsource this expertise to their auditors.
Criteria:	Effective internal control requires that the City accept responsibility and understanding of the audited financial report.
Cause:	The City staff does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.
Effect:	The lack of proper technical training and knowledge by City staff could result in the failure to understand and detect material misstatements in the financial statements.
Recommendation:	The City should continue to receive training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements.
Response:	The City agrees with this finding and with the intent of GASB. The City has chosen to outsource the creation of the Annual Financial Statements to our auditors, experts in this area.

2016-2

Condition:	The City under billed commercial apartment building customers for water service due to the use of an incorrect billing rate.
Criteria:	The City should bill all water customers based on the billing rate structure approved by the City Council.
Cause:	The City failed to detect an error in the water billing rates used to bill commercial apartment building customers.
Effect:	The City under billed customers resulting in a loss of revenue for the Water/Sewer Fund.
Recommendation:	The City should implement policies and procedures to insure water billing rates are correctly updated and tested each time the City Council approves a change in rate structure.
Response:	The City agrees with this finding.

CITY OF CLEVELAND, GEORGIA

Schedule of Special Purpose Local Option Sales Tax
Estimated Cost and Expenditure Summary
For the Year Ended June 30, 2016

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	$ 2,518,143	$ 3,927	$ 2,522,070
Total:	$ 2,800,000	$ 2,800,000	$ 2,518,143	$ 3,927	$ 2,522,070
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	768,573	91,258	859,831
Total:	$ 3,380,000	$ 3,380,000	$ 1,018,573	$ 91,258	$ 1,109,831
SPLOST 2014					
Water and Sewer Improvements Including Equipment and Vehicles	$ 1,033,600	$ 1,033,600	$ 25,992	$ -	$ 25,992
Improvement of Buildings, Infrastructure, and Vehicles	236,400	236,400	-	-	-
Roads Streets, Bridges, and Sidewalk Projects	750,000	750,000	-	-	-
Cultural and Recreational Equipment	450,000	450,000			
Total:	$ 2,470,000	$ 2,470,000	$ 25,992	$ -	$ 25,992