CITY OF CLEVELAND, GEORGIA

FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2020

WALKER, PIERCE & TUCK, CPA'S, PC

CITY OF CLEVELAND, GEORGIA
FISCAL YEAR ENDED JUNE 30, 2020
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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, each major fund, and the aggregate remaining fund information of the City of Cleveland, Georgia, as of and for the year ended June 30, 2020, 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, 2020, 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 31-34 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 comb

ining 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 January 5, 2021, 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
January 5, 2021

CITY OF CLEVELAND, GEORGIA

Statement of Net Position

June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 1,626,535	$ 2,791,337	$ 4,417,872
Restricted cash	-	889,715	889,715
Receivables (net)	191,725	172,528	364,253
Intergovernmental receivable	165,592	-	165,592
Prepaid expenditures	30,061	9,685	39,746
Accrued revenue	-	76,919	76,919
Interfund balances	10,000	(10,000)	-
Total Current Assets	2,023,913	3,930,184	5,954,097
Noncurrent Assets			
Capital assets			
Nondepreciable	447,815	975,878	1,423,693
Depreciable, net	1,891,968	11,337,504	13,229,472
Total Noncurrent Assets	2,339,783	12,313,382	14,653,165
Total Assets	4,363,696	16,243,566	20,607,262
Deferred Outflows of Resources	360,964	63,699	424,663
Total Assets and Deferred Outflows of Resources	4,724,660	16,307,265	21,031,925
Liabilities			
Current Liabilities			
Accounts payable	57,999	261,083	319,082
Accrued expenses	20,506	8,096	28,602
Notes payable	-	87,697	87,697
Amounts held in trust	2,178	201,005	203,183
Total Current Liabilities	80,683	557,881	638,564
Long-term Liabilities			
Net pension liability	417,768	73,722	491,490
Notes payable	-	1,478,097	1,478,097
Compensated absences	143,295	137,775	281,070
Total Long-term Liabilities	561,063	1,689,594	2,250,657
Total Liabilities	641,746	2,247,475	2,889,221
Deferred Inflows of Resources	46,614	8,226	54,840
Total Liabilities and Deferred Inflows of Resources	688,360	2,255,701	2,944,061
Net Position			
Net Investment in Capital Assets	2,339,783	10,747,588	13,087,371
Restricted for:			
Capital projects	987,322	-	987,322
Public safety	2,252	-	2,252
Tourism	43,161	-	43,161
Unrestricted	663,782	3,303,976	3,967,758
Total Net Position	$ 4,036,300	$ 14,051,564	$ 18,087,864

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

CITY OF CLEVELAND, GEORGIA

Statement of Activities

For the Year Ended June 30, 2020

	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	Total
Primary Government:							
Governmental Activities:							
General government	$ 1,130,252	$ 537,243	$ 31,374	$ 660,366	$ 98,731	$ -	$ 98,731
Public safety	1,959,747	87,536	-	-	(1,872,211)	-	(1,872,211)
Public works	360,088	-	56,197	-	(303,891)	-	(303,891)
Health and welfare	-	-	-	-	-	-	-
Recreation and culture	17,899	-	-	-	(17,899)	-	(17,899)
Housing and development	11,296	-	-	-	(11,296)	-	(11,296)
Total Governmental Activities	3,479,282	624,779	87,571	660,366	(2,106,566)	-	(2,106,566)
Business-type Activities:							
Water and sewer	2,428,128	1,995,495	-	43,013	-	(389,620)	(389,620)
Total Business-type Activities	2,428,128	1,995,495	-	43,013	-	(389,620)	(389,620)
Total primary government	$ 5,907,410	$ 2,620,274	$ 87,571	$ 703,379	(2,106,566)	(389,620)	(2,496,186)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					605,214	-	605,214
Franchise fees					262,496	-	262,496
Excise taxes					186,863	-	186,863
Business tax					364,998	-	364,998
Sales tax					1,012,179	-	1,012,179
Hotel/Motel tax					25,818	-	25,818
Interest and investment earnings					5,057	27,876	32,933
Miscellaneous					15,272	7,322	22,594
Insurance refunds and recoveries					28,404	7,586	35,990
Gain on disposition of assets					7,516	-	7,516
Transfers					(480,675)	480,675	-
Total General Revenues and Transfers					2,033,142	523,459	2,556,601
Change in Net Position					(73,424)	133,839	60,415
Net Position Beginning of Year					4,109,724	13,917,725	18,027,449
Ending Net Position					$ 4,036,300	$ 14,051,564	$ 18,087,864

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

CITY OF CLEVELAND, GEORGIA

Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 638,450	$ 944,123	$ 43,962	$ 1,626,535
Intergovernmental receivable	101,699	-	-	101,699
Receivables (net)	189,138	63,893	2,587	255,618
Prepaid expenditures	30,061	-	-	30,061
Due from other funds	10,000	-	-	10,000
Total Assets	969,348	1,008,016	46,549	2,023,913
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 969,348	$ 1,008,016	$ 46,549	$ 2,023,913
Liabilities				
Accounts payable	$ 38,347	$ 20,694	$ 1,136	$ 60,177
Accrued expenses	20,506	-	-	20,506
Total Liabilities	58,853	20,694	1,136	80,683
Deferred Inflows of Resources	120,335	-	-	120,335
Total Liabilities and Deferred Inflows of Resources	179,188	20,694	1,136	201,018
Fund Balances				
Nonspendable:				
Prepaid expenditures	30,061	-	-	30,061
Restricted for:				
Capital projects	-	987,322	-	987,322
Law enforcement	-	-	2,252	2,252
Tourism	-	-	43,161	43,161
Unassigned	760,099	-	-	760,099
Total Fund Balances	790,160	987,322	45,413	1,822,895
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 969,348	$ 1,008,016	$ 46,549	$ 2,023,913

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, 2020

Total Governmental Fund Balances		$	1,822,895
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	4,551,183		
Less: Accumulated depreciation	(2,211,400)		
Total capital assets			2,339,783
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			(143,295)
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.			120,335
Pension items not included in fund financial statements.			
Deferred outflows of resources			360,964
Deferred inflows of resources			(46,614)
Net pension liability			(417,768)
Net Position of Governmental Activities		$	4,036,300

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, 2020

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property tax	$ 632,858	$ -	$ -	$ 632,858
Sales tax	1,012,179	-	-	1,012,179
Business tax	364,998	-	-	364,998
Franchise tax	262,496	-	-	262,496
Excise tax	186,863	-	-	186,863
Hotel/Motel tax	-	-	25,818	25,818
Intergovernmental	102,802	648,644	-	751,446
Licenses and permits	90,947	-	-	90,947
Fines and forfeitures	81,684	-	4,017	85,701
Charges for services	410,773	-	-	410,773
Interest	4,224	11,722	51	15,997
Miscellaneous	15,197	-		15,197
Total Revenue	3,165,021	660,366	29,886	3,855,273
Expenditures				
Current:				
General government	988,943	-	-	988,943
Public safety	1,989,341	-	9,393	1,998,734
Public works	386,579	1,085	-	387,664
Recreation and culture	16,923	-	-	16,923
Housing and development	-	-	11,296	11,296
Capital Outlay	-	725,410	-	725,410
Total Expenditures	3,381,786	726,495	20,689	4,128,970
Excess (Deficiency) of Revenues Over (Under) Expenditures	(216,765)	(66,129)	9,197	(273,697)
Other Financing Sources (Uses)				
Transfers in	163,119	-	-	163,119
Transfers out	-	(633,675)	(10,119)	(643,794)
Insurance refunds and recoveries	28,404	-	-	28,404
Proceeds from sale of assets	7,516	-	-	7,516
Total Other Financing Sources (Uses)	199,039	(633,675)	(10,119)	(444,755)
Net Change in Fund Balances	(17,726)	(699,804)	(922)	(718,452)
Fund Balances Beginning of Year	807,886	1,687,126	46,335	2,541,347
Fund Balances End of Year	$ 790,160	$ 987,322	$ 45,413	$ 1,822,895

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, 2020

Net Changes in Fund Balances-Total Governmental Funds		$ (718,452)
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	851,524	
Less: Current year depreciation	(165,815)	
		685,709
Net pension liability is not available during the current period and therefore is not reported in the funds.		
End of Fiscal Year	(417,768)	
Beginning of Fiscal Year	377,280	
		(40,488)
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	360,964	
Beginning of Fiscal Year	(336,352)	
		24,612
Deferred inflows of resources related to pensions are applicable to future periods and therefore are not reported in the funds		
End of Fiscal Year	(46,614)	
Beginning of Fiscal Year	41,699	
		(4,915)
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, 2019	128,065	
Compensated absence liability at June 30, 2020	(143,295)	
		(15,230)
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, 2019	(124,995)	
Deferred revenue at June 30, 2020	120,335	
		(4,660)
Change in Net Position of Governmental Activities		$ (73,424)

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

CITY OF CLEVELAND, GEORGIA

Statement of Net Position
Proprietary Fund
June 30, 2020

	Water and Sewer Fund
Current Assets	
Cash and cash equivalents	$ 2,791,337
Restricted cash and cash equivalents	889,715
Accounts receivable (net)	172,528
Prepaid expenses	9,685
Accrued revenue	76,919
Total Current Assets	3,940,184
Noncurrent Assets	
Capital assets	
Non-depreciable	975,878
Depreciable, net	11,337,504
Total Noncurrent Assets	12,313,382
Total Assets	16,253,566
Deferred Outflows of Resources	63,699
Total Assets and Deferred Outflows of Resources	16,317,265
Liabilities	
Current Liabilities	
Accounts payable	261,083
Accrued expenses	8,096
Due to other funds	10,000
Notes payable	87,697
Total Current Liabilities	366,876
Long-term Liabilities	
Net pension liability	73,722
Compensated absences	137,775
Customer deposits	201,005
Notes payable	1,478,097
Total Long-term Liabilities	1,890,599
Total Liabilities	2,257,475
Deferred Inflows of Resources	8,226
Total Liabilities and Deferred Inflows of Resources	2,265,701
Net Position	
Net investment in capital assets	10,747,588
Unrestricted	3,303,976
Total Net Position	$ 14,051,564

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, 2020

	Water and Sewer Fund
Operating Revenue	
Charges for services	$ 1,995,495
Miscellaneous income	7,322
Total Operating Revenue	2,002,817
Operating Expenses	
Personnel services:	
Salaries and wages	693,122
Employment Taxes	58,045
Benefits	138,834
Total Personnel Services	890,001
Purchased / contracted services:	
Professional and technical	10,000
Other purchased services	11,233
Total Purchased / contracted services	21,233
Other operating expenses:	
Purchased water	264,904
Supplies	305,567
Insurance	84,181
Repairs and maintenance	95,416
Utilities	209,523
Engineering, lab fees and training	23,627
Depreciation	482,354
Miscellaneous	21,199
Total Other Operating Expenses	1,486,771
Total Operating Expenses	2,398,005
Operating Income (Loss)	(395,188)
Nonoperating Revenues (Expenses)	
Interest income	27,876
Interest expense	(30,123)
Total Nonoperating Revenues and (Expenses)	(2,247)
Income (Loss) Before Contributions and Transfers	(397,435)
Capital contributions	43,013
Insurance refunds and recoveries	7,586
Transfer in	633,675
Transfer (out)	(153,000)
Change in Net Position	133,839
Net Position Beginning of Year	13,917,725
Net Position End of Year	$ 14,051,564

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, 2020

	Water and Sewer Fund
Cash flows from operating activities:	
Receipts from customers	$ 2,096,358
Payments to suppliers	(840,522)
Payments to employees	(872,593)
Net cash provided (used) by operating activities	383,243
Cash flows from noncapital financing activities:	
Transfer to other funds	(153,000)
Net cash provided (used) by noncapital financing activities	(153,000)
Cash flows from capital and related financing activities:	
Transfer from other funds for capital related items	633,675
Capital contributions	43,013
Acquisition and construction of capital assets	(806,740)
Proceeds from insurance recoveries	7,586
Debt payments, principal and interest	(116,196)
Net cash provided (used) by capital and related financing activities	(238,662)
Cash flows from investing activities:	
Interest income	27,876
Net cash provided (used) by investing activities	27,876
Net increase (decrease) in cash and cash equivalents	19,457
Cash and cash equivalents, June 30, 2019	3,661,595
Cash and cash equivalents, June 30, 2020	$ 3,681,052
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (395,188)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	482,354
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	38,623
(Increase) decrease in prepaid expenses	(3,338)
(Increase) decrease in deferred outflows of resources	(4,344)
Increase (decrease) in due from other funds	48,811
Increase (decrease) in accounts payable	188,466
Increase (decrease) in accrued expenses	298
Increase (decrease) in compensated absences	14,309
Increase (decrease) in deferred revenue	867
Increase (decrease) in customer deposits	5,240
Increase (decrease) in net pension liability	7,145
Net cash provided (used) by operating activities	$ 383,243

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, 2020, 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 2019 on July 25, 2019 at 5 mils. Property tax bills were mailed on August 22, 2019 and were due November 15, 2019. 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 1, 2020. 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 financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies as deferred inflows in its governmental activities. This resource is its experience gains in its defined benefit pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. These items only arise under the modified accrual basis of accounting. Accordingly, the items, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: 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, 2020, all bank deposits were insured or fully collateralized.

NOTE 3. RECEIVABLES

The following is a summary of amounts due from others at June 30, 2020:

Governmental Activities:		
Property taxes receivable - net	$	9,780
Hotel/motel taxes receivable - net		2,587
Fines receivable - net		135,054
Sanitation receivable -net		39,106
Other charges for services - net		5,198
Due from other governments - SPLOST		63,893
Due from other governments - Appalachian Reg Drug Enforcement Grant		2,409
Due from other governments - LOST		99,290
Total Governmental Receivables:	$	357,317
Business-type Activities:		
Water sewer fees receivable - net	$	172,528

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	$	45
Fines receivable		57,881
Sanitation receivable		22,430
Total Governmental Allowance for Bad Debts:	$	80,356
Business-type Activities:		
Water sewer fees receivable	$	91,974
Total Business-type Allowance for Bad Debts:	$	91,974

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, 2020, the City paid $4,286 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 for governmental activities consist of compensated absences and net pension liability. 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, 2019	Additions	Reductions	Balance as of June 30, 2020	Due Within One Year
Governmental Activities:					
Compensated Absences	$ 128,065	$ 15,230	$ -	$ 143,295	$ -
Net Pension Liability	377,280	40,488	-	417,768	-
Total governmental activities	$ 505,345	$ 55,718	$ -	$ 561,063	$ -

The City's long-term debt for the Water Sewer Fund 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.

On March 30, 2016, the City signed a loan agreement administered by the Georgia Environmental Facilities Authority to finance the Highway 129 North Sewer Project, which involves the replacement of an existing pump station with a gravity sewer line and related appurtenances. Construction on the project should be completed by July 2017. The loan for $478,055 is a 20 year note at 2.03% interest at $2,425 monthly installments began on September 1, 2017.

Interest cost of the long-term debt in the business-type activity is expensed in the current period. For the year ending June 30, 2020, that interest cost was $30,123.

Changes in long-term debt:

	Balance as of June 30, 2019	Additions	Reductions	Balance as of June 30, 2020	Due Within One Year
Business-Type Activities:					
Notes Payable	$ 1,651,867	$ -	(86,073)	$ 1,565,794	$ 87,697
Compensated Absences	123,466	14,309	-	137,775	-
Net Pension Liability	66,577	7,145	-	73,722	-
Total business-type activities	$ 1,841,910	$ 21,454	$ (86,073)	$ 1,777,291	$ 87,697

Annual debt service requirements for notes payable are as follows:

Year	Principal	Interest	Total
2021	87,697	28,634	116,331
2022	89,350	26,980	116,330
2023	91,035	25,295	116,330
2024	92,752	23,578	116,330
2025	94,501	21,829	116,330
2026-2030	499,927	81,724	581,650
2031-2035	548,896	32,754	581,651
2036-2038	61,635	1,417	63,053
Totals:	$1,565,794	$242,211	$1,808,005

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 2020 was $95,549. 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 2020 was $71,847.

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, 2020, the City is in compliance with OCGA 48-13-51 which requires the City to spend tax receipts monies on tourism.

Tax Collections	$25,818
Amount Provided to the White County Chamber of Commerce	$11,296
Amount Provided to the White County Historical Society	$10,119

NOTE 9. BUDGET COMPLIANCE

The following are governmental funds for which budgets 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	$ 1,144,880	$ 988,943	$ (155,937)
Public Safety	2,088,596	1,989,341	(99,255)
Public Works	517,475	386,579	(130,896)
Recreation & Culture	47,300	16,923	(30,377)
Hotel Motel Fund	24,500	21,415	(3,085)
Confiscated Assets Fund	10,005	9,393	(612)
	$ 3,832,756	$ 3,403,201	$ (419,550)

The legal level of control for this government is at the departmental level, which is the basis for the Budgetary Comparison Schedule.

NOTE 10. UNEARNED REVENUE/DEFERRED INFLOWS OF RESOURCES

As of June 30, 2020, deferred inflows of resources and unearned revenue consisted of the following:

Governmental Fund Financial Statements:		
Deferred inflows of resources		
Property Taxes	$ 2,479	Non-exchange transaction resource collected
Fines	117,856	beyond the City's period of availability.
Total deferred inflows of resources	$ 120,335	
Government-Wide Fund Financial Statements		
Deferred inflows of resources		
Defined benefit retirement plan - See note 14	46,614	
Total deferred inflows of resources	$ 46,614	
Business-type Activities:		
Deferred inflows of resources		
Defined benefit retirement plan - See note 14	$ 8,226	
Total deferred inflows of resources - business-type activities	$ 8,226	
Total Deferred Inflows of Resources - Government-Wide	$ 54,840	

NOTE 11. DEFERRED OUTFLOWS OF RESOURCES

As of June 30, 2020, deferred outflows of resources consisted of the following:

Governmental Activities:	
Defined benefit retirement plan - See note 14	$ 360,964
Total deferred outflows of resources - governmental activities	$ 360,964
Business-type Activities:	
Defined benefit retirement plan - See note 14	$ 63,699
Total deferred outflows of resources - business-type activities	$ 63,699
Total Deferred Outflows of Resources - Government-Wide	$ 424,663

NOTE 12. INTERNAL FUND BALANCES AND TRANSFERS

Interfund 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. As of June 30, 2020, the interfund balances were as follows:

Interfund Balances:

	Due From:	
Due To:	Water and Sewer Fund	Total
General Fund	$ 10,000	$ 10,000
	$ 10,000	$ 10,000

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.

	Transfer From:			
	Capital Projects Fund	Water and Sewer Fund	Hotel / Motel Fund	
Transfer To:				Total
General Fund	$ -	$ 153,000	$ 10,119	$ 163,119
Water and Sewer Fund	633,675	-	-	633,675
	$ 633,675	$ 153,000	$ 10,119	$ 796,794

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, 2020, was as follows:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Primary Government:					
Governmental Activities:					
Non-Depreciable Assets:					
Land	$ 447,815	$ -	$ -	$ -	$ 447,815
Construction in Progress	150,049	697,810	-	(847,859)	-
Total non-depreciable capital assets	597,864	697,810	-	(847,859)	447,815
Depreciable Assets:					
Buildings & Improvements	673,185	-	-	847,859	1,521,044
Machinery & Equipment	1,974,527	153,714	103,054	-	2,025,187
Infrastructure	557,137	-	-	-	557,137
Total depreciable capital assets	3,204,849	153,714	103,054	847,859	4,103,368
Accumulated Depreciation:					
Buildings & Improvements	495,306	12,835	-	-	508,141
Machinery & Equipment	1,550,326	139,324	103,054	-	1,586,596
Infrastructure	103,007	13,656		-	116,663
Total accumulated depreciation	2,148,639	165,815	103,054	-	2,211,400
Total depreciable capital assets, net	1,056,210	(12,101)	-	847,859	1,891,968
Governmental activities capital assets, net	$ 1,654,074	$ 685,709	$ -	$ -	$ 2,339,783

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land	$ 171,336	$ -	$ -	$ -	$ 171,336
Construction in progress	101,884	702,658	-	-	804,542
Total non-depreciable capital assets	273,220	702,658	-	-	975,878
Depreciable Assets:					
Buildings and improvements	57,881	-	-	-	57,881
Machinery and equipment	1,017,386	5,515	29,497	-	993,404
Infrastructure	16,861,162	98,567		-	16,959,729
Total depreciable capital assets	17,936,429	104,082	29,497	-	18,011,014
Accumulated Depreciation:					
Buildings and improvements	35,955	4,314	-	-	40,269
Machinery and equipment	838,319	39,490	29,497	-	848,312
Infrastructure	5,346,379	438,550		-	5,784,929
Total accumulated depreciation	6,220,653	482,354	29,497	-	6,673,510
Total depreciable capital assets, net	11,715,776	(378,272)	-	-	11,337,504
Business-type activities capital assets, net	$ 11,988,996	$ 324,386	$ -	$ -	$ 12,313,382

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

Governmental Activities:		
General Government	$	22,918
Public Safety		123,182
Public Works		19,715
Total depreciation expense - governmental activities	$	165,815
Business-type Activities:		
Water and Sewer	$	482,354
Total depreciation expense - business-type activities	$	482,354

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, 2019 was as follows:

Active Employees: 33

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 $140,448, which is 7.92% 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	
	1/1/2020	1/1/2019
Total Benefit Normal Cost	$ 111,804	$ 101,637
Administrative Expenses	6,398	6,100
Expected Employee Contributions	-	-
Employer Normal Cost	$ 118,202	$ 107,737
Actuarial Accrued Liability at Valuation Date	1,440,341	1,220,554
Actuarial Value of Assets at Valuation Date	1,269,200	1,048,449
Underfunded/(Surplus) Actuarial Accrued Liability	$ 171,141	$ 172,105
Payment on Unfunded/(Surplus) Actuarial Accrued Liability	17,337	16,452
Full Funding Credit	-	-
Recommended Mid-Year Contribution at Valuation Date	$ 135,539	$ 124,189
Adjustment to Fiscal Year (Begins July 1, 2016)	4,909	4,573
Total Recommended Mid-Year Contribution, For Fiscal Year	$ 140,448	$ 128,762
Recommended Contribution As A Percentage Of Expected Payroll	7.92%	8.24%

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	1/1/2020
Actuarial Value of Assets (a)	$1,269,200
Actuarial Accrued Liability (b)	$1,440,341
Underfunded/(Surplus) (b) - (a)	$ 171,141
Funded Ratio (a) / (b)	88.12%
Covered Payroll	$1,752,918
Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	9.76%

Actuarial Cost Method. Entry Age 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, 2020 actuarial valuation date was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Net Investment Rate of Return	7.375% (on-going basis) 2.12% (plan termination basis)
Projected Salary Increases	2.25% plus service based merit increases
Social Security Wage Base Increase	2.25%
Inflation	2.25%

The mortality and economic actuarial assumptions used in the January 1, 2020 valuation were approved by the Board in December, 2019 based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019 conducted by Segal in November and December 2019. The Pri-2012 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, 2015 to June 30, 2019. Mortality experience will be review periodically and updated if necessary.

Mortality Rates

Healthy:	Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortalilty Table with rate multiplied by 1.25
Disabled:	Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortalilty Table with rate multiplied by 1.25
Active participants, terminated vested particpants, and deferred beneficiaries:	Sex-distinct Pri-2012 head-count weighted Employee Mortalilty Table
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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	6.41%
International Equity	20%	6.96%
Domestic Fixed Income	20%	1.96%
Real Estate	10%	4.76%
Global Fixed Income	5%	3.06%
Cash	0%	
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.375 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. At June 30, 2020, the City reported a net pension liability. The amount recognized by the City were as follows:

City's Net Pension Liability:		
Governmental activities	$	417,768
Business-type activities	$	73,722
Total Net Pension Liability	$	491,490

Changes in the City's net pension liability for the year ended September 30, 2019 were as follows:

Changes in the Net Pension Liability

	Liability (TPL) (a)	Position (FNP) (b)	Liability (NPL) (a)-(b)
Balances at September 30, 2018	**1,544,525**	**1,100,668**	**443,857**
Changes for the Year:			
Service Cost	$ 97,999	$ -	$ 97,999
Interest Expense	123,189	-	123,189
Benefit Changes (Changes of benefit terms)	-	-	-
Experience Losses (gains)	64,439	-	64,439
(Amortized over avg remain svc period of actives & inactives)			
Changes of Assumptions	-	-	-
Contributions - Employer/Nonemployer	-	141,841	(141,841)
Contributions - Employee	-	-	-
Contributions - State	-	-	-
Other Changes - Contribution timing differences	-	-	-
Net Investment Income	-	40,148	(40,148)
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	-	(5,692)	5,692
Contributions for Specific Liabilities	-	-	-
Other Changes	(61,697)		(61,697)
Amortization of or Change in Beginning Balances of Deferred Outflow	-	-	-
NET CHANGES:	$ 223,930	$ 176,297	$ 47,633
Balances at September 30, 2019	**$ 1,768,455**	**$ 1,276,965**	**$ 491,490**

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 7.375 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 (6.375 percent) or 1-percentage-point higher (8.375 percent) than the current rate:

	Discount Rate	Net Pension Liability
1% Decrease	6.375%	$823,799
Current Discount Rate	7.375%	$491,490
1% Increase	8.375%	$219,979

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, 2020

Service Cost	$ 97,999
Interest on TPL	123,189
Employee Contributions	-
Administrative Expenses	5,692
Expected Return on Assets	(87,656)
Expensed Portion of Current Year Period Differences Between Expected And Actual Experience in TPL	7,159
Expensed Portion of Current Year Period Assumption Changes	(6,857)
Current Year Plan Changes (Establishment of New Plan)	-
Expensed Portion of Current Year Period Differences Between Projected and Actual Investment Earnings	9,500
Current Year Recognition of Deferred Inflows and Outflows Established in Prior Years	19,109
Total Pension Expense	$ 168,135

For the year ended June 30, 2020, the City of Cleveland recognized pension expense of $168,135.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows/Inflows of Resources Related to Pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected And Actual Experience	$ 303,976	$ -
Changes of Assumptions	10,856	(54,840)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	501.00	-
City Contributions Subsequent to the Measurement Date	109,330	-
Total	$ 424,663	$ (54,840)

The deferred outflows 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	$ 426	$ 75	$ 501
Difference Between Expected & Actual Experience	$ 258,380	$ 45,596	$ 303,976
Change in Assumptions	$ (37,386)	$ (6,598)	$ (43,984)
Employer Contributions Oct 1, 2019 - June 30, 2020	$ 91,370	$ 17,960	$ 109,330

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, 2019	Recognized During FYE June 30, 2020	Outstanding Balance at June 30, 2020	Deferred Outflows/(Inflows) Recognized in Future Years 2021	2022	2023	2024	2025	2026 and thereafter
Fiscal Year Outflows										
Investment	2016	7,173	7,173	-	-	-	-	-	-	-
Investment	2020	47,508	9,500	38,008	9,502	9,502	9,502	9,502	-	-
Demographics	2016	19,632	2,454	17,178	2,454	2,454	2,454	2,454	2,454	4,908
Demographics	2017	64,467	7,163	57,304	7,163	7,163	7,163	7,163	7,163	21,489
Demographics	2018	44,640	4,960	39,680	4,960	4,960	4,960	4,960	4,960	14,880
Demographics	2019	147,260	14,726	132,534	14,726	14,726	14,726	14,726	14,726	58,904
Demographics	2020	64,439	7,159	57,280	7,160	7,160	7,160	7,160	7,160	21,480
Assumption Change	2018	12,213	1,357	10,856	1,357	1,357	1,357	1,357	1,357	4,071
Total Outflows		$ 407,332	$ 54,492	$ 352,840	$ 47,322	$ 47,322	$ 47,322	$ 47,322	$37,820	$ 125,732
Fiscal Year Inflows										
Investment	2017	(7,924)	(3,962)	(3,962)	(3,962)	-	-	-	-	-
Investment	2018	(32,223)	(10,741)	(21,482)	(10,741)	(10,741)	-	-	-	-
Investment	2019	(16,084)	(4,021)	(12,063)	(4,021)	(4,021)	(4,021)	-	-	-
Assumption Change	2020	(61,697)	(6,857)	(54,840)	(6,855)	(6,855)	(6,855)	(6,855)	(6,855)	(20,565)
Total Inflows		$ (117,928)	$ (25,581)	$ (92,347)	$ (25,579)	$ (21,617)	$ (10,876)	$ (6,855)	$ (6,855)	$ (20,565)
Total		$ 289,404	$ 28,911	$ 260,493	$ 21,743	$ 25,705	$ 36,446	$ 40,467	$30,965	$ 105,167

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, 2020. 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. At June 30, 2020, there were 33 employees participating in the plan.

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, 2020, the City contributed on behalf of participating employees $141,841.

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, 2020, there was two employees 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, 2020, the employee contributed $2,400 to the plan.

NOTE 15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 5, 2021.

CITY OF CLEVELAND, GEORGIA

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2020

	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	730,285	730,285	632,858	-	632,858	(97,427)
Sales tax	930,700	1,103,700	1,012,179	-	1,012,179	(91,521)
Business tax	355,000	355,000	364,998	-	364,998	9,998
Franchise tax	233,000	233,000	262,496	-	262,496	29,496
Excise tax	205,800	205,800	186,863	-	186,863	(18,937)
Hotel/Motel tax	15,400	15,400	-	-	-	(15,400)
Intergovernmental	130,700	130,700	102,802	-	102,802	(27,898)
Licenses and permits	116,700	116,700	90,947	-	90,947	(25,753)
Fines and forfeitures	60,150	60,150	81,684	-	81,684	21,534
Charges for services	439,675	439,675	410,773	-	410,773	(28,902)
Investment earnings	1,000	1,000	4,224	-	4,224	3,224
Miscellaneous	30,000	30,000	15,197	-	15,197	(14,803)
Total Revenues	3,248,410	3,421,410	3,165,021	-	3,165,021	(256,389)
Expenditures						
Current Operating:						
General government	981,880	1,144,880	988,943	-	988,943	(155,937)
Public safety	2,078,596	2,088,596	1,989,341	-	1,989,341	(99,255)
Public works	517,475	517,475	386,579	-	386,579	(130,896)
Recreation and culture	47,300	47,300	16,923	-	16,923	(30,377)
Total Expenditures	3,625,251	3,798,251	3,381,786	-	3,381,786	(416,465)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(376,841)	(376,841)	(216,765)	-	(216,765)	160,076
Other Financing Sources (Uses)						
Transfers in	-	-	163,119	-	163,119	163,119
Insurance refunds and recoveries	-	-	28,404	-	28,404	(28,404)
Proceeds from sale of assets	-	-	7,516	-	7,516	7,516
Budgeted Fund Balance	376,841	376,841	-	-	-	(376,841)
Total Other Financing Sources (Uses)	376,841	376,841	199,039	-	199,039	(234,610)
Net Change in Fund Balances	$ -	$ -	(17,726)	$ -	(17,726)	$ (74,534)
Fund Balance Beginning of Year			807,886		807,886	
Fund Balance End of Year			$ 790,160		$ 790,160	

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.

Budget Amendments

An amendment to the original budget appropriations was properly approved by the City Council.

Department	Original Budget	Supplemental Appropriations	Supplemental Decreases	Revised Appropriations
General Fund				
General Government	$ 981,880	$ 163,000	$ -	$ 1,144,880
Public Safety	2,078,596	10,000	-	2,088,596
Public Works	517,475	-	-	517,475
Recreation & Culture	47,300	-	-	47,300
Hotel Motel Fund	19,499	5,001	-	24,500
Confiscated Funds	10,005	-	-	10,005
	$ 3,654,755	$ 178,001	$ -	$ 3,832,756

CITY OF CLEVELAND, GEORGIA
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2020

City of Cleveland Retirement Plan
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability											
Service Cost	$ 97,999	$ 64,925	$ 58,326	$ 58,898	$ 48,885						
Interest	123,189	96,456	78,639	62,564	52,430						
Differences Between Expected and Actual Experience	64,439	161,991	54,563	85,952	29,448						
Changes of Assumptions	(61,697)	-	14,932	-	-						
Changes of Benefit Terms	-	-	-	-	-						
Benefit Payments, Including Refunds of Employee Contributions	-	-	-	-	-						
Net Change in Total Pension Liability	223,930	323,372	206,460	207,414	130,763						
Total Pension Liability - Beginning	1,544,525	1,221,153	1,014,693	807,279	676,516						
Total Pension Liability - Ending (a)	$1,768,455	$1,544,525	$1,221,153	$1,014,693	$807,279						
Plan Fiduciary Net Position											
Contributions - Employer	$ 141,841	$ 122,385	$ 102,039	$ 86,327	$ 64,832						
Contributions - Employee	-	-	-	-	-						
Net Investment Income	40,148	91,430	110,614	64,770	3,251						
Benefit Payments, Including Refunds of Employee Contributions	-	-	-	-	-						
Administrative Expense	(5,692)	(5,923)	(6,329)	(3,206)	(3,636)						
Other	-	-	-	-	-						
Net Change in Fiduciary Net Position	176,297	207,892	206,324	147,891	64,447						
Plan Fiduciary Net Position - Beginning	1,100,668	892,776	686,452	538,561	474,114						
Plan Fiduciary Net Position - Ending (b)	$1,276,965	$1,100,668	$ 892,776	$ 686,452	$538,561						
Net Pension Liability - Ending: (a)-(b)	$ 491,490	$ 443,857	$ 328,377	$ 328,241	$268,718						
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	72.21%	71.26%	73.11%	67.65%	66.71%						
Covered-Employee Payroll	$1,752,918	$1,540,974	$1,125,945	$ 979,915	$931,713						
Net Pension Liability as a Percentage of Covered-Employee Payroll	28.04%	28.80%	29.16%	33.50%	28.84%						

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
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2020

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	$ -	$ 87,548	$ 72,713	$ 60,989	$ 52,058	N/A				
Contributions in Relation to the Actuarially	-	140,866	115,045	97,571	83,496	58,048				
Determined Contribution	-	-	-	-	-	-				
Contribution Deficiency (Excess)	-	(53,318)	(42,332)	(36,582)	(31,438)	N/A				
Covered-Employee Payroll	-	1,540,974	1,125,945	979,915	931,713	752,864				
Contributions as a Percentage of	-	-	-	-	-	-				
Covered-Employee Payroll	0.00%	9.14%	10.22%	9.96%	8.96%	7.71%				

Note: 2020 information will be determined after fiscal year end and will be in the 2020 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. 2018 covered payroll is based on data collected as of August 31, 2018 for the 2019 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 have been no changes in plan provisions since GASB 67/68 implementation.

CITY OF CLEVELAND, GEORGIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Hotel / Motel Fund	Confiscated Assets Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	$ 41,710	$ 2,252	$ 43,962
Accounts receivable (net)	2,587	-	2,587
Total Assets	44,297	2,252	46,549
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	$ 44,297	$ 2,252	$ 46,549
Liabilities			
Accounts payable	$ 1,136	$ -	$ 1,136
Total Liabilities	1,136	-	1,136
Deferred Inflows of Resources	-	-	-
Total Liabilities and Deferred Inflows of Resources	1,136	-	1,136
Fund Balance			
Restricted for:			
Law Enforcement	-	2,252	2,252
Tourism	43,161	-	43,161
Total Fund Balance	43,161	2,252	45,413
Total Liabilities, Deferred Inflows and Fund Balance	$ 44,297	$ 2,252	$ 46,549

CITY OF CLEVELAND, GEORGIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Hotel / Motel Fund	Confiscated Assets Fund	Total Nonmajor Governmental Funds
Revenues			
Hotel/Motel tax	$ 25,818	$ -	$ 25,818
Fines and forfeitures	-	4,017	4,017
Interest	-	51	51
Total Revenue	25,818	4,068	29,886
Expenditures			
Current:			
Public safety	-	9,393	9,393
Housing and development	11,296	-	11,296
Total Expenditures	11,296	9,393	20,689
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,522	(5,325)	9,197
Other Financing Sources (Uses)			
Transfers out	(10,119)	-	(10,119)
Total Other Financing Sources (Uses)	(10,119)	-	(10,119)
Net Change in Fund Balances	4,403	(5,325)	(922)
Fund Balances Beginning of Year	38,758	7,577	46,335
Fund Balances End of Year	$ 43,161	$ 2,252	$ 45,413

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, 2020 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 January 5, 2021.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2020-1).

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

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
January 5, 2021

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Findings – Financial Statement Audit

2020-1

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.

CITY OF CLEVELAND, GEORGIA

Schedule of Special Purpose Local Option Sales Tax

Estimated Cost and Expenditure Summary

For the Year Ended June 30, 2020

Project Description	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST 2014					
Water and Sewer Improvements Including Equipment and Vehicles	$ 1,033,600	$ 1,033,600	$ 434,995	$ 633,675	$ 1,068,670
Improvement of Buildings, Infrastructure, and Vehicles	236,400	236,400	124,033	27,600	151,633
Roads Streets, Bridges, and Sidewalk Projects	750,000	750,000	73,537	1,085	74,622
Cultural and Recreational Equipment	450,000	450,000	150,049	697,810	847,859
Total:	$ 2,470,000	$ 2,470,000	$ 782,614	$ 1,360,170	$ 2,142,784