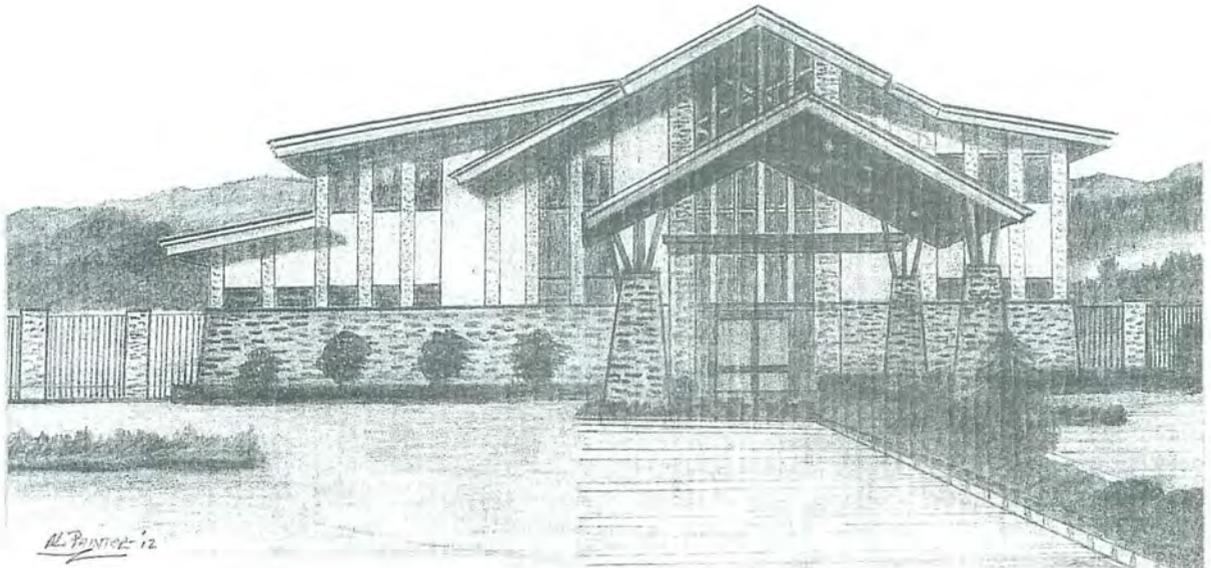


# Comprehensive Annual Financial Report City of Cleveland, Tennessee



**For the Year Ended  
June 30, 2013**

CITY OF CLEVELAND, TENNESSEE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2013

Prepared by:  
Department of Finance

CITY OF CLEVELAND, TENNESSEE  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

**INTRODUCTORY SECTION**

|                                 | <u>Page</u> |
|---------------------------------|-------------|
| Letter of Transmittal           | i           |
| GFOA Certificate of Achievement | vii         |
| City Officials                  | viii        |
| Organizational Chart            | ix          |

**FINANCIAL SECTION**

|   |    |
|---|----|
| Independent Auditors' Report  | 1  |
| Management Discussion and Analysis  | 4  |
| Basic Financial Statements:   |    |
| Government-wide Financial Statements:   |    |
| Statement of Net Position   | 17 |
| Statement of Activities   | 18 |
| Fund Financial Statements:  |    |
| Balance Sheet - Governmental Funds  | 19 |
| Reconciliation of the Governmental Funds Balance Sheet<br>to the Statement of Net Position  | 20 |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances - Governmental Funds  | 21 |
| Reconciliation of the Statement of Revenues, Expenditures and<br>Changes in Fund Balances of Governmental Funds to the<br>Statement of Activities | 22 |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balance - Budget and Actual - General Fund   | 23 |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balance - Budget and Actual - School Fund  | 46 |
| Statement of Net Position - Proprietary Funds   | 56 |
| Statement of Revenues, Expenses and Changes in<br>Net Position - Proprietary Funds  | 57 |
| Statement of Cash Flows - Proprietary Funds   | 58 |
| Notes to Financial Statements   | 60 |
| Required Supplementary Information:   |    |
| Schedule of Funding Progress - Retirement Plans   | 89 |
| Schedule of Funding Progress - Postemployment Benefits  | 89 |
| Combining and Individual Fund Statements and Schedules:   |    |
| Combining Balance Sheet - Nonmajor Governmental Funds   | 90 |

|  | <u>Page</u> |
|--|-------------|
| Combining Statement of Revenues, Expenditures and<br>Changes in Fund Balances - Nonmajor Governmental Funds  | 94          |
| Schedules of Revenues, Expenditures and Changes in<br>Fund Balances - Budget and Actual:                     |             |
| State Street Aid Fund  | 98          |
| Solid Waste Management Fund  | 99          |
| School Federal Projects Fund   | 101         |
| School Food Services Fund  | 102         |
| Library Fund   | 103         |
| Drug Enforcement Fund  | 104         |
| Metropolitan Transportation Planning Organization Fund   | 105         |
| Community Development Block Grant Fund   | 106         |
| Department of Justice Asset Forfeiture Fund  | 108         |
| COPS Hiring Recovery Grant Fund  | 109         |
| 2011 Byrne Memorial Justice Assistance Grants  | 110         |
| 2012 Byrne Memorial Justice Assistance Grants  | 111         |
| THDA Neighborhood Stabilization Program Fund   | 112         |
| Targeted Crime Reduction Project Fund  | 113         |
| Recycling Grant Fund   | 114         |
| Debt Service Fund  | 115         |
| Capital Improvement Program Fund   | 116         |
| Greenway Fund  | 118         |
| Fletcher Park Trust Fund   | 119         |
| Sales Tax Capital Projects Fund  | 120         |
| ARRA Grants Fund   | 122         |
| Spring Branch Industrial Park Fund   | 123         |
| Meiler Estate Animal Shelter Trust Fund  | 124         |
| <br>Schedule of Revenues, Expenses and Changes in Net<br>Position- Budget and Actual - Fleet Management Fund | <br>125     |
| <br>Capital Assets Used in the Operation of Governmental Funds:  |             |
| Comparative Schedule By Source   | 127         |
| Schedule by Function and Activity  | 128         |
| Schedule of Changes by Function and Activity   | 130         |

**STATISTICAL SECTION**

|  | <u>Schedule</u> |     |
|--|-----------------|-----|
| Net Assets by Component - Last Ten Fiscal Years                      | 1               | 132 |
| Change in Net Position - Last Ten Fiscal Years                       | 2               | 134 |
| Program Revenues by Function/Program - Last Ten Fiscal Years         | 3               | 136 |
| Fund Balances, Governmental Funds - Last Ten Fiscal Years            | 4               | 138 |
| Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years | 5               | 140 |

|   | <u>Schedule</u> | <u>Page</u> |
|---|-----------------|-------------|
| Tax Revenues by Source, Governmental Funds - Last Ten Fiscal Years                            | 6               | 142         |
| Assessed and Estimated Actual Value of Real Taxable Property -<br>Last Ten Fiscal Years       | 7               | 143         |
| Direct and Overlapping Property Tax Rates   | 8               | 145         |
| Principal Property Taxpayers - Current Year and Nine Years Ago                                | 9               | 147         |
| Property Tax Levies and Collections - Last Ten Fiscal Years                                   | 10              | 148         |
| Local Taxable Sales by Category - Last Ten Calendar Years                                     | 11              | 149         |
| Direct and Overlapping Sales Tax Rates - Last Ten Fiscal Years                                | 12              | 151         |
| Local Sales Tax Revenue by Industry - Fiscal Years 2004 and 2013                              | 13              | 152         |
| Ratios of Outstanding Debt by Type - Last Ten Fiscal Years                                    | 14              | 154         |
| Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years                             | 15              | 156         |
| Direct and Overlapping Governmental Activities Debt   | 16              | 157         |
| Legal Debt Margin Information - Last Ten Fiscal Years   | 17              | 158         |
| Revenue Bond Coverage Water and Wastewater Bonds -<br>Last Ten Fiscal Years                   | 18              | 160         |
| Demographic and Economic Statistics - Last Ten Calendar Years                                 | 19              | 161         |
| Principal Employers - Current Year and Nine Years Ago   | 20              | 163         |
| Full-Time-Equivalent City Government Employees by Function/Program -<br>Last Ten Fiscal Years | 21              | 165         |
| Operating Indicators by Function/Program - Last Ten Fiscal Years                              | 22              | 166         |
| Capital Asset Statistics by Function/Program - Last Ten Fiscal Years                          | 23              | 170         |

**OTHER INFORMATION**

|  | <u>Table</u> |     |
|--|--------------|-----|
| Insurance in Force - All Fund Types<br>Excluding Cleveland Utilities | 1            | 171 |
| Insurance in Force - Cleveland Utilities                             | 2            | 172 |
| Changes in Property Taxes Receivable                                 | 3            | 173 |
| Changes in General Obligation Bonds Payable                          | 4            | 174 |

|  | <u>Table</u> | <u>Page</u> |
|--|--------------|-------------|
| Changes in Revenue Bonds Payable   | 5            | 175         |
| Changes in Notes Payable   | 6            | 176         |
| Uncollected Delinquent Property Taxes Filed  | 7            | 178         |
| Bond Principal and Interest Requirements by<br>Fiscal Year for General Obligation Bonds            | 8            | 179         |
| Note Principal and Interest Requirements by<br>Fiscal Year Excluding Cleveland Utilities & Airport | 9            | 181         |
| Bond Principal and Interest Requirements by Fiscal<br>Year for Cleveland Utilities                 | 10           | 183         |
| Note Principal and Interest Requirements by Fiscal<br>Year for Cleveland Utilities                 | 11           | 185         |
| Note Principal and Interest Requirements by Fiscal<br>Year for Cleveland Municipal Airport         | 12           | 186         |
| Investments  | 13           | 187         |
| Transfers  | 14           | 188         |
| Schedule of Unaccounted for Water  | 15           | 189         |
| Salaries and Surety Bonds of Principal Officials   | 16           | 190         |

#### **SINGLE AUDIT SECTION**

|   |     |
|---|-----|
| Schedule of Federal and State Financial Assistance Activity   | 191 |
| Schedule of Non-Cash Assistance   | 195 |
| Independent Auditors' Report on Internal Control over Financial<br>Reporting and on Compliance and Other Matters Based on an Audit<br>of Financial Statements Performed in Accordance with Government<br>Auditing Standards | 196 |
| Independent Auditors' Report on Compliance with Requirements<br>Applicable to Each Major Program and Internal Control over<br>Compliance in Accordance with OMB Circular A-133  | 198 |
| Schedule of Findings and Questioned Costs   | 200 |
| Summary Schedule of Prior Audit Findings  | 202 |
| Corrective Action Plan  | 203 |

## **INTRODUCTORY SECTION**

# City of Cleveland

Janice S. Casteel  
City Manager  
(423) 472-4551  
(423) 559-3337 Fax  
jcasteel@clevelandtn.gov

CLEVELAND, TENNESSEE  
Office of the City Manager

Cleveland Municipal Building  
190 Church Street, N.E.  
P.O. Box 1519  
Cleveland, TN 37364-1519



December 19, 2013

Honorable Mayor,  
Members of the City Council and  
Citizens of the City of Cleveland, Tennessee

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audit in accordance with generally accepted auditing standards by a firm licensed certified public accountant. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Cleveland for the fiscal year ended June 30, 2013.

This report consists of management's representations concerning the finances of the City of Cleveland. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Cleveland has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Cleveland's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh its benefits, the City of Cleveland's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Cleveland's financial statements have been audited by Arnett, Kirksey, Kimsey, Sullivan, Lay and Hall, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Cleveland, for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and

evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Cleveland's financial statements, for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Cleveland was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City of Cleveland's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are located in the Single Audit Section at the end of this Comprehensive Annual Financial Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Cleveland's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE CITY OF CLEVELAND**

The City of Cleveland, incorporated in 1903, is located in the southeastern corner of the state. Cleveland has a highly diversified economy, being the fifth largest industrial city in the state with twelve Fortune 500 manufacturers, and being a regional shopping destination and health care provider for surrounding counties. Its proximity to the mountains, whitewater rafting, and Cherokee Indian heritage is increasing the tourism component of the economy.

The City of Cleveland operates under the council-manager form of government, established by an amended Private Act Charter in 1993, following a referendum. Five council-members are elected from districts, and the mayor and two council members are elected at large. All elections are non-partisan, and the terms are for four years, with half the members elected every two years. Policy-making and legislative authority are vested in the council. The council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, hiring the city manager, and appointing the city attorney and city judge. The city manager is responsible for carrying out the policies and ordinances of the city council, overseeing the city's day-to-day operations, and appointing the heads of the various departments.

The city provides a full range of services which include police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events. In addition to general government activities, the governing body exercises, or has the authority to exercise, oversight of the Utilities Department and the Cleveland City Schools; therefore, these

activities are included in the financial statements. However, the Cleveland Housing Authority, the Bradley/Cleveland Industrial Development Board and the Health and Educational Facilities Board have not met the established criteria for inclusion; and, accordingly, are excluded from this report.

The annual budget serves as the foundation for the City of Cleveland's financial planning and control. All departments of the city are required to submit capital requests to the city manager by February 1<sup>st</sup> and operating budget requests to the finance director by March 1<sup>st</sup> each year. The city manager and finance director make revenue estimates for the upcoming fiscal year. A budget work session is held in late March or early April, at which time department heads and the city manager make presentations to the council. The finance director and city manager provide projections for the current fiscal year's budget and the coming year's proposed operating budget for council review. In addition, the city manager presents the council with her recommendation for a six-year capital improvements program based upon the fall planning session held by the city council, city manager, and department heads. After much review and debate among the council, the budget is revised to include any recommendations of the city council. A proposed budget is submitted to the city council by the second council meeting in May. The council is required to hold public hearings on the proposed budget and to adopt a final budget and tax rate by June 30<sup>th</sup> each year, which is the close of the city's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Departmental budget officers, with approval of the department head and finance director, may make transfers of appropriations within a department. However, transfers of appropriations between funds require approval of the city council. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 23-45 as part of the basic financial statements for the governmental funds. The school fund comparison is presented on pages 46-55. For nonmajor governmental funds, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 90.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Cleveland operates.

**Local economy.** The local economy has shown signs of sustaining economic growth for the current year. The economic decline in previous years was not as drastic as many other locations in the state or nation because of the diverse economy and the proximity to several large industrial construction projects.

A staff report issued in May 2013 by the Tennessee Advisory Council on Intergovernmental Relations (TACIR) titled "*The Recession and Employment in the US and Tennessee—A Long Road Back to Normal?*" provides proof that our community-wide economic development effort is creating positive results for the citizens of

Cleveland, Charleston and Bradley County. The Cleveland Metropolitan Statistical Area (Cleveland MSA) showed the strongest job growth of the 10 metropolitan statistical areas in Tennessee in 2012. Cleveland employment grew 5.6 percent compared to 1.4 percent statewide and 2.8 percent in Nashville.

The positive growth trend was also noticed outside of our state. The first recognition we received was a feature article in the quarterly journal of the Federal Reserve Bank of Atlanta, *EconSouth, Second Quarter 2013*. The article focused on the manufacturing resurgence in Cleveland and highlighted projects by Wacker, Mars Chocolate and Whirlpool. In May 2013, a website that features research on economic development, politics, demographics and the economy, *NewGeography.com*, published its 2013 rankings of the best cities for job growth. Its evaluation of weighted monthly employment data from the Bureau of Labor Statistics for the period from 2001 until the end of 2012 ranked Cleveland as the fourth best metropolitan area for job growth out of all 398 metro areas in the United States. That compares to a ranking of 372 out of 398 MSAs in 2012, giving us the largest overall movement for all MSAs in 2013.

In addition to the accolades above, the Milken Institute's study of the best performing small cities ranked the Cleveland MSA as the 25<sup>th</sup> best performing small city in 2013, an improvement of 94 positions over 2012. The study "... ranks U.S. metro areas by how well they are creating and sustaining jobs and economic growth. The components include job, wages and salary, and technology growth." Selected rankings of the individual components used in the analysis had Cleveland ranked 4<sup>th</sup> in 1-yr job growth, 14<sup>th</sup> in 1-yr wages and salary growth, 18<sup>th</sup> in 5-yr job growth, and 105<sup>th</sup> in 5-yr wages and salary growth.

Cleveland's strong economy is evidenced by the following:

- 2013 saw full-time employment at the Amazon Fulfillment Center reach 800, an incredible increase over the original employment commitment of 244 full-time positions. Both Olin Corporation and Lonza completed their modernization projects totaling almost \$200 million by the end of summer. Whirlpool Corporation is wrapping up the third and final phase of its new investment with the completion of its research and development laboratory at the new facility on Benton Pike. Whirlpool Corporation is the largest employer in the City with approximately 1,500 employees and one of the largest taxpayers.
- Volkswagen has completed its commitment to invest up to \$1 billion for a manufacturing plant in nearby Hamilton County. The plant is located less than twenty minutes from much of Cleveland and has begun shipping Passats around the country. Cleveland and the surrounding area is benefiting from the approximately 2,000 jobs created at the facility, as well as the estimated additional 9,500 jobs created by suppliers to the plant.
- Wacker Chemie AF, a Munich, Germany-based company, is progressing with its construction of a new facility in Bradley County with an estimated capital

investment of \$1.8 to \$2.0 billion and initial employment of approximately 750 highly skilled workers. The new facility will produce hyperpure polycrystalline silicon, a key component in photovoltaics for solar energy and semiconductors for the electronics industry.

- Various commercial developments, totaling over \$5 million, have occurred during 2013 including Publix, Center for Sports Medicine and Jenkin's Deli at Spring Creek. Bradley Square Mall had several additions including Luigi's Pizza, Dunham's Sports, Rue 24, Santa Fe Cattle Company, and Sears Outlet.
- Residential growth included Phase 2 of the Retreat at Spring Creek which completed development of 112 units as well as the clubhouse in the summer of 2013. Also, Phase 1 of Brooks Edge has completed two of the four buildings, with the remaining buildings to be completed mid-2014.

**Long-term financial planning.** On March 10, 2009, the voters approved an increase in the local option sales tax rate from 2.25% to 2.75%, the highest rate allowed by state law. The funds generated from the additional half cent rate increase, which became effective on May 1<sup>st</sup>, would be used for capital needs of the City and the City Schools. This additional revenue has provided much needed funds to purchase equipment and provide paving in the city. It has also funded improvements to the schools including repaying debt incurred for constructing a science wing at Cleveland High School.

The City worked with the Industrial Development Board, Bradley County, and Cleveland Utilities to purchase land for a new industrial park. Spring Branch Industrial Park is 350 acres and can accommodate approximately two million square feet of manufacturing/distribution facilities.

The City and Bradley County will each provide \$2 million to match a TDOT grant of \$4 million for the construction of two local interstate connectors in southern area of the City near the industrial park property. The City believes the development of this area will produce additional tax revenues and jobs.

## **Financial Policies**

**Revenue policies.** The City will budget revenues conservatively so that the chance of a revenue shortage during the year is remote. This also will help finance contingencies and budget amendments that were unforeseen when the Budget was first adopted. The City will review annually all fees and charges to assure that they maintain their inflation-adjusted purchasing power. Since different revenue sources impact classes of taxpayers differently, the City Council recognizes that the only way to minimize these different impacts is to have a diversified revenue system. These impacts will be considered in making any needed adjustments to the various sources of revenue. The City will make every effort to avoid becoming too dependent on one source of revenue in order to minimize serious fluctuations in any year. The City will consider market rates and rates of comparable cities in the region when changing tax rates, fees, and charges. In this

regard, the City will make every effort to maintain its favorable comparative position with other Tennessee cities which has contributed to our economic development success.

**Reserve fund policy.** It is the policy of the City Council to maintain a reserve in the various operating funds for the City. The reserves are maintained at a level that is sufficient for temporary financing of unforeseen emergency needs and to continue orderly operations during the months of July through December when cash inflows are less, because the majority of property tax collections occur in January and February. The percentage is calculated by taking fund balance or working capital as a percentage of expenditures or operating expenses and transfers to other funds. These reserves are reviewed annually by the city manager and finance director.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cleveland for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. This was the twenty-fifth consecutive year that the city has received this prestigious award. In order to be awarded a Certificate of Achievement, the city published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

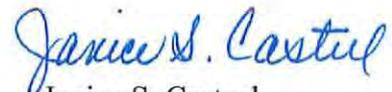
In addition, the city also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the last fourteen fiscal years, beginning in Fiscal Year 1999. In order to qualify for the Distinguished Budget Presentation Award, the city's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this CAFR on a timely basis was made possible by the dedicated service of the employees of the finance department. We would like to express our appreciation to all staff members who have assisted and contributed to this report, in addition to the City's independent certified public accountants. Credit must also be given to the mayor and city council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Cleveland's finances.

Respectfully submitted,



Shawn McKay  
Director of Finance/City Clerk



Janice S. Casteel  
City Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Cleveland  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

This page left blank intentionally.

CITY OF CLEVELAND, TENNESSEE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
CITY OFFICIALS  
June 30, 2013

Tom Rowland  
Mayor

|                    |                       |
|--------------------|-----------------------|
| Richard Banks      | Councilman            |
| William Estes      | Councilman            |
| Dale Hughes        | Councilman            |
| Avery Johnson, Sr. | Councilman/Vice Mayor |
| David May, Jr.     | Councilman            |
| Charlie McKenzie   | Councilman            |
| George Poe, Jr.    | Councilman            |

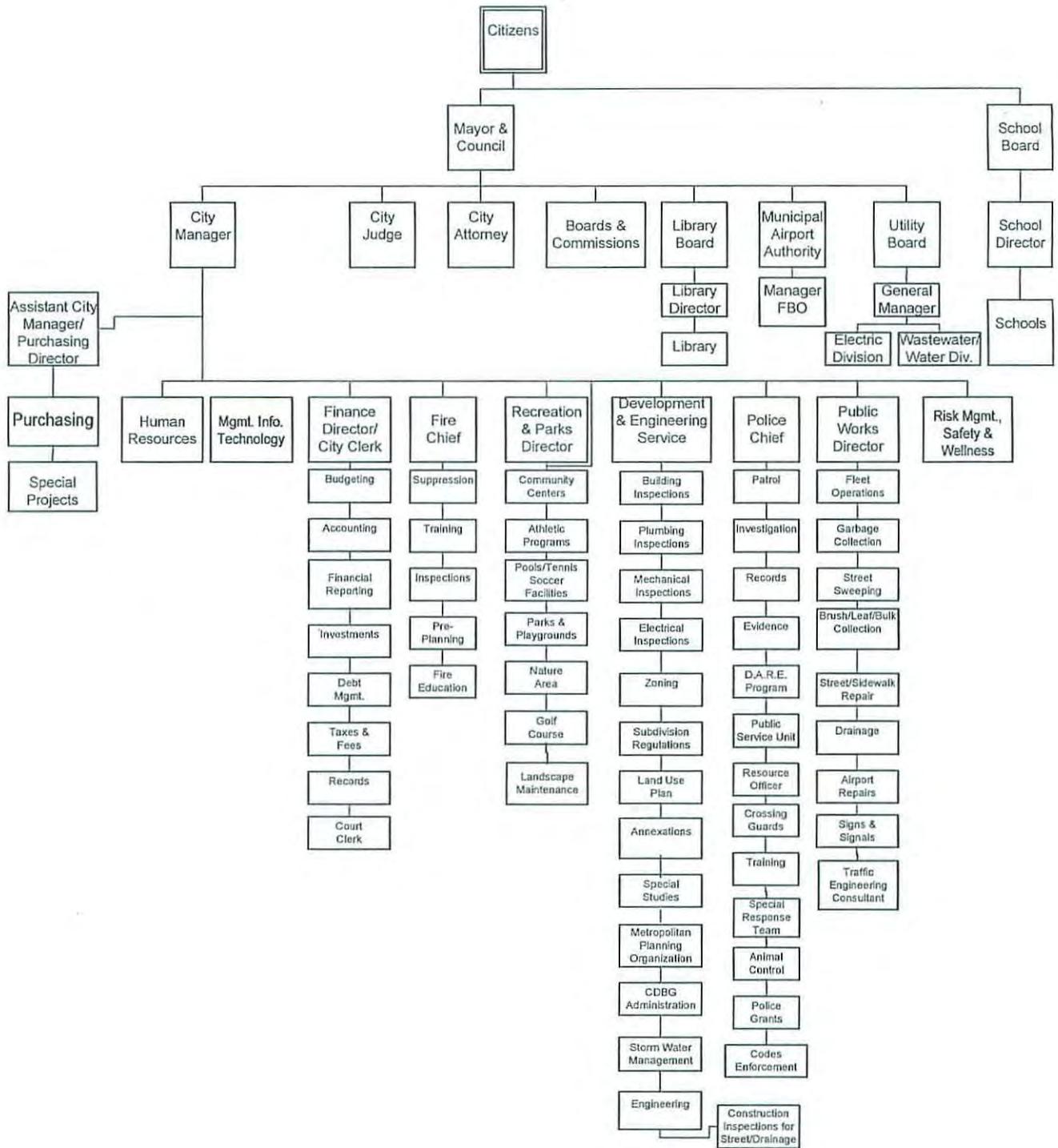
|                   |                        |
|-------------------|------------------------|
| Janice S. Casteel | City Manager           |
| Melinda Carroll   | Assistant City Manager |

Department Heads

|                            |  |
|----------------------------|--|
| Mark Fidler                | Jetport Manager                                |
| Steve Haun                 | Fire Chief                                     |
| Andrew Hunt                | Library Director                               |
| Jonathan Jobe              | Director of Development & Engineering Services |
| John Kimball               | City Attorney                                  |
| Tommy Myers                | Public Works Director                          |
| Bill B. Moss               | City Judge                                     |
| Patti Pettitt              | Parks and Recreation Director                  |
| Dr. Martin Ringstaff       | Director of Schools                            |
| Wesley Bernard Snyder, Jr. | Police Chief                                   |
| Tom Wheeler                | General Manager, Cleveland Utilities           |

This page left blank intentionally.

# Organizational Chart for the City of Cleveland, Tennessee



## **FINANCIAL SECTION**

**ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & HALL, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

RONALD E. ARNETT, CPA/PFS, CVA  
WILLIAM B. KIRKSEY, CPA  
BUDDY E. KIMSEY, CPA/PFS  
VICKI PIERCE SULLIVAN, CPA  
MARK A. LAY, CPA  
SCOTT D. HALL, CPA

WEDGEWOOD OFFICE PARK  
4395 N. OCOEE STREET  
CLEVELAND, TENNESSEE 37312

TELEPHONE: (423) 476-5581  
FACSIMILE: (423) 472-9893  
EMAIL: cpa@akkslh.com

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS  
NATIONAL ASSOCIATION OF  
CERTIFIED VALUATION ANALYSTS

**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and Council  
of the City of Cleveland  
Cleveland, Tennessee

***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, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

***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 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, Tennessee, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and School Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

As described in the notes to the financial statements, the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the Schedule of Funding Progress on page 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted primarily 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Cleveland's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, the statistical section and the other information section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of federal and state financial assistance activity is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and the schedule of federal and state financial assistance activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to auditing procedures applied in the audit of the 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 schedules and the schedule of federal and state financial assistance activity, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory, statistical sections and other information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 16, 2013, on our consideration of the City of Cleveland's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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's internal control over financial reporting and compliance.

*Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall*

ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & HALL, PLLC  
Certified Public Accountants

December 16, 2013

This page left blank intentionally.

## Management's Discussion and Analysis

As management of the City of Cleveland, we offer readers of the city's financial statements this narrative overview and analysis of the financial activities of the City of Cleveland for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in pages i–vi of this report.

### Financial Highlights

- The assets of the City of Cleveland exceeded its liabilities at June 30, 2013 by \$251,654,855 (net position). Of this amount, \$16,713,023 (unrestricted net position) may be used to meet the city's ongoing obligations to citizens and creditors.
- Net position (defined as the difference in revenues and expenses) increased by \$10,205,571, an increase of 4.2% over FY2012. The City of Cleveland's changes in net position is detailed in the chart on page seven of this report. Total revenues increased \$4,594,570 which primarily included a \$3,621,096 increase in capital grants and contributions as well as an increase in charges for services. Expenses increased \$6,201,332 over last fiscal year with the largest increase consisting of \$2,875,390 for general government and \$3,037,040 for Cleveland Utilities.
- The city's property tax rate remained the same at \$1.4904 per hundred dollars of assessment.
- The city's residential sanitation fee remained at \$6.95 per month.
- The city and county entered the final year of a three-year fire contract in which the county agreed to pay for fire suppression service for the fringe area. The contract ended June 30, 2013 and was not renewed by Bradley County.
- As of the close of the current fiscal year, the City of Cleveland's governmental funds reported combined ending fund balances of \$27,053,793.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$12,388,007, or 46% of total general fund expenditures. Expenditures do not include transfers to other funds, which totaled \$12,207,902 in the city's general fund.
- Long-term debt increased approximately \$2,892,062.
- The City implemented Governmental Accounting Standards Board (GASB) Statements No. 62 and No. 63. This is described in more detail in Note 20 of the financial statements.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the City of Cleveland's basic financial statements. The City of Cleveland's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Cleveland's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City of Cleveland that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Cleveland include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Cleveland include Cleveland Utilities Electric and Water Systems and the Cleveland Municipal Airport Authority Fund.

The government-wide financial statements include not only the City of Cleveland itself (which is the primary government), but also the operations of the Cleveland City Schools, Cleveland Public Library, Cleveland Utilities and Cleveland Municipal Airport Authority which are not considered legally separate. However, the Cleveland Housing Authority, the Bradley/Cleveland Industrial Development Board, and the Health and Educational Facilities Board are not legal entities of the City of Cleveland, and accordingly are excluded from this report.

The government-wide financial statements can be found on pages 17-18 of this report.

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

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

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

The City of Cleveland maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and school fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report beginning on page 90.

The City of Cleveland adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds including the general fund and school fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19-55 of this report.

**Proprietary funds.** The City of Cleveland maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Cleveland uses enterprise funds to account for its Cleveland Utilities Electric and Water operations and the Airport operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Cleveland's various functions. The City of Cleveland uses an internal service fund to account for servicing its fleet of vehicles. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Cleveland Utilities Electric and Water operations and the Airport fund, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 56-59 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 60-88 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Cleveland's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 89 of this report.

The combining statements referred to earlier in connection with the non-major governmental funds, as well as the data for the internal service fund, are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 90-131 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Cleveland, assets exceeded liabilities by \$251,654,855 at the close of this fiscal year.

The largest portion of the City of Cleveland's net position (91 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any debt used to acquire those assets that is still outstanding. The City of Cleveland uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Cleveland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Cleveland's Net Position

|  | Governmental<br>Activities |              | Business-type<br>Activities |               | Total         |               |
|--|----------------------------|--------------|-----------------------------|---------------|---------------|---------------|
|  | FY2013                     | FY2012       | FY2013                      | FY2012        | FY2013        | FY2012        |
| Current assets                                     | \$58,322,457               | \$58,010,596 | \$24,273,878                | \$34,679,333  | \$82,596,335  | \$92,689,929  |
| Receivables and other noncurrent<br>assets         | 0                          | 0            | 3,340,740                   | 1,512,140     | 3,340,740     | 1,512,140     |
| Deferred Charges                                   | 729,600                    | 748,187      | 506,789                     | 533,446       | 1,236,389     | 1,281,633     |
| Capital assets                                     | 140,299,894                | 135,991,067  | 220,488,717                 | 201,889,795   | 360,788,611   | 337,880,862   |
| Total assets                                       | 199,351,951                | 194,749,580  | 248,610,124                 | 238,614,714   | 447,962,075   | 433,364,564   |
| Total deferred outflows of<br>resources            | 5,149,662                  | 7,252,080    | 0                           | 0             | 5,149,662     | 7,252,080     |
| Long-term liabilities outstanding                  | 87,052,064                 | 84,802,686   | 61,598,314                  | 60,553,353    | 148,650,378   | 145,356,039   |
| Other liabilities                                  | 30,781,932                 | 29,636,482   | 22,024,572                  | 24,174,839    | 52,806,504    | 53,811,321    |
| Total liabilities                                  | 117,833,996                | 114,439,168  | 83,622,886                  | 84,728,192    | 201,456,882   | 199,167,360   |
| Net position:                                      |                            |              |                             |               |               |               |
| Invested in capital assets, net of<br>related debt | 68,705,499                 | 66,979,125   | 161,333,006                 | 143,097,174   | 230,038,505   | 210,076,299   |
| Restricted   | 4,903,327                  | 6,449,583    | 0                           | 0             | 4,903,327     | 6,449,583     |
| Unrestricted                                       | 13,058,791                 | 14,134,054   | 3,654,232                   | 10,789,348    | 16,713,023    | 24,923,402    |
| Total net position                                 | \$86,667,617               | \$87,562,762 | \$164,987,238               | \$153,886,522 | \$251,654,855 | \$241,449,284 |

Two percent of the City of Cleveland's net position represents resources that are subject to external restrictions on how they may be used. The remaining \$16,713,023 in unrestricted net position may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2013, the City of Cleveland is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Governmental activities.** Governmental activities decreased the City of Cleveland's net position by \$895,145, detailed as follows:

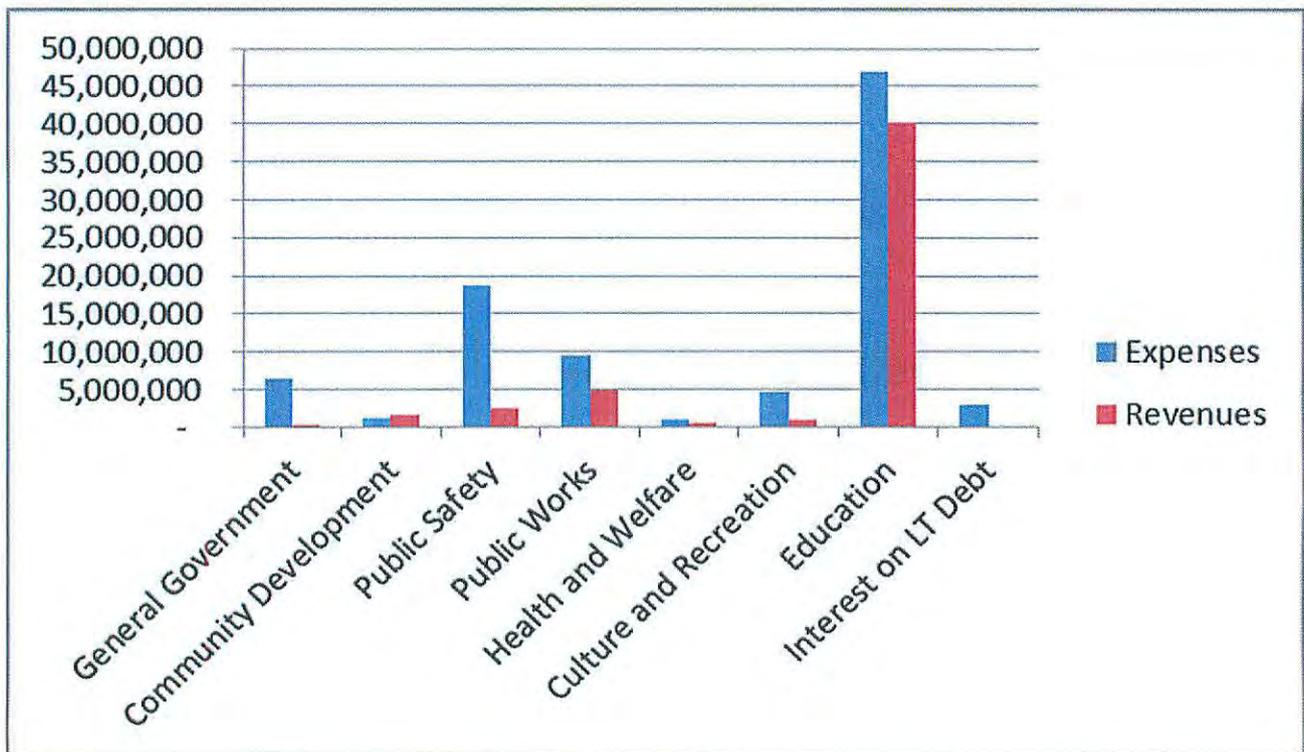
### City of Cleveland's Changes in Net Position

|   | Governmental<br>Activities |                     | Business-type<br>Activities |                      | Total                |                      |
|---|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
|   | FY2013                     | FY2012              | FY2013                      | FY2012               | FY2013               | FY2012               |
| <b>Revenues:</b>  |                            |                     |                             |                      |                      |                      |
| <b>Program revenues:</b>  |                            |                     |                             |                      |                      |                      |
| Charges for services  | \$6,394,007                | \$7,308,364         | \$119,276,712               | \$117,863,444        | \$125,670,719        | \$125,171,808        |
| Operating grants and contributions                                      | 42,650,493                 | 42,136,892          | 45,097                      | 174,663              | 42,695,590           | 42,311,555           |
| Capital grants and contributions  | 1,622,538                  | 2,823,302           | 9,622,580                   | 4,800,720            | 11,245,118           | 7,624,022            |
| <b>General revenues:</b>  |                            |                     |                             |                      |                      |                      |
| Property taxes  | 16,598,001                 | 16,497,090          | 0                           | 0                    | 16,598,001           | 16,497,090           |
| Other taxes   | 20,431,482                 | 20,241,721          | 0                           | 0                    | 20,431,482           | 20,241,721           |
| <b>Grants and contributions not restricted<br/>to specific programs</b> |                            |                     |                             |                      |                      |                      |
| Other   | 566,435                    | 708,181             | 0                           | 0                    | 566,435              | 708,181              |
| Other   | 361,702                    | 332,687             | 55,945                      | 143,358              | 417,647              | 476,045              |
| <b>Total revenues</b>   | <b>88,624,658</b>          | <b>90,048,237</b>   | <b>129,000,334</b>          | <b>122,982,185</b>   | <b>217,624,992</b>   | <b>213,030,422</b>   |
| <b>Expenses:</b>  |                            |                     |                             |                      |                      |                      |
| General government  | 6,338,456                  | 3,463,066           | 0                           | 0                    | 6,338,456            | 3,463,066            |
| Planning and inspection   | 1,140,908                  | 1,481,745           | 0                           | 0                    | 1,140,908            | 1,481,745            |
| Public safety   | 18,702,183                 | 18,523,073          | 0                           | 0                    | 18,702,183           | 18,523,073           |
| Public works  | 9,539,339                  | 10,047,079          | 0                           | 0                    | 9,539,339            | 10,047,079           |
| Health and welfare  | 829,343                    | 725,353             | 0                           | 0                    | 829,343              | 725,353              |
| Culture and recreation  | 4,734,464                  | 4,638,754           | 0                           | 0                    | 4,734,464            | 4,638,754            |
| Education   | 46,972,946                 | 46,792,601          | 0                           | 0                    | 46,972,946           | 46,792,601           |
| Interest on long-term debt  | 2,878,690                  | 2,822,451           | 0                           | 0                    | 2,878,690            | 2,822,451            |
| Water and sewer   | 0                          | 0                   | 22,183,642                  | 21,547,173           | 22,183,642           | 21,547,173           |
| Electric  | 0                          | 0                   | 93,526,162                  | 91,125,591           | 93,526,162           | 91,125,591           |
| Other enterprise  | 0                          | 0                   | 573,288                     | 51,203               | 573,288              | 51,203               |
| <b>Total expenses</b>   | <b>91,136,329</b>          | <b>88,494,122</b>   | <b>116,283,092</b>          | <b>112,723,967</b>   | <b>207,419,421</b>   | <b>201,218,089</b>   |
| Increase (decrease) in net position<br>before transfers                 | (2,511,671)                | 1,554,115           | 12,717,242                  | 10,258,218           | 10,205,571           | 11,812,333           |
| Transfers   | 1,616,526                  | 1,893,518           | (1,616,526)                 | (1,893,518)          | 0                    | 0                    |
| Increase (decrease) in net position                                     | (895,145)                  | 3,447,633           | 11,100,716                  | 8,364,700            | 10,205,571           | 11,812,333           |
| Net position – beginning  | 87,562,762                 | 81,753,802          | 153,886,522                 | 145,521,822          | 241,449,284          | 227,275,624          |
| Prior period adjustment   | 0                          | 2,361,327           | 0                           | 0                    | 0                    | 2,361,327            |
| <b>Net position – ending</b>  | <b>\$86,667,617</b>        | <b>\$87,562,762</b> | <b>\$164,987,238</b>        | <b>\$153,886,522</b> | <b>\$251,654,855</b> | <b>\$241,449,284</b> |

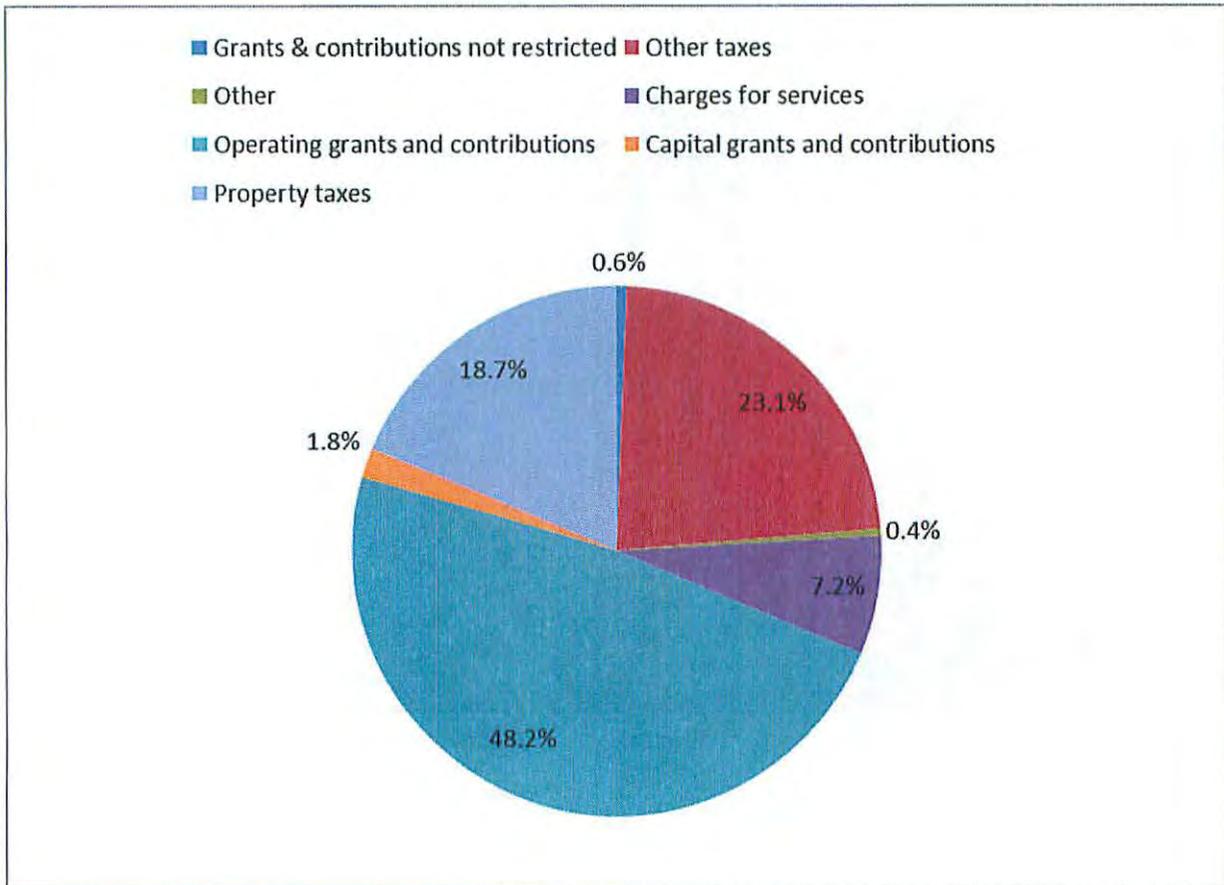
- The city's property tax rate was \$1.4904 per \$100 of assessed value in fiscal year 2013. Property and other tax revenues increased slightly over FY2012.
- Operating grants and contributions increased \$513,601 due to a combination of increases in federal, state and Bradley County funds received for education.

- Capital grants and contributions decreased \$1,200,764 primarily due to completion of ARRA and Greenway grant projects.
- Cleveland's second largest revenue source is local sales tax which increased \$71,195. In Tennessee, the first half of local sales tax goes to education based upon average daily attendance. The second half is generally distributed between cities and counties based upon whether the sale occurred in the city or the county; however, Cleveland and Bradley County's local sales tax (second half) is distributed according to a local agreement, instead of the state's situs-based formula.
- The most significant change in expenditures was an increase of \$2,875,390 for the purchase of land for the new industrial park.

### Expenses and Program Revenues – Governmental Activities



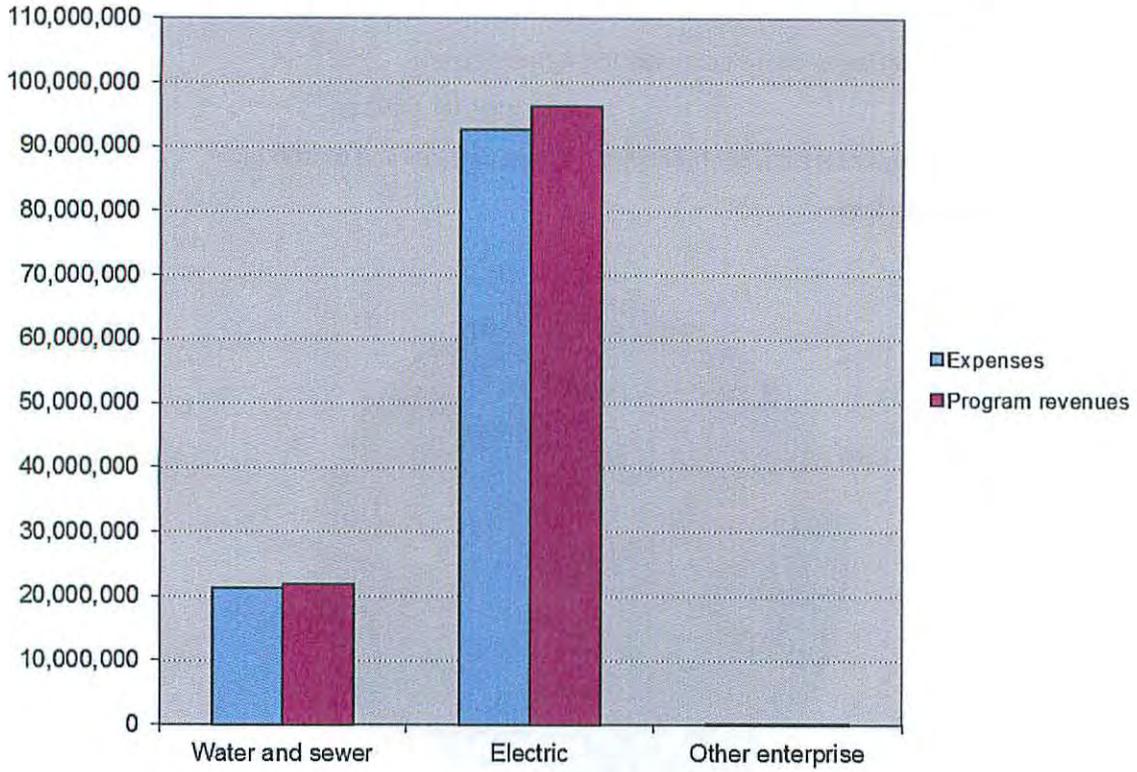
### Revenues by Source – Governmental Activities



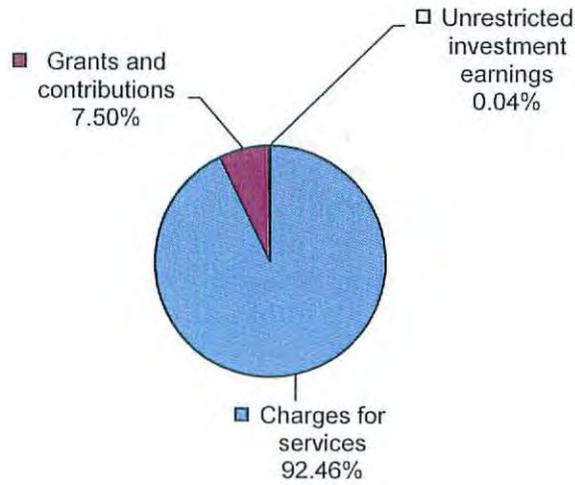
**Business-type activities.** Business-type activities increased the City of Cleveland’s net position by \$11,100,716.

- Charges for services increased \$1,413,268. This increase is attributed to a combination of the electric and water operations of Cleveland Utilities.
- Capital grants and contributions increased \$4,821,860. This was primarily for improvements to water and sewer infrastructure and construction of the new jetport terminal building.
- Expenses for business-type activities increased \$3,559,125. The most significant changes in expenses were electric power purchased, water system operation, and the operating expenses and depreciation of the new jetport.

### Expenses and Program Revenues – Business-type Activities



### Revenues by Source – Business-type Activities



## Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City of Cleveland's governmental funds reported combined ending fund balances of \$27,053,793, an increase of \$1,395,503. The combined fund balance is broken down as follows:

- \$477,715 is non-spendable consisting of inventories and permanent fund principal
- \$3,101,853 is restricted for limited use in law enforcement, community development, street improvements, recycling, capital outlay and education
- \$728,768 is committed by the City Council for use by Solid Waste Management
- \$10,357,450 is assigned for designated use for education, the library, debt service and capital outlay
- \$12,388,007 is unassigned.

The general fund is the chief operating fund of the City of Cleveland. At the end of the current fiscal year, unassigned fund balance was \$12,388,007. Unassigned fund balance represents 46% of total fund expenditures. However, the unassigned fund balance only represents 32% when compared to total fund expenditures and transfers to other funds (e.g., debt service and schools).

The fund balance of the City of Cleveland's general fund increased \$326,402 during the current fiscal year. This is attributed to revenues exceeding budgeted amounts (property taxes and state-shared revenues) and city departments spending less than the final amended budget. Several vacant employee positions remained unfilled due to the slow recovery of the national and local economy. The fund balance of the School Fund increased \$168,175. The increase is due to expenditures for regular instruction and other student support being less than budgeted.

The debt service fund has a total fund balance of \$2,681,465. The net increase in fund balance during the current year was \$132,958.

**Proprietary funds.** The City of Cleveland's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year amounted to \$4,394,024 for the Cleveland Utilities Water Division, \$4,067,353 for Cleveland Utilities Electric Division, (\$4,807,145) for the Cleveland Municipal Airport Fund and \$247,986 for the Fleet Management Fund.

## **General Fund Budgetary Highlights**

General fund revenues were amended during the year to increase \$915,473 with property tax and state sales and income tax making up most of the increase. General fund expenditures were amended to increase \$174,411 distributed among several departments. Departmental budget officers closely monitored expenditures during the fiscal year in order to minimize budget amendments.

Actual revenues exceeded the final amended budget by \$124,733. This was due to increased collections for local sales tax and state income tax, as well as increases in charges for services.

Differences between the final amended budget and actual expenditures were \$434,083. Vacancies in various departments and reductions in spending throughout all departments accounted for this.

## **Capital Asset and Debt Administration**

**Capital assets.** The City of Cleveland's investment in capital assets for its governmental and business type activities as of June 30, 2013 amounts to \$360,788,611 (net of accumulated depreciation), which is a \$22,907,749 increase over last fiscal year. This investment in capital assets includes land, buildings, other improvements, equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- General government added \$213,183 in improvements largely due to additional equipment purchased for the library.
- Public Safety added \$323,648 in capital assets with the purchase of vehicles, radios, mobile data terminals and in-car video equipment.
- Public Works added \$2,063,034 primarily in road, sidewalk, and drainage infrastructure.
- Parks and Recreation added \$1,871,015 in improvements in Waterville Golf Course, a new playground at Tinsley Park, and extension of the Greenway.
- Cleveland City Schools added \$1,814,451 in capital assets largely due to the purchase of property for a new elementary school.
- Business-type activities added \$18,589,922 in improvements for water, sewer and electric systems and construction on the new airport.

**City of Cleveland's Capital Assets**  
(net of depreciation)

|  | Governmental<br>Activities |                      | Business-type<br>Activities |                      | Total                |                      |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
|  | FY2013                     | FY2012               | FY2013                      | FY2012               | FY2013               | FY2012               |
| Land   | \$ 10,385,070              | \$ 9,216,970         | \$ 28,609,250               | \$ 27,110,574        | \$ 38,994,320        | \$ 36,327,544        |
| Buildings and<br>Systems                           | 75,799,745                 | 77,253,251           | 177,463,305                 | 166,175,844          | 253,263,050          | 243,429,095          |
| Improvements<br>other than<br>buildings            | 4,623,912                  | 3,072,086            | 9,982,285                   | 0                    | 14,606,197           | 3,072,086            |
| Furniture,<br>fixtures,<br>equipment &<br>vehicles | 7,512,115                  | 7,623,997            | 857,624                     | 173,607              | 8,369,739            | 7,797,604            |
| Infrastructure                                     | 36,262,282                 | 35,643,887           | 0                           | 0                    | 36,262,282           | 35,643,887           |
| Construction in<br>Progress                        | 5,716,770                  | 3,180,876            | 3,576,253                   | 8,429,770            | 9,293,023            | 11,610,646           |
| <b>Total</b>                                       | <b>\$140,299,894</b>       | <b>\$135,991,067</b> | <b>\$220,488,717</b>        | <b>\$201,889,795</b> | <b>\$360,788,611</b> | <b>\$337,880,862</b> |

Additional information on the City of Cleveland's capital assets can be found in Note 4 on pages 68-69 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Cleveland had total debt outstanding of \$130,750,241. Of this amount, \$37,145,000 comprises bonds backed solely by the full faith and credit of the city. The city also issues bonds secured by specified revenue sources (i.e., revenue bonds); however, in the event of default, the full faith and credit of the city are irrevocably pledged. The city had \$55,055,000 in revenue bonds outstanding at the end of the fiscal year. The city also finances capital projects through loans from bond proceeds issued by various agencies in Tennessee, including \$33,986,442 for city general projects and \$4,903,981 for Cleveland Utilities. The City also has a capital lease on lighting upgrades for the City Schools in the amount of \$653,351.

## City of Cleveland's Outstanding Debt

(General Obligation Bonds, Revenue Bonds, Loans through Bond Proceeds issued by the Public Building Authorities of Sevier and Blount Counties, Tennessee, and other long-term notes)

|   | Governmental<br>activities |                   | Business-type<br>activities |                   | Total              |                    |
|---|----------------------------|-------------------|-----------------------------|-------------------|--------------------|--------------------|
|   | FY2013                     | FY2012            | FY2013                      | FY2012            | FY2013             | FY2012             |
| General obligation bonds                              | 37,145,000                 | 39,095,000        | 0                           | 0                 | 37,145,000         | 39,095,000         |
| Long-term notes issued through various agencies in TN | 33,986,442                 | 29,428,344        | 4,903,981                   | 877,265           | 38,890,423         | 30,305,609         |
| Capital leases  | 653,351                    | 692,527           | 0                           | 0                 | 653,351            | 692,527            |
| Revenue bonds   | 0                          | 0                 | 55,055,000                  | 58,875,000        | 55,055,000         | 58,875,000         |
| Less bond discount/<br>Premiums                       | 192,357                    | 212,384           | 131,688                     | 143,189           | 324,045            | 355,573            |
| Less Deferred Charges for refunding                   | (382,755)                  | (416,313)         | (934,823)                   | (1,049,217)       | (1,317,578)        | (1,465,530)        |
| <b>Total</b>  | <u>71,594,395</u>          | <u>69,011,942</u> | <u>59,155,846</u>           | <u>58,846,237</u> | <u>130,750,241</u> | <u>127,858,179</u> |

At the request of the city, the Public Building Authorities entered into interest rate swap agreements for all of the outstanding Local Government Improvement Bonds, Series IV-C-3 and A-2-A. During the term of the swap agreements, the city effectively pays a fixed rate on the debt plus or minus the difference between the variable interest due the bondholders and the variable rate received from the counterparty. Additional details about the city's long-term debt are included in Note 6 on pages 70-73.

The City of Cleveland maintains an "A+" rating from Standard & Poor's and an "A2" rating from Moody's Investor Service for general obligation debt. The revenue bonds of Cleveland Utilities carry the same ratings.

State statutes do not limit the amount of general obligation debt a governmental entity may issue; however, the city has adopted a financial policy which limits long-term debt to 10 percent of its total assessed valuation. This calculation does not include revenue bonds issued for improvements in the electric and water systems. The city's legal debt margin at June 30, 2013 is \$42,970,066, and is calculated on page 159 of this report.

## **Economic Factors and Next Year's Budget and Rates**

- The June 2013 unemployment rate for Cleveland was 8.5 percent, which is down from the 10.3 percent a year ago. Bradley County was 7.7 percent, which is down from 9.0 percent from a year ago. Tennessee's average unemployment rate was 8.8 percent and the national average rate was 7.8 percent.
- The city qualifies as an Entitlement Community for the CDBG program due to designation as a principal city in a Metropolitan Statistical Area (MSA).
- Local sales tax collections increased .9% from the previous fiscal year. This is a positive sign that a recovery in the current economy may be occurring. State sales tax collections have shown positive signs as well, with a 1.9% increase.

All of these factors were considered in preparing the city's budget for the 2014 fiscal year. Management has again been conservative in estimating revenues for 2014. No use of the general fund balance is projected for the new fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Cleveland's finances for all those with an interest in the city's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the City of Cleveland, Office of the Finance Director, Post Office Box 1519, Cleveland, Tennessee 37364-1519.

This page left blank intentionally.

## **BASIC FINANCIAL STATEMENTS**

CITY OF CLEVELAND, TENNESSEE  
STATEMENT OF NET POSITION  
June 30, 2013

|   | Primary Government         |                                 |                       |
|---|----------------------------|---------------------------------|-----------------------|
|   | Governmental<br>Activities | Business-<br>type<br>Activities | Total                 |
| <b>ASSETS</b>   |                            |                                 |                       |
| Current assets:   |                            |                                 |                       |
| Cash and cash equivalents                                 | \$ 15,466,352              | \$ 11,234,335                   | \$ 26,700,687         |
| Cash and cash equivalents - restricted                    | 4,951                      | 136                             | 5,087                 |
| Investments   | 741,813                    | 0                               | 741,813               |
| Investments - restricted                                  | 454,985                    | 0                               | 454,985               |
| Accounts receivable - net                                 | 824,207                    | 17,245,600                      | 18,069,807            |
| Property taxes receivable - net                           | 20,520,377                 | 0                               | 20,520,377            |
| Sales tax receivable                                      | 2,733,032                  | 0                               | 2,733,032             |
| Due from other government agencies                        | 9,736,748                  | 712,838                         | 10,449,586            |
| Internal balances   | 7,618,334                  | (7,618,334)                     | 0                     |
| Inventories   | 217,403                    | 2,032,801                       | 2,250,204             |
| Prepays   | 4,255                      | 666,502                         | 670,757               |
| Total current assets                                      | <u>\$ 58,322,457</u>       | <u>\$ 24,273,878</u>            | <u>\$ 82,596,335</u>  |
| Noncurrent assets:  |                            |                                 |                       |
| Receivable from customers for conservation loans          | \$ 0                       | \$ 1,449,526                    | \$ 1,449,526          |
| Deferred charges  | 729,600                    | 506,789                         | 1,236,389             |
| Other noncurrent assets                                   | 0                          | 1,891,214                       | 1,891,214             |
| Capital assets:   |                            |                                 |                       |
| Land and construction in progress                         | 16,101,840                 | 32,185,503                      | 48,287,343            |
| Other capital assets, net of accumulated depreciation     | 124,198,054                | 188,303,214                     | 312,501,268           |
| Total noncurrent assets                                   | <u>\$ 141,029,494</u>      | <u>\$ 224,336,246</u>           | <u>\$ 365,365,740</u> |
| Total Assets  | <u>\$ 199,351,951</u>      | <u>\$ 248,610,124</u>           | <u>\$ 447,962,075</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                     |                            |                                 |                       |
| Accumulated decrease in fair value of hedging derivatives | \$ 5,149,662               | \$ 0                            | \$ 5,149,662          |
| Total Deferred Outflows of Resources                      | <u>\$ 5,149,662</u>        | <u>\$ 0</u>                     | <u>\$ 5,149,662</u>   |
| <b>LIABILITIES</b>  |                            |                                 |                       |
| Current liabilities:                                      |                            |                                 |                       |
| Accrued liabilities                                       | \$ 3,041,821               | \$ 3,111,240                    | \$ 6,153,061          |
| Accounts payable  | 953,431                    | 11,560,491                      | 12,513,922            |
| Customer deposits   | 0                          | 3,152,485                       | 3,152,485             |
| Unearned revenue  | 23,460,395                 | 0                               | 23,460,395            |
| Bonds, notes and capital leases - current                 | 3,192,041                  | 4,200,356                       | 7,392,397             |
| Compensated absences payable - current                    | 134,244                    | 0                               | 134,244               |
| Total current liabilities                                 | <u>\$ 30,781,932</u>       | <u>\$ 22,024,572</u>            | <u>\$ 52,806,504</u>  |
| Long-term liabilities:                                    |                            |                                 |                       |
| Conservation advances from TVA                            | \$ 0                       | \$ 1,488,869                    | \$ 1,488,869          |
| Derivative - interest rate swap                           | 5,149,662                  | 0                               | 5,149,662             |
| Bonds, notes and capital leases payable                   | 68,402,354                 | 54,955,491                      | 123,357,845           |
| Compensated absences payable                              | 1,543,807                  | 0                               | 1,543,807             |
| Post-employment benefits payable                          | 11,956,241                 | 5,153,954                       | 17,110,195            |
| Total long-term liabilities                               | <u>\$ 87,052,064</u>       | <u>\$ 61,598,314</u>            | <u>\$ 148,650,378</u> |
| Total Liabilities   | <u>\$ 117,833,996</u>      | <u>\$ 83,622,886</u>            | <u>\$ 201,456,882</u> |
| <b>NET POSITION</b>                                       |                            |                                 |                       |
| Invested in capital assets, net of related debt           | \$ 68,705,499              | \$ 161,333,006                  | \$ 230,038,505        |
| Restricted for:   |                            |                                 |                       |
| Law enforcement   | 72,632                     | 0                               | 72,632                |
| Community development - federal grants                    | 53,151                     | 0                               | 53,151                |
| Street improvements                                       | 506,244                    | 0                               | 506,244               |
| Capital outlay  | 3,682,480                  | 0                               | 3,682,480             |
| Recycling   | 4,000                      | 0                               | 4,000                 |
| Education   | 111,184                    | 0                               | 111,184               |
| Perpetual care:   |                            |                                 |                       |
| Nonexpendable   | 473,636                    | 0                               | 473,636               |
| Unrestricted  | 13,058,791                 | 3,654,232                       | 16,713,023            |
| Total Net Position  | <u>\$ 86,667,617</u>       | <u>\$ 164,987,238</u>           | <u>\$ 251,654,855</u> |

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

CITY OF CLEVELAND, TENNESSEE  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2013

| Functions/Programs<br>Primary government:                    | Program Revenues |                            |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                                 |                 |
|--|------------------|----------------------------|--|--|--|---------------------------------|-----------------|
|  | Expenses         | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                   |                                 | Total           |
|  |                  |                            |  |  | Govern-<br>mental<br>Activities                      | Business-<br>type<br>Activities |                 |
| Governmental activities:                                     |                  |                            |  |  |  |                                 |                 |
| General government   | \$ 6,338,456     | \$ 39,732                  | \$ 94,372                                | \$ 0                                   | \$ (6,204,352)                                       | \$ 0                            | \$ (6,204,352)  |
| Community development  | 1,140,908        | 321,071                    | 970,716                                  | 218,002                                | 368,881  | 0                               | 368,881         |
| Public safety  | 18,702,183       | 1,942,958                  | 583,081                                  | 0                                      | (16,176,144)   | 0                               | (16,176,144)    |
| Public works   | 9,539,339        | 2,452,701                  | 1,062,605                                | 1,393,786                              | (4,630,247)  | 0                               | (4,630,247)     |
| Health and welfare   | 829,343          | 428,573                    | 0  | 0                                      | (400,770)  | 0                               | (400,770)       |
| Culture and recreation                                       | 4,734,464        | 312,332                    | 610,241                                  | 10,750                                 | (3,801,141)  | 0                               | (3,801,141)     |
| Education  | 46,972,946       | 896,640                    | 39,329,478                               | 0                                      | (6,746,828)  | 0                               | (6,746,828)     |
| Interest on long-term debt                                   | 2,878,690        | 0                          | 0  | 0                                      | (2,878,690)  | 0                               | (2,878,690)     |
| Total governmental activities                                | \$ 91,136,329    | \$ 6,394,007               | \$ 42,650,493                            | \$ 1,622,538                           | \$ (40,469,291)                                      | \$ 0                            | \$ (40,469,291) |
| Business-type activities:                                    |                  |                            |  |  |  |                                 |                 |
| Water and sewer  | \$ 22,183,642    | \$ 23,006,832              | \$ 0                                     | \$ 142,492                             | \$ 0   | \$ 965,682                      | \$ 965,682      |
| Electric   | 93,526,162       | 96,146,039                 | 43,272                                   | 331,830                                | 0  | 2,994,979                       | 2,994,979       |
| Airport  | 573,288          | 123,841                    | 1,825                                    | 9,148,258                              | 0  | 8,700,636                       | 8,700,636       |
| Total business-type activities                               | \$ 116,283,092   | \$ 119,276,712             | \$ 45,097                                | \$ 9,622,580                           | \$ 0   | \$ 12,661,297                   | \$ 12,661,297   |
| Total primary government                                     | \$ 207,419,421   | \$ 125,670,719             | \$ 42,695,590                            | \$ 11,245,118                          | \$ (40,469,291)                                      | \$ 12,661,297                   | \$ (27,807,994) |
| General revenues:  |                  |                            |  |  |  |                                 |                 |
| Property taxes   |                  |                            |  |  | \$ 16,598,001  | \$ 0                            | \$ 16,598,001   |
| Interest and penalty on taxes                                |                  |                            |  |  | 232,829  | 0                               | 232,829         |
| In lieu of taxes   |                  |                            |  |  | 247,400  | 0                               | 247,400         |
| Local sales tax  |                  |                            |  |  | 11,842,883   | 0                               | 11,842,883      |
| Wholesale beer tax   |                  |                            |  |  | 1,514,062  | 0                               | 1,514,062       |
| Gross receipts tax   |                  |                            |  |  | 1,139,178  | 0                               | 1,139,178       |
| Franchise tax  |                  |                            |  |  | 874,574  | 0                               | 874,574         |
| State sales tax - unrestricted                               |                  |                            |  |  | 2,857,391  | 0                               | 2,857,391       |
| Other state taxes - unrestricted                             |                  |                            |  |  | 1,955,994  | 0                               | 1,955,994       |
| Grants and contributions not restricted to specific programs |                  |                            |  |  | 566,435  | 0                               | 566,435         |
| Unrestricted investment earnings                             |                  |                            |  |  | 79,556   | 55,945                          | 135,501         |
| Gain on sale of capital assets                               |                  |                            |  |  | 49,317   | 0                               | 49,317          |
| Transfers  |                  |                            |  |  | 1,616,526  | (1,616,526)                     | 0               |
| Total general revenues and transfers                         |                  |                            |  |  | \$ 39,574,146  | \$ (1,560,581)                  | \$ 38,013,565   |
| Change in net position                                       |                  |                            |  |  | \$ (895,145)   | \$ 11,100,716                   | \$ 10,205,571   |
| Net position - beginning                                     |                  |                            |  |  | 87,562,762   | 153,886,522                     | 241,449,284     |
| Net position - ending  |                  |                            |  |  | \$ 86,667,617  | \$ 164,987,238                  | \$ 251,654,855  |

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

CITY OF CLEVELAND, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

|  | General<br>Fund      | School<br>Fund       | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|----------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                              |                      |                      |                                |                                |
| Cash and cash equivalents                  | \$ 3,268,347         | \$ 4,892,186         | \$ 7,283,482                   | \$ 15,444,015                  |
| Cash and cash equivalents - restricted     | 0                    | 0                    | 4,951                          | 4,951                          |
| Investments                                | 0                    | 0                    | 741,813                        | 741,813                        |
| Investments - restricted                   | 0                    | 0                    | 454,985                        | 454,985                        |
| Accounts receivable - net                  | 587,664              | 0                    | 212,679                        | 800,343                        |
| Property taxes receivable - net            | 20,520,377           | 0                    | 0                              | 20,520,377                     |
| Sales tax receivable                       | 1,987,109            | 745,923              | 0                              | 2,733,032                      |
| Due from other government agencies         | 1,817,654            | 5,076,286            | 2,842,808                      | 9,736,748                      |
| Due from other funds                       | 5,958,443            | 0                    | 1,736,692                      | 7,695,135                      |
| Inventories                                | 4,079                | 0                    | 0                              | 4,079                          |
| Prepays                                    | 0                    | 0                    | 4,255                          | 4,255                          |
| <b>Total Assets</b>                        | <b>\$ 34,143,673</b> | <b>\$ 10,714,395</b> | <b>\$ 13,281,665</b>           | <b>\$ 58,139,733</b>           |
| <b>LIABILITIES AND FUND BALANCE</b>        |                      |                      |                                |                                |
| <b>Liabilities:</b>                        |                      |                      |                                |                                |
| Accrued liabilities                        | \$ 381,267           | \$ 2,267,599         | \$ 266,965                     | \$ 2,915,831                   |
| Accounts payable                           | 375,534              | 343,379              | 222,980                        | 941,893                        |
| Due to other funds                         | 0                    | 0                    | 76,801                         | 76,801                         |
| Matured interest payable                   | 0                    | 0                    | 1,097                          | 1,097                          |
| Matured bonds payable                      | 0                    | 0                    | 1,000                          | 1,000                          |
| Deferred revenue                           | 20,994,786           | 4,802,311            | 1,352,221                      | 27,149,318                     |
| <b>Total Liabilities</b>                   | <b>\$ 21,751,587</b> | <b>\$ 7,413,289</b>  | <b>\$ 1,921,064</b>            | <b>\$ 31,085,940</b>           |
| <b>Fund balances:</b>                      |                      |                      |                                |                                |
| <b>Nonspendable:</b>                       |                      |                      |                                |                                |
| Inventories                                | \$ 4,079             | \$ 0                 | \$ 0                           | \$ 4,079                       |
| Permanent fund principal                   | 0                    | 0                    | 473,636                        | 473,636                        |
| <b>Restricted for:</b>                     |                      |                      |                                |                                |
| Law enforcement                            | 0                    | 0                    | 72,632                         | 72,632                         |
| Community development - federal grants     | 0                    | 0                    | 53,151                         | 53,151                         |
| Street improvements                        | 0                    | 0                    | 506,244                        | 506,244                        |
| Recycling                                  | 0                    | 0                    | 4,000                          | 4,000                          |
| Capital outlay                             | 0                    | 0                    | 2,354,642                      | 2,354,642                      |
| Education                                  | 0                    | 61,452               | 49,732                         | 111,184                        |
| <b>Committed to:</b>                       |                      |                      |                                |                                |
| Solid Waste                                | 0                    | 0                    | 728,768                        | 728,768                        |
| <b>Assigned to:</b>                        |                      |                      |                                |                                |
| Education                                  | 0                    | 3,239,654            | 542,176                        | 3,781,830                      |
| Library                                    | 0                    | 0                    | 320,116                        | 320,116                        |
| Debt service                               | 0                    | 0                    | 2,681,465                      | 2,681,465                      |
| Capital outlay                             | 0                    | 0                    | 3,574,039                      | 3,574,039                      |
| Unassigned                                 | 12,388,007           | 0                    | 0                              | 12,388,007                     |
| <b>Total fund balances</b>                 | <b>\$ 12,392,086</b> | <b>\$ 3,301,106</b>  | <b>\$ 11,360,601</b>           | <b>\$ 27,053,793</b>           |
| <b>Total liabilities and fund balances</b> | <b>\$ 34,143,673</b> | <b>\$ 10,714,395</b> | <b>\$ 13,281,665</b>           | <b>\$ 58,139,733</b>           |

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

|  |                      |
|--|----------------------|
| Total fund balances per governmental funds balance sheet   | \$ 27,053,793        |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  | 139,173,170          |
| Long-term liabilities, including bonds, notes payable, compensated absences, post-employment benefits and interest payable are not due and payable in the current period and therefore are not reported in the funds.                                | (84,622,979)         |
| Internal service funds are used by management to charge the costs of fleet management services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | 1,374,710            |
| 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.   | 3,688,923            |
| Net position of governmental activities  | <u>\$ 86,667,617</u> |

CITY OF CLEVELAND, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2013

| Revenues:  | General<br>Fund        | School<br>Fund        | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------------|-----------------------|--------------------------------|--------------------------------|
| Taxes  | \$ 29,091,580          | \$ 0                  | \$ 4,968,239                   | \$ 34,059,819                  |
| Licenses and permits                                 | 432,178                | 0                     | 0                              | 432,178                        |
| Intergovernmental                                    | 4,898,661              | 33,497,104            | 10,725,767                     | 49,121,532                     |
| Fines and forfeitures                                | 534,632                | 0                     | 14,025                         | 548,657                        |
| Charges for services                                 | 2,072,566              | 239,258               | 3,100,423                      | 5,412,247                      |
| Interest   | 14,509                 | 6,974                 | 58,131                         | 79,614                         |
| Miscellaneous  | 238,080                | 300,265               | 210,282                        | 748,627                        |
| Total revenues                                       | <u>\$ 37,282,206</u>   | <u>\$ 34,043,601</u>  | <u>\$ 19,076,867</u>           | <u>\$ 90,402,674</u>           |
| Expenditures:  |                        |                       |                                |                                |
| Current:   |                        |                       |                                |                                |
| General government                                   | \$ 2,174,653           | \$ 0                  | \$ 112,223                     | \$ 2,286,876                   |
| Community development                                | 686,792                | 0                     | 240,123                        | 926,915                        |
| Public safety  | 15,810,689             | 0                     | 553,772                        | 16,364,461                     |
| Public works   | 3,726,777              | 0                     | 4,190,566                      | 7,917,343                      |
| Health and welfare                                   | 654,628                | 0                     | 0                              | 654,628                        |
| Culture and recreation                               | 2,662,952              | 0                     | 1,201,465                      | 3,864,417                      |
| Education  | 0                      | 38,334,017            | 6,339,839                      | 44,673,856                     |
| Appropriations                                       | 1,074,137              | 0                     | 0                              | 1,074,137                      |
| Capital outlay                                       | 0                      | 0                     | 12,573,516                     | 12,573,516                     |
| Debt service:  |                        |                       |                                |                                |
| Principal retirement                                 | 0                      | 167,376               | 2,523,777                      | 2,691,153                      |
| Interest and fiscal charges                          | 0                      | 18,878                | 2,837,592                      | 2,856,470                      |
| Total expenditures                                   | <u>\$ 26,790,628</u>   | <u>\$ 38,520,271</u>  | <u>\$ 30,572,873</u>           | <u>\$ 95,883,772</u>           |
| Excess (deficiency) of revenues<br>over expenditures | <u>\$ 10,491,578</u>   | <u>\$ (4,476,670)</u> | <u>\$ (11,496,006)</u>         | <u>\$ (5,481,098)</u>          |
| Other financing sources (uses):                      |                        |                       |                                |                                |
| Transfers in   | \$ 2,042,726           | \$ 5,131,845          | \$ 7,541,801                   | \$ 14,716,372                  |
| Transfers out  | (12,207,902)           | (487,000)             | (404,944)                      | (13,099,846)                   |
| Notes issued   | 0                      | 0                     | 5,260,075                      | 5,260,075                      |
| Total other financing<br>sources (uses)              | <u>\$ (10,165,176)</u> | <u>\$ 4,644,845</u>   | <u>\$ 12,396,932</u>           | <u>\$ 6,876,601</u>            |
| Net change in fund balances                          | \$ 326,402             | \$ 168,175            | \$ 900,926                     | \$ 1,395,503                   |
| Fund balance at beginning of year                    | 12,065,684             | 3,132,931             | 10,459,675                     | 25,658,290                     |
| Fund balance at end of year                          | <u>\$ 12,392,086</u>   | <u>\$ 3,301,106</u>   | <u>\$ 11,360,601</u>           | <u>\$ 27,053,793</u>           |

CITY OF CLEVELAND, TENNESSEE  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2013

|  |    |                  |
|--|----|------------------|
| Net change in fund balances for total governmental funds   | \$ | 1,395,503        |
| <p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p> |    |                  |
|  |    | 4,341,770        |
| <p>Governmental funds report only the proceeds from the sale of assets and do not take into effect the cost of capital assets sold.</p>  |    |                  |
|  |    | (13)             |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>  |    |                  |
|  |    | (1,778,004)      |
| <p>Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>  |    |                  |
|  |    | 2,691,153        |
| <p>Notes issued are reported as a financial resource in the governmental funds. However, this is reported as an increase in long-term liabilities in the statement of net assets. During the current year additional loan proceeds were drawn on notes and capital leases payable issued.</p>                  |    |                  |
|  |    | (5,260,075)      |
| <p>Internal service funds are used by management to charge the costs of fleet management services to individual funds. The net activity of the internal service fund is reported with governmental activities.</p>   |    |                  |
|  |    | (84,161)         |
| <p>Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p>   |    |                  |
| Net decrease in accrued interest   | \$ | 9,898            |
| Debt issuance costs  |    | 36,000           |
| Amortization of debt issuance cost   |    | (54,587)         |
| Amortization of deferred charges   |    | (33,558)         |
| Amortization of bond premiums  |    | 20,027           |
| Decrease in compensated absences   |    | 21,911           |
| Increase in post-employment benefits   |    | (2,201,009)      |
| Total additional expenditures  |    | (2,201,318)      |
| Change in net position of governmental activities  | \$ | <u>(895,145)</u> |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts     |                      | Actual               | Variance               |
|--|----------------------|----------------------|----------------------|------------------------|
|  | Original             | Final                |                      | Positive<br>(Negative) |
| <b>REVENUES:</b>                       |                      |                      |                      |                        |
| <b>Taxes:</b>                          |                      |                      |                      |                        |
| Property taxes - real estate           | \$ 16,300,000        | \$ 16,500,000        | \$ 16,284,761        | \$ (215,239)           |
| Property taxes - utility               | 338,000              | 350,000              | 344,124              | (5,876)                |
| Interest and penalty on taxes          | 230,000              | 225,000              | 232,828              | 7,828                  |
| In lieu of taxes                       | 270,000              | 256,000              | 247,399              | (8,601)                |
| Local sales tax                        | 8,300,000            | 8,300,000            | 8,454,653            | 154,653                |
| Wholesale beer tax                     | 1,420,000            | 1,490,000            | 1,514,062            | 24,062                 |
| Gross receipts tax                     | 1,020,000            | 1,075,000            | 1,139,178            | 64,178                 |
| Franchise taxes - gas                  | 500,000              | 400,000              | 435,777              | 35,777                 |
| Franchise taxes - charter              | 420,000              | 423,000              | 438,798              | 15,798                 |
| Total taxes                            | <u>\$ 28,798,000</u> | <u>\$ 29,019,000</u> | <u>\$ 29,091,580</u> | <u>\$ 72,580</u>       |
| <b>Licenses and permits:</b>           |                      |                      |                      |                        |
| Beer licenses                          | \$ 6,000             | \$ 5,200             | \$ 4,175             | \$ (1,025)             |
| Beer renewal fee                       | 12,000               | 12,700               | 13,117               | 417                    |
| Liquor license                         | 0                    | 2,000                | 0                    | (2,000)                |
| Liquor renewal license                 | 18,000               | 22,000               | 22,440               | 440                    |
| Building permits                       | 150,000              | 200,000              | 185,500              | (14,500)               |
| Electrical permits                     | 7,000                | 7,300                | 7,160                | (140)                  |
| Electricians fees                      | 0                    | 19,000               | 17,373               | (1,627)                |
| Electrical licenses                    | 16,000               | 0                    | 0                    | 0                      |
| Mechanical permits                     | 11,000               | 14,000               | 18,425               | 4,425                  |
| Mechanical licenses                    | 7,000                | 3,500                | 6,800                | 3,300                  |
| Plumbing permits                       | 25,000               | 38,000               | 39,152               | 1,152                  |
| Plumbing licenses                      | 9,000                | 9,000                | 10,225               | 1,225                  |
| Street cut permits                     | 60,000               | 55,000               | 55,585               | 585                    |
| Land disturbance permit                | 5,000                | 6,000                | 9,415                | 3,415                  |
| Tree permit                            | 0                    | 0                    | 10                   | 10                     |
| Rezoning fee                           | 0                    | 3,000                | 4,200                | 1,200                  |
| Pud rezoning fee                       | 0                    | 650                  | 650                  | 0                      |
| Zoning appeal fee                      | 500                  | 750                  | 2,850                | 2,100                  |
| Zoning letter fee                      | 500                  | 1,250                | 1,150                | (100)                  |
| Minor encroachment fee                 | 0                    | 0                    | 100                  | 100                    |
| Certificate of appropriateness         | 0                    | 800                  | 950                  | 150                    |
| Recreation permits and maintenance fee | 5,000                | 5,200                | 6,365                | 1,165                  |
| Plat review fee                        | 2,000                | 2,500                | 2,555                | 55                     |
| Plans review fee                       | 10,000               | 15,000               | 16,906               | 1,906                  |
| Certificate of occupancy               | 4,000                | 6,500                | 6,050                | (450)                  |
| Alley or street abandonment fee        | 0                    | 150                  | 600                  | 450                    |
| Wrecker permit fees                    | 0                    | 225                  | 425                  | 200                    |
| Total licenses and permits             | <u>\$ 348,000</u>    | <u>\$ 429,725</u>    | <u>\$ 432,178</u>    | <u>\$ 2,453</u>        |
| <b>Intergovernmental revenues:</b>     |                      |                      |                      |                        |
| Federal grant - protective vest        | \$ 0                 | \$ 0                 | \$ 2,926             | \$ 2,926               |
| Police training supplement             | 52,800               | 49,800               | 49,800               | 0                      |
| Fire training supplement               | 52,200               | 48,000               | 48,000               | 0                      |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|  | Budgeted Amounts    |                     | Actual              | Variance               |
|--|---------------------|---------------------|---------------------|------------------------|
|  | Original            | Final               |                     | Positive<br>(Negative) |
| Revenues - (Continued)                   |                     |                     |                     |                        |
| Intergovernmental revenues - (Continued) |                     |                     |                     |                        |
| State sales tax                          | \$ 2,700,000        | \$ 2,860,000        | \$ 2,857,391        | \$ (2,609)             |
| State income tax                         | 700,000             | 900,000             | 955,854             | 55,854                 |
| State beer tax                           | 21,000              | 20,000              | 20,411              | 411                    |
| State mixed drink tax                    | 100,000             | 100,000             | 120,629             | 20,629                 |
| State gas inspection tax                 | 80,000              | 85,000              | 84,592              | (408)                  |
| State highway maintenance tax            | 194,000             | 200,000             | 194,579             | (5,421)                |
| T.V.A. - In lieu of taxes                | 470,000             | 472,000             | 471,568             | (432)                  |
| Excise tax                               | 100,000             | 92,000              | 92,911              | 911                    |
| Total intergovernmental revenues         | <u>\$ 4,470,000</u> | <u>\$ 4,826,800</u> | <u>\$ 4,898,661</u> | <u>\$ 71,861</u>       |
| Fines and forfeitures:                   |                     |                     |                     |                        |
| Traffic tickets                          | \$ 550,000          | \$ 550,000          | \$ 357,199          | \$ (192,801)           |
| Parking tickets                          | 30,000              | 30,000              | 17,405              | (12,595)               |
| Animal Shelter tickets                   | 0                   | 600                 | 500                 | (100)                  |
| Code enforcement fines                   | 1,500               | 3,000               | 2,600               | (400)                  |
| Beer fines                               | 0                   | 0                   | 1,000               | 1,000                  |
| Court clerk fees                         | 2,000               | 3,200               | 2,418               | (782)                  |
| Drug fines                               | 20,000              | 14,000              | 12,796              | (1,204)                |
| Sessions court                           | 25,000              | 43,000              | 43,709              | 709                    |
| Circuit court                            | 20,000              | 10,000              | 13,851              | 3,851                  |
| Officers - sessions court                | 65,000              | 72,500              | 68,332              | (4,168)                |
| Officers - circuit court                 | 2,500               | 5,500               | 6,367               | 867                    |
| State refunds                            | 0                   | 500                 | 355                 | (145)                  |
| Sex offender registry                    | 4,000               | 7,500               | 8,100               | 600                    |
| Total fines and forfeitures              | <u>\$ 720,000</u>   | <u>\$ 739,800</u>   | <u>\$ 534,632</u>   | <u>\$ (205,168)</u>    |
| Charges for services:                    |                     |                     |                     |                        |
| Police protection                        | \$ 50,000           | \$ 50,000           | \$ 50,000           | \$ 0                   |
| Fire inspection fees                     | 1,000               | 1,500               | 1,350               | (150)                  |
| Police department contracted services    | 10,000              | 30,000              | 51,286              | 21,286                 |
| Airport maintenance                      | 10,000              | 15,000              | 14,152              | (848)                  |
| Animal Shelter - boarding fees           | 8,000               | 85,000              | 103,423             | 18,423                 |
| Animal Shelter - spay/neuter             | 0                   | 1,775               | 150                 | (1,625)                |
| Bradley County - animal control          | 324,600             | 324,600             | 325,000             | 400                    |
| Bradley County - fire protection         | 911,100             | 911,100             | 911,100             | 0                      |
| Bradley County - fire tax                | 0                   | 0                   | 177,569             | 177,569                |
| Tinsley Pool gate                        | 22,000              | 24,000              | 20,236              | (3,764)                |
| Tinsley Pool concessions                 | 5,000               | 6,500               | 7,728               | 1,228                  |
| Tinsley Pool rental                      | 4,000               | 5,000               | 4,110               | (890)                  |
| Tinsley Park tournament                  | 0                   | 4,000               | 0                   | (4,000)                |
| Tinsley Park concessions                 | 22,000              | 25,000              | 24,432              | (568)                  |
| Tinsley Park rental                      | 1,300               | 2,500               | 1,750               | (750)                  |
| Cleveland Community Center               | 5,000               | 6,000               | 10,705              | 4,705                  |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|  | Budgeted Amounts    |                     | Actual              | Variance               |
|--|---------------------|---------------------|---------------------|------------------------|
|  | Original            | Final               |                     | Positive<br>(Negative) |
| Revenues - (Continued):                |                     |                     |                     |                        |
| Charges for services - (Continued)     |                     |                     |                     |                        |
| College Hill recreation                | \$ 10,000           | \$ 9,000            | \$ 5,517            | \$ (3,483)             |
| College Hill Panther account           | 0                   | 1,000               | 968                 | (32)                   |
| College Hill football fundraising      | 0                   | 900                 | 1,064               | 164                    |
| College Hill program fee               | 7,000               | 8,500               | 7,606               | (894)                  |
| Park and recreation miscellaneous      | 2,000               | 2,500               | 3,346               | 846                    |
| SRO - City Schools                     | 200,000             | 203,000             | 202,996             | (4)                    |
| Waterville concessions                 | 25,000              | 28,000              | 19,457              | (8,543)                |
| Waterville permits-Jr/Sr               | 20,000              | 15,500              | 14,453              | (1,047)                |
| Waterville permits-Individual          | 8,000               | 4,000               | 4,758               | 758                    |
| Waterville permits-Family              | 5,000               | 2,000               | 770                 | (1,230)                |
| Waterville tournaments                 | 20,000              | 7,000               | 5,808               | (1,192)                |
| Waterville specials                    | 120,000             | 65,000              | 59,454              | (5,546)                |
| Waterville cart rental fee             | 25,000              | 15,000              | 12,888              | (2,112)                |
| Waterville cart shed rental            | 1,000               | 1,550               | 1,450               | (100)                  |
| Waterville green fee weekday regular   | 1,000               | 1,000               | 455                 | (545)                  |
| Waterville green fee weekday 9 hole    | 5,000               | 3,500               | 2,556               | (944)                  |
| Waterville green fee weekday Jr/Sr     | 10,000              | 8,000               | 4,610               | (3,390)                |
| Waterville green fee weekend regular   | 2,000               | 1,500               | 799                 | (701)                  |
| Waterville green fee weekend 9 hole    | 2,000               | 2,500               | 868                 | (1,632)                |
| Waterville pro shop                    | 10,000              | 3,200               | 2,186               | (1,014)                |
| Waterville miscellaneous               | 1,000               | 2,000               | 1,930               | (70)                   |
| Wellness program dues-city             | 7,000               | 8,000               | 8,941               | 941                    |
| Wellness program dues-schools          | 3,000               | 3,000               | 2,773               | (227)                  |
| Wellness program dues                  | 4,000               | 4,000               | 3,922               | (78)                   |
| Total charges for services             | <u>\$ 1,862,000</u> | <u>\$ 1,891,625</u> | <u>\$ 2,072,566</u> | <u>\$ 180,941</u>      |
| Interest                               | <u>\$ 10,000</u>    | <u>\$ 12,700</u>    | <u>\$ 14,509</u>    | <u>\$ 1,809</u>        |
| Miscellaneous revenues:                |                     |                     |                     |                        |
| Taser court reimbursement              | \$ 0                | \$ 12               | \$ 12               | \$ 0                   |
| Auction sale of equipment              | 0                   | 8,339               | 17,410              | 9,071                  |
| Sale of equipment                      | 0                   | 17,625              | 4,625               | (13,000)               |
| Sale of scrap metal                    | 0                   | 6,000               | 4,257               | (1,743)                |
| Donations - Memorial tree fund         | 0                   | 9,300               | 10,170              | 870                    |
| Old timers banquet                     | 2,000               | 2,500               | 1,420               | (1,080)                |
| Greenway Public Arts Comm              | 0                   | 5,000               | 6,287               | 1,287                  |
| Sign and decal reimbursement           | 2,000               | 3,500               | 3,262               | (238)                  |
| Donations - Cleveland Fire Department  | 0                   | 1,000               | 1,000               | 0                      |
| Donations - Police Memorial            | 0                   | 7,836               | 7,836               | 0                      |
| Police Dept. - miscellaneous donations | 0                   | 750                 | 750                 | 0                      |
| TML safety grant - matching            | 0                   | 2,000               | 2,000               | 0                      |
| TML package bonus                      | 5,000               | 5,000               | 5,000               | 0                      |
| Miscellaneous insurance revenue        | 0                   | 8,000               | 7,844               | (156)                  |
| Reimbursement - Public Works trucks    | 0                   | 5,161               | 4,774               | (387)                  |
| Animal Shelter donations               | 0                   | 1,500               | 2,017               | 517                    |
| Animal Shelter - pet adoptions         | 0                   | 10,000              | 15,073              | 5,073                  |
| Donations - national night out         | 0                   | 500                 | 500                 | 0                      |
| TML reimbursement police vehicles      | 0                   | 11,700              | 11,613              | (87)                   |

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

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                       | Budgeted Amounts     |                      | Actual               | Variance<br>Positive<br>(Negative) |
|---------------------------------------|----------------------|----------------------|----------------------|------------------------------------|
|                                       | Original             | Final                |                      |                                    |
| Revenues - (Continued):               |                      |                      |                      |                                    |
| Miscellaneous revenues - (Continued)  |                      |                      |                      |                                    |
| Fire misc/reports                     | \$ 0                 | \$ 0                 | \$ 99                | \$ 99                              |
| TML reimbursement for property damage | 0                    | 3,400                | 3,389                | (11)                               |
| TML work comp salary reimbursement    | 0                    | 400                  | 447                  | 47                                 |
| Employee jury duty reimbursement      | 0                    | 100                  | 66                   | (34)                               |
| Sundry income                         | 25,000               | 10,000               | 5,693                | (4,307)                            |
| Insurance refunds                     | 0                    | 90,000               | 89,964               | (36)                               |
| Sundry income - clerk and master      | 0                    | 12,000               | 16,035               | 4,035                              |
| Temporary collection - business tax   | 0                    | 0                    | 385                  | 385                                |
| Temporary collection account          | 0                    | 0                    | 36                   | 36                                 |
| Miscellaneous seized funds            | 0                    | 16,100               | 16,035               | (65)                               |
| BTA - booth rental fee                | 0                    | 100                  | 81                   | (19)                               |
| Total miscellaneous revenues          | <u>\$ 34,000</u>     | <u>\$ 237,823</u>    | <u>\$ 238,080</u>    | <u>\$ 257</u>                      |
| Total revenues                        | <u>\$ 36,242,000</u> | <u>\$ 37,157,473</u> | <u>\$ 37,282,206</u> | <u>\$ 124,733</u>                  |
| Expenditures:                         |                      |                      |                      |                                    |
| Current                               |                      |                      |                      |                                    |
| General government:                   |                      |                      |                      |                                    |
| Legislative and judicial:             |                      |                      |                      |                                    |
| Salaries - administrative             | \$ 61,400            | \$ 61,400            | \$ 61,415            | \$ (15)                            |
| Salaries - city council               | 62,400               | 62,400               | 62,475               | (75)                               |
| Salaries - judicial                   | 34,900               | 34,900               | 34,830               | 70                                 |
| Part time wages                       | 1,200                | 1,200                | 0                    | 1,200                              |
| Service awards                        | 500                  | 500                  | 0                    | 500                                |
| Longevity                             | 3,800                | 3,800                | 3,600                | 200                                |
| Sold vacations                        | 1,200                | 1,200                | 1,180                | 20                                 |
| Christmas bonus                       | 400                  | 750                  | 742                  | 8                                  |
| Dental insurance                      | 6,400                | 6,400                | 4,276                | 2,124                              |
| Social security                       | 12,400               | 12,400               | 11,222               | 1,178                              |
| Health insurance                      | 83,500               | 65,000               | 61,458               | 3,542                              |
| Retirement                            | 27,000               | 27,000               | 22,187               | 4,813                              |
| Life and disability insurance         | 4,900                | 4,900                | 1,274                | 3,626                              |
| Election                              | 15,000               | 15,000               | 0                    | 15,000                             |
| Postage                               | 500                  | 500                  | 156                  | 344                                |
| Printing                              | 1,500                | 1,500                | 495                  | 1,005                              |
| Subscriptions and memberships         | 5,200                | 5,200                | 665                  | 4,535                              |
| Advertising                           | 3,000                | 3,000                | 941                  | 2,059                              |
| Telephone and pager                   | 11,000               | 11,000               | 13,922               | (2,922)                            |
| Government consulting services        | 8,000                | 8,000                | 6,000                | 2,000                              |
| Equipment repair and replacement      | 1,600                | 1,600                | 772                  | 828                                |
| Contract maintenance services         | 4,000                | 4,000                | 3,902                | 98                                 |
| Emergency repairs - city buildings    | 20,000               | 10,600               | 8,490                | 2,110                              |
| Travel and training                   | 12,000               | 12,000               | 5,131                | 6,869                              |
| Council work sessions                 | 3,000                | 3,000                | 2,080                | 920                                |
| Complimentary meals                   | 1,500                | 1,500                | 681                  | 819                                |
| Office expenditures and paper         | 4,000                | 4,000                | 4,272                | (272)                              |
| Janitorial                            | 400                  | 400                  | 0                    | 400                                |
| Insurance - general liability         | 900                  | 1,200                | 1,154                | 46                                 |
| Insurance - workers compensation      | 1,100                | 1,100                | (31)                 | 1,131                              |

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

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|  | Budgeted Amounts  |                   | Actual            | Variance<br>Positive<br>(Negative) |
|--|-------------------|-------------------|-------------------|------------------------------------|
|  | Original          | Final             |                   |                                    |
| Expenditures - (Continued)             |                   |                   |                   |                                    |
| Current - (Continued)                  |                   |                   |                   |                                    |
| General government - (Continued)       |                   |                   |                   |                                    |
| Legislative and judicial - (Continued) |                   |                   |                   |                                    |
| Rent - parking lots                    | \$ 1,800          | \$ 1,800          | \$ 0              | \$ 1,800                           |
| Service pins - all departments         | 900               | 900               | 538               | 362                                |
| Employee Christmas dinner              | 2,200             | 2,200             | 0                 | 2,200                              |
| Employee picnic                        | 8,000             | 12,000            | 12,038            | (38)                               |
| Miscellaneous                          | 500               | 500               | 28                | 472                                |
| Office machinery and equipment         | 700               | 700               | 11                | 689                                |
| Council room equipment and supplies    | 1,200             | 1,200             | 1,200             | 0                                  |
| Total legislative and judicial         | <u>\$ 408,000</u> | <u>\$ 384,750</u> | <u>\$ 327,104</u> | <u>\$ 57,646</u>                   |
| Administration and finance             |                   |                   |                   |                                    |
| Salaries                               | \$ 666,000        | \$ 659,000        | \$ 660,576        | \$ (1,576)                         |
| Overtime wages                         | 8,000             | 10,000            | 16,681            | (6,681)                            |
| Part time wages                        | 29,000            | 33,000            | 46,892            | (13,892)                           |
| Service awards                         | 100               | 100               | 475               | (375)                              |
| Longevity                              | 8,900             | 10,000            | 9,000             | 1,000                              |
| Sold vacations                         | 10,000            | 10,000            | 8,482             | 1,518                              |
| Christmas bonus                        | 1,500             | 8,000             | 7,927             | 73                                 |
| College pay                            | 2,000             | 2,000             | 1,965             | 35                                 |
| Dental insurance                       | 6,500             | 6,500             | 5,499             | 1,001                              |
| Social security                        | 55,400            | 55,320            | 53,732            | 1,588                              |
| Health insurance                       | 115,000           | 106,000           | 95,713            | 10,287                             |
| Retirement                             | 114,000           | 115,300           | 108,532           | 6,768                              |
| Life and disability insurance          | 8,200             | 8,500             | 7,614             | 886                                |
| Employee assistance program            | 9,600             | 9,500             | 8,876             | 624                                |
| Education reimbursement                | 0                 | 1,430             | 2,860             | (1,430)                            |
| Worker's compensation claims           | 0                 | 1,000             | 2,100             | (1,100)                            |
| Flex spending program                  | 12,000            | 13,000            | 5,333             | 7,667                              |
| Laundry and dry cleaning               | 2,200             | 2,400             | 380               | 2,020                              |
| Postage                                | 20,000            | 25,500            | 19,855            | 5,645                              |
| Postage machine lease                  | 800               | 700               | 660               | 40                                 |
| Printing                               | 10,000            | 10,000            | 7,887             | 2,113                              |
| Printing - property taxes              | 4,800             | 4,800             | 4,751             | 49                                 |
| Citizens Newsletter                    | 1,500             | 1,650             | 1,621             | 29                                 |
| Subscriptions and memberships          | 6,000             | 6,000             | 6,439             | (439)                              |
| Advertising                            | 11,000            | 10,500            | 9,024             | 1,476                              |
| Utilities                              | 32,000            | 30,000            | 28,403            | 1,597                              |
| Utilities - Sign shop                  | 0                 | 500               | 144               | 356                                |
| Telephone                              | 29,000            | 29,000            | 33,114            | (4,114)                            |
| Contracted services - computer systems | 220,000           | 236,000           | 245,865           | (9,865)                            |
| Drug and alcohol tests                 | 3,500             | 3,500             | 1,595             | 1,905                              |
| Legal fees                             | 105,000           | 121,000           | 102,932           | 18,068                             |
| Audit fees                             | 51,000            | 49,000            | 49,000            | 0                                  |
| Reappraisal fee                        | 50,000            | 74,582            | 74,582            | 0                                  |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|  | Budgeted Amounts    |                     | Actual              | Variance<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
|  | Original            | Final               |                     |                                    |
| Expenditures - (Continued)               |                     |                     |                     |                                    |
| Current - (Continued)                    |                     |                     |                     |                                    |
| General government - (Continued)         |                     |                     |                     |                                    |
| Administration and finance - (Continued) |                     |                     |                     |                                    |
| Appraisal fee                            | \$ 1,500            | \$ 1,500            | \$ 0                | \$ 1,500                           |
| Actuarial services                       | 3,000               | 10,500              | 2,500               | 8,000                              |
| Vehicle                                  | 500                 | 3,000               | 566                 | 2,434                              |
| Small equipment repairs                  | 500                 | 750                 | 480                 | 270                                |
| Copier maintenance                       | 3,000               | 2,200               | 2,728               | (528)                              |
| Building maintenance                     | 12,000              | 56,918              | 20,499              | 36,419                             |
| Maintenance - Little Building            | 0                   | 900                 | 990                 | (90)                               |
| Car allowance                            | 12,600              | 12,600              | 12,250              | 350                                |
| Training and travel                      | 9,000               | 20,000              | 8,643               | 11,357                             |
| Departmental work sessions               | 800                 | 2,000               | 3,058               | (1,058)                            |
| Credit card fees                         | 19,000              | 20,000              | 18,985              | 1,015                              |
| Pest control                             | 1,000               | 1,000               | 1,004               | (4)                                |
| Office expenditures                      | 32,000              | 31,000              | 29,877              | 1,123                              |
| First aid safety supplies                | 100                 | 100                 | 33                  | 67                                 |
| Janitorial supplies                      | 2,000               | 2,000               | 1,904               | 96                                 |
| Gasoline and oil                         | 2,500               | 2,500               | 2,874               | (374)                              |
| Insurance - buildings and contents       | 3,700               | 4,500               | 4,452               | 48                                 |
| Insurance - vehicles                     | 300                 | 350                 | 321                 | 29                                 |
| Insurance - general liability            | 4,200               | 5,100               | 5,070               | 30                                 |
| Insurance - workers compensation         | 2,700               | 2,700               | 2,590               | 110                                |
| Insurance - professional liability       | 38,000              | 55,500              | 55,390              | 110                                |
| Insurance - employee bonds               | 1,500               | 1,275               | 605                 | 670                                |
| Contracted services - security           | 1,500               | 1,500               | 1,500               | 0                                  |
| Employee appreciation day                | 11,000              | 11,000              | 10,397              | 603                                |
| Miscellaneous                            | 500                 | 500                 | 1,509               | (1,009)                            |
| Bad debt                                 | 35,000              | 30,000              | 17,158              | 12,842                             |
| Insurance rebate CIGNA                   | 0                   | 19,500              | 13,288              | 6,212                              |
| Equipment                                | 1,100               | 1,100               | 369                 | 731                                |
| Total administration and finance         | <u>\$ 1,792,000</u> | <u>\$ 1,953,775</u> | <u>\$ 1,847,549</u> | <u>\$ 106,226</u>                  |
| Total general government                 | <u>\$ 2,200,000</u> | <u>\$ 2,338,525</u> | <u>\$ 2,174,653</u> | <u>\$ 163,872</u>                  |
| Community development:                   |                     |                     |                     |                                    |
| Salaries                                 | \$ 368,000          | \$ 368,000          | \$ 394,177          | \$ (26,177)                        |
| Overtime wages                           | 1,600               | 1,600               | 531                 | 1,069                              |
| Part time wages                          | 8,500               | 5,500               | 4,180               | 1,320                              |
| Service awards                           | 0                   | 200                 | 200                 | 0                                  |
| Longevity                                | 2,800               | 4,100               | 4,050               | 50                                 |
| Sold vacations                           | 5,100               | 5,100               | 3,001               | 2,099                              |
| Christmas bonus                          | 800                 | 3,800               | 3,710               | 90                                 |
| College pay                              | 700                 | 700                 | 625                 | 75                                 |
| Dental insurance                         | 5,100               | 5,100               | 4,725               | 375                                |
| Social security                          | 28,000              | 29,700              | 28,388              | 1,312                              |
| Health insurance                         | 82,800              | 79,700              | 73,871              | 5,829                              |
| Retirement                               | 61,000              | 67,800              | 66,863              | 937                                |
| Life and disability insurance            | 4,600               | 4,900               | 3,836               | 1,064                              |

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

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                     | Budgeted Amounts  |                   | Actual            | Variance               |
|-------------------------------------|-------------------|-------------------|-------------------|------------------------|
|                                     | Original          | Final             |                   | Positive<br>(Negative) |
| Expenditures - (Continued)          |                   |                   |                   |                        |
| Current - (Continued)               |                   |                   |                   |                        |
| Community development - (Continued) |                   |                   |                   |                        |
| Education reimbursement             | \$ 4,200          | \$ 2,700          | \$ 1,430          | \$ 1,270               |
| Worker's compensation claims        | 200               | 200               | 0                 | 200                    |
| Laundry and dry cleaning            | 1,000             | 1,000             | 256               | 744                    |
| Postage                             | 5,400             | 2,200             | 1,703             | 497                    |
| Scanner/copier lease                | 0                 | 4,700             | 4,683             | 17                     |
| Printing and artwork                | 1,300             | 300               | 291               | 9                      |
| Subscriptions and memberships       | 4,500             | 4,000             | 3,368             | 632                    |
| Advertising                         | 1,500             | 500               | 433               | 67                     |
| Utilities                           | 10,500            | 9,500             | 9,379             | 121                    |
| Telephone                           | 13,000            | 18,900            | 18,929            | (29)                   |
| Vehicle maintenance                 | 6,000             | 1,500             | 1,497             | 3                      |
| Office equipment maintenance        | 1,500             | 1,500             | 1,470             | 30                     |
| Building maintenance                | 3,000             | 4,200             | 4,193             | 7                      |
| Car allowance                       | 4,200             | 4,200             | 4,200             | 0                      |
| Travel and training                 | 6,500             | 7,700             | 7,680             | 20                     |
| Complimentary meals                 | 1,200             | 1,200             | 1,039             | 161                    |
| Credit card fees                    | 4,000             | 4,500             | 3,927             | 573                    |
| Contracted services - pest control  | 300               | 300               | 172               | 128                    |
| Camera supplies                     | 0                 | 750               | 750               | 0                      |
| Office supplies                     | 6,000             | 8,300             | 8,695             | (395)                  |
| O.S.H.A. first aid kits             | 200               | 200               | 54                | 146                    |
| Janitorial supplies                 | 800               | 600               | 151               | 449                    |
| Uniforms                            | 1,400             | 2,250             | 2,125             | 125                    |
| Gasoline and oil                    | 7,900             | 5,400             | 5,342             | 58                     |
| Insurance - buildings and contents  | 800               | 1,100             | 1,079             | 21                     |
| Insurance - vehicles and equipment  | 800               | 1,000             | 967               | 33                     |
| Insurance - general liability       | 1,800             | 2,200             | 2,182             | 18                     |
| Insurance - workers compensation    | 11,000            | 7,500             | 7,461             | 39                     |
| Insurance - employee bonds          | 100               | 100               | 50                | 50                     |
| Planning commission                 | 4,000             | 3,500             | 2,674             | 826                    |
| Board of zoning appeals             | 700               | 700               | 515               | 185                    |
| Historic zoning commission          | 700               | 900               | 874               | 26                     |
| Miscellaneous                       | 500               | 300               | 216               | 84                     |
| Office equipment                    | 0                 | 850               | 850               | 0                      |
| Total community development         | <u>\$ 674,000</u> | <u>\$ 680,950</u> | <u>\$ 686,792</u> | <u>\$ (5,842)</u>      |
| Public safety:                      |                   |                   |                   |                        |
| Police department:                  |                   |                   |                   |                        |
| Salaries                            | \$ 4,009,000      | \$ 3,751,500      | \$ 3,836,595      | \$ (85,095)            |
| Overtime wages                      | 315,000           | 418,000           | 447,068           | (29,068)               |
| Part-time wages                     | 14,500            | 13,500            | 12,781            | 719                    |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                   | Budgeted Amounts |          | Actual   | Variance               |
|-----------------------------------|------------------|----------|----------|------------------------|
|                                   | Original         | Final    |          | Positive<br>(Negative) |
| Expenditures - (Continued)        |                  |          |          |                        |
| Current - (Continued)             |                  |          |          |                        |
| Public safety - (Continued)       |                  |          |          |                        |
| Police department - (Continued)   |                  |          |          |                        |
| Accumulated holiday pay           | \$ 1,500         | \$ 6,000 | \$ 6,439 | \$ (439)               |
| Salaries - school patrol          | 70,400           | 81,400   | 74,192   | 7,208                  |
| Supplemental pay                  | 2,400            | 1,900    | 1,780    | 120                    |
| State grant - in service training | 55,200           | 50,200   | 49,200   | 1,000                  |
| Overtime - contracted services    | 0                | 30,000   | 44,492   | (14,492)               |
| Service awards                    | 2,900            | 2,675    | 2,675    | 0                      |
| Longevity                         | 50,300           | 50,800   | 50,725   | 75                     |
| Sold vacations                    | 46,000           | 46,000   | 42,372   | 3,628                  |
| Christmas bonus                   | 11,400           | 50,200   | 50,132   | 68                     |
| College pay                       | 6,200            | 6,200    | 6,165    | 35                     |
| Dental insurance                  | 64,300           | 47,800   | 47,042   | 758                    |
| Social security                   | 345,000          | 335,000  | 332,837  | 2,163                  |
| Health insurance                  | 830,000          | 705,000  | 702,081  | 2,919                  |
| Retirement                        | 871,200          | 874,700  | 870,563  | 4,137                  |
| Life and disability insurance     | 49,700           | 49,700   | 48,296   | 1,404                  |
| Unemployment compensation         | 4,300            | 4,300    | 733      | 3,567                  |
| Education reimbursement           | 4,300            | 4,300    | 2,860    | 1,440                  |
| Worker's compensation claims      | 10,000           | 10,000   | 8,889    | 1,111                  |
| Laundry and dry cleaning          | 21,000           | 18,000   | 14,391   | 3,609                  |
| Employee physicals                | 10,000           | 7,500    | 5,511    | 1,989                  |
| Pre-employment tests              | 11,500           | 4,500    | 2,604    | 1,896                  |
| Uniforms - school patrol          | 4,200            | 4,700    | 4,031    | 669                    |
| Postage                           | 5,000            | 2,500    | 2,129    | 371                    |
| 800 MHZ radio                     | 0                | 1,000    | 256      | 744                    |
| Lease - radio tower               | 5,000            | 5,000    | 4,900    | 100                    |
| Contracted services - vehicles    | 5,600            | 5,600    | 5,419    | 181                    |
| Communications - replacement      | 8,000            | 4,000    | 3,635    | 365                    |
| Printing                          | 8,000            | 8,000    | 2,177    | 5,823                  |
| Subscriptions and memberships     | 11,000           | 7,250    | 3,694    | 3,556                  |
| Accreditation                     | 7,000            | 10,000   | 8,854    | 1,146                  |
| Advertising                       | 800              | 0        | 0        | 0                      |
| Flowers and plaques               | 0                | 600      | 568      | 32                     |
| Utilities                         | 95,600           | 90,600   | 88,555   | 2,045                  |
| Telephone                         | 140,000          | 145,000  | 136,352  | 8,648                  |
| NCIC computer line                | 8,000            | 8,000    | 8,000    | 0                      |
| Vehicle maintenance               | 330,000          | 375,000  | 358,187  | 16,813                 |
| Small equipment repair            | 2,000            | 1,000    | 694      | 306                    |
| Copier maintenance                | 1,400            | 1,900    | 1,734    | 166                    |
| Building maintenance              | 23,000           | 23,000   | 21,992   | 1,008                  |
| Travel and training               | 40,000           | 40,000   | 31,370   | 8,630                  |
| Recruiting                        | 0                | 8,500    | 4,348    | 4,152                  |
| Mutual aid meals                  | 1,500            | 1,000    | 1,124    | (124)                  |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                    | Budgeted Amounts    |                     | Actual              | Variance               |
|------------------------------------|---------------------|---------------------|---------------------|------------------------|
|                                    | Original            | Final               |                     | Positive<br>(Negative) |
| Expenditures - (Continued)         |                     |                     |                     |                        |
| Current - (Continued)              |                     |                     |                     |                        |
| Public safety - (Continued)        |                     |                     |                     |                        |
| Police department - (Continued)    |                     |                     |                     |                        |
| Bradley Co. equipment maintenance  | \$ 0                | \$ 14,400           | \$ 14,372           | \$ 28                  |
| Janitorial contract                | 30,000              | 30,000              | 29,940              | 60                     |
| Police supplies                    | 5,000               | 5,500               | 4,323               | 1,177                  |
| Batteries                          | 2,000               | 2,000               | 1,052               | 948                    |
| Tapes - video and audio            | 1,000               | 1,000               | 579                 | 421                    |
| Detective supplies                 | 2,000               | 0                   | 0                   | 0                      |
| Crime scene unit supplies          | 2,000               | 2,000               | 1,587               | 413                    |
| SRT supplies                       | 7,000               | 7,500               | 7,355               | 145                    |
| Office expenditures and paper      | 28,000              | 28,000              | 25,985              | 2,015                  |
| Protective vests - federal grants  | 0                   | 8,003               | 7,320               | 683                    |
| Protective vests                   | 8,000               | 8,000               | 0                   | 8,000                  |
| OSHA safety supplies               | 800                 | 800                 | 525                 | 275                    |
| Janitorial supplies                | 2,800               | 2,800               | 3,017               | (217)                  |
| Uniforms                           | 47,000              | 43,000              | 35,661              | 7,339                  |
| Ammunition                         | 35,000              | 35,000              | 32,451              | 2,549                  |
| Crime prevention                   | 1,500               | 0                   | 0                   | 0                      |
| Firing range                       | 2,500               | 2,700               | 2,588               | 112                    |
| Code Enf educational supplies      | 3,000               | 1,000               | 559                 | 441                    |
| Gasoline and oil                   | 330,000             | 302,400             | 279,626             | 22,774                 |
| Canine fees                        | 3,000               | 3,500               | 3,264               | 236                    |
| Insurance - buildings and contents | 10,200              | 11,650              | 11,635              | 15                     |
| Insurance - vehicles and equipment | 67,200              | 75,000              | 74,473              | 527                    |
| Insurance - general liability      | 58,300              | 59,000              | 58,923              | 77                     |
| Insurance - workers compensation   | 123,000             | 142,100             | 137,243             | 4,857                  |
| Insurance - employee bonds         | 500                 | 500                 | 400                 | 100                    |
| Computer software support          | 2,500               | 2,500               | 1,500               | 1,000                  |
| Miscellaneous                      | 500                 | 500                 | 645                 | (145)                  |
| Honor Guard                        | 500                 | -10,500             | 10,370              | 130                    |
| Volunteer services                 | 2,500               | 3,000               | 1,930               | 1,070                  |
| Investigative funds                | 1,500               | 1,500               | 1,496               | 4                      |
| Sex offender registry              | 0                   | 8,500               | 2,448               | 6,052                  |
| Police memorial                    | 0                   | 1,000               | 802                 | 198                    |
| Donations - Police Memorial        | 0                   | 16,800              | 11,764              | 5,036                  |
| Guns/taser replacements            | 14,000              | 35,035              | 24,295              | 10,740                 |
| Small equipment                    | 500                 | 8,600               | 8,371               | 229                    |
| Office equipment                   | 1,500               | 0                   | 0                   | 0                      |
| Computer equipment                 | 2,500               | 2,500               | 1,337               | 1,163                  |
| Total police department            | <u>\$ 8,298,000</u> | <u>\$ 8,188,113</u> | <u>\$ 8,146,278</u> | <u>\$ 41,835</u>       |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                   | Budgeted Amounts |              | Actual       | Variance               |
|-----------------------------------|------------------|--------------|--------------|------------------------|
|                                   | Original         | Final        |              | Positive<br>(Negative) |
| Expenditures - (Continued)        |                  |              |              |                        |
| Current - (Continued)             |                  |              |              |                        |
| Public safety - (Continued)       |                  |              |              |                        |
| Fire department:                  |                  |              |              |                        |
| Salaries                          | \$ 4,182,000     | \$ 3,940,710 | \$ 4,030,535 | \$ (89,825)            |
| Overtime wages                    | 190,000          | 230,000      | 268,924      | (38,924)               |
| Fire runs                         | 10,000           | 10,000       | 2,319        | 7,681                  |
| Supplemental pay                  | 68,000           | 68,000       | 71,937       | (3,937)                |
| State grant - in service training | 52,200           | 48,000       | 48,600       | (600)                  |
| Service awards                    | 2,000            | 2,000        | 1,625        | 375                    |
| Longevity                         | 50,000           | 50,000       | 53,777       | (3,777)                |
| Sold vacations                    | 15,000           | 15,000       | 13,494       | 1,506                  |
| Christmas bonus                   | 9,800            | 46,700       | 46,635       | 65                     |
| College pay                       | 300              | 300          | 280          | 20                     |
| Dental insurance                  | 55,000           | 55,000       | 53,291       | 1,709                  |
| Social security                   | 335,000          | 335,000      | 324,931      | 10,069                 |
| Health insurance                  | 966,000          | 966,000      | 910,031      | 55,969                 |
| Retirement                        | 910,000          | 877,780      | 899,333      | (21,553)               |
| Life and disability insurance     | 53,000           | 53,000       | 51,708       | 1,292                  |
| Education reimbursement           | 3,000            | 7,700        | 6,934        | 766                    |
| Worker's compensation claims      | 6,500            | 6,500        | 1,564        | 4,936                  |
| Laundry and dry cleaning          | 18,000           | 18,000       | 18,056       | (56)                   |
| Immunization and physicals        | 40,000           | 50,100       | 50,220       | (120)                  |
| Recruit testing                   | 0                | 4,200        | 4,197        | 3                      |
| Postage                           | 500              | 500          | 805          | (305)                  |
| 800 MHZ radio maintenance fee     | 0                | 5,000        | 183          | 4,817                  |
| Radio maintenance fee             | 6,000            | 0            | 0            | 0                      |
| Radio and repeater maintenance    | 4,200            | 4,200        | 3,900        | 300                    |
| Communications replacement        | 3,000            | 1,000        | 370          | 630                    |
| Printing                          | 500              | 500          | 326          | 174                    |
| Subscriptions and memberships     | 3,200            | 3,700        | 3,428        | 272                    |
| License/certification renewal     | 2,400            | 2,400        | 1,973        | 427                    |
| Advertising                       | 0                | 600          | 556          | 44                     |
| Utilities                         | 110,000          | 110,000      | 95,897       | 14,103                 |
| Telephone                         | 80,000           | 88,500       | 103,112      | (14,612)               |
| Apparatus equipment testing       | 3,900            | 3,900        | 1,965        | 1,935                  |
| Vehicle maintenance               | 90,000           | 91,000       | 93,881       | (2,881)                |
| Small equipment repair            | 2,800            | 2,996        | 2,640        | 356                    |
| Copier maintenance                | 1,900            | 2,700        | 2,464        | 236                    |
| Extrication repair/test           | 0                | 2,800        | 2,800        | 0                      |
| Building maintenance              | 40,000           | 45,000       | 41,930       | 3,070                  |
| Travel and training               | 21,000           | 12,500       | 11,979       | 521                    |
| Training/education material       | 3,500            | 3,200        | 767          | 2,433                  |
| Mutual aid meals                  | 2,100            | 3,400        | 3,313        | 87                     |
| Towels and cloths                 | 800              | 800          | 418          | 382                    |
| Batteries                         | 1,000            | 1,000        | 832          | 168                    |
| Electronics - camera supplies     | 600              | 0            | 0            | 0                      |
| Office supplies                   | 6,500            | 6,500        | 6,832        | (332)                  |
| Arson supplies                    | 1,500            | 500          | 113          | 387                    |

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

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                    | Budgeted Amounts |              | Actual       | Variance               |
|------------------------------------|------------------|--------------|--------------|------------------------|
|                                    | Original         | Final        |              | Positive<br>(Negative) |
| Expenditures - (Continued)         |                  |              |              |                        |
| Current - (Continued)              |                  |              |              |                        |
| Public safety - (Continued)        |                  |              |              |                        |
| Fire department - (Continued)      |                  |              |              |                        |
| Safety                             | \$ 4,500         | \$ 4,500     | \$ 3,411     | \$ 1,089               |
| Medical supplies/equipment         | 9,000            | 6,200        | 1,715        | 4,485                  |
| Janitorial supplies                | 16,000           | 16,000       | 15,049       | 951                    |
| Bedding                            | 500              | 500          | 0            | 500                    |
| Uniforms                           | 36,000           | 23,090       | 12,975       | 10,115                 |
| Vehicle graphics                   | 500              | 500          | 0            | 500                    |
| Operating costs                    | 6,500            | 6,500        | 6,363        | 137                    |
| Gasoline                           | 74,000           | 74,000       | 63,721       | 10,279                 |
| Appliance repair                   | 3,500            | 5,500        | 5,632        | (132)                  |
| PPE equipment gear                 | 25,000           | 15,200       | 11,471       | 3,729                  |
| Extinguisher refills               | 2,000            | 2,000        | 576          | 1,424                  |
| Hazmat supplies                    | 5,000            | 3,000        | 2,244        | 756                    |
| Insurance - building and contents  | 8,000            | 8,400        | 8,306        | 94                     |
| Insurance - vehicles and equipment | 27,000           | 27,000       | 26,345       | 655                    |
| Insurance - general liability      | 33,000           | 41,000       | 40,907       | 93                     |
| Insurance - workers compensation   | 90,000           | 105,000      | 104,884      | 116                    |
| Miscellaneous                      | 500              | 600          | 0            | 600                    |
| Public information                 | 500              | 400          | 0            | 400                    |
| City funded - Honor Guard          | 1,000            | 1,000        | 773          | 227                    |
| Fire prevention program            | 3,200            | 3,200        | 2,695        | 505                    |
| ISO firefighting equipment         | 5,000            | 8,800        | 7,552        | 1,248                  |
| Office equipment                   | 1,000            | 400          | 551          | (151)                  |
| Breathing apparatus equipment      | 15,000           | 15,000       | 8,196        | 6,804                  |
| Furniture                          | 2,000            | 500          | 400          | 100                    |
| Computer equipment                 | 0                | 600          | 587          | 13                     |
| Small equipment                    | 1,600            | 2,100        | 2,032        | 68                     |
| Radio equipment                    | 3,500            | 3,500        | 2,332        | 1,168                  |
| Total fire department              | \$ 7,725,000     | \$ 7,551,176 | \$ 7,567,592 | \$ (16,416)            |
| Safety program:                    |                  |              |              |                        |
| Salaries                           | \$ 49,700        | \$ 52,000    | \$ 49,711    | \$ 2,289               |
| Service Awards                     | 0                | 250          | 250          | 0                      |
| Longevity                          | 1,200            | 1,200        | 1,200        | 0                      |
| Sold vacation                      | 1,000            | 1,000        | 955          | 45                     |
| Christmas bonus                    | 100              | 550          | 530          | 20                     |
| College pay                        | 300              | 300          | 280          | 20                     |
| Dental insurance                   | 300              | 300          | (289)        | 589                    |
| Social security                    | 3,900            | 4,000        | 3,938        | 62                     |
| Health insurance                   | 5,500            | 5,500        | 4,101        | 1,399                  |
| Retirement expense                 | 8,500            | 8,800        | 8,790        | 10                     |
| Life/disability expense            | 600              | 625          | 628          | (3)                    |
| Clothing allowance                 | 400              | 350          | 350          | 0                      |
| Hazard Comm-MSDS                   | 500              | 450          | 453          | (3)                    |
| Telephone expense                  | 800              | 1,100        | 1,018        | 82                     |
| Training and travel                | 2,500            | 1,500        | 1,299        | 201                    |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                               | Budgeted Amounts |               | Actual        | Variance               |
|-------------------------------|------------------|---------------|---------------|------------------------|
|                               | Original         | Final         |               | Positive<br>(Negative) |
| Expenditures - (Continued)    |                  |               |               |                        |
| Current - (Continued)         |                  |               |               |                        |
| Public safety - (Continued)   |                  |               |               |                        |
| Safety program - (Continued)  |                  |               |               |                        |
| Office supplies               | \$ 300           | \$ 200        | \$ 162        | \$ 38                  |
| Wellness center operations    | 10,000           | 8,955         | 15,142        | (6,187)                |
| Safety supplies               | 500              | 400           | 383           | 17                     |
| Gasoline and oil              | 300              | 300           | 180           | 120                    |
| TML driver safety grant       | 5,000            | 5,000         | 0             | 5,000                  |
| TML safety grant              | 2,000            | 4,000         | 3,132         | 868                    |
| Insurance - vehicles          | 300              | 350           | 321           | 29                     |
| Insurance - general liability | 300              | 300           | 283           | 17                     |
| Worker's comp                 | 200              | 200           | 0             | 200                    |
| Professional liability        | 300              | 0             | 0             | 0                      |
| Miscellaneous                 | 500              | 0             | 188           | (188)                  |
| Incentive program             | 5,000            | 5,000         | 3,814         | 1,186                  |
| Total safety program          | \$ 100,000       | \$ 102,630    | \$ 96,819     | \$ 5,811               |
| Total public safety           | \$ 16,123,000    | \$ 15,841,919 | \$ 15,810,689 | \$ 31,230              |
| Public works:                 |                  |               |               |                        |
| Operations division:          |                  |               |               |                        |
| Salaries                      | \$ 710,000       | \$ 710,000    | \$ 708,232    | \$ 1,768               |
| Overtime wages                | 10,000           | 10,000        | 9,357         | 643                    |
| Part time wages               | 6,700            | 6,800         | 6,754         | 46                     |
| Supplemental pay              | 700              | 700           | 591           | 109                    |
| Service awards                | 500              | 500           | 425           | 75                     |
| Longevity                     | 12,700           | 12,700        | 12,700        | 0                      |
| Sold vacations                | 9,200            | 9,200         | 7,407         | 1,793                  |
| Christmas bonus               | 2,200            | 10,600        | 10,599        | 1                      |
| College pay                   | 200              | 200           | 125           | 75                     |
| Dental insurance              | 11,400           | 11,400        | 9,952         | 1,448                  |
| Social security               | 56,800           | 57,500        | 55,007        | 2,493                  |
| Health insurance              | 174,500          | 152,800       | 153,765       | (965)                  |
| Retirement                    | 122,800          | 126,800       | 124,614       | 2,186                  |
| Life and disability insurance | 9,200            | 9,200         | 9,027         | 173                    |
| Unemployment compensation     | 500              | 500           | 0             | 500                    |
| Worker's compensation claims  | 2,000            | 2,000         | 2,375         | (375)                  |
| Laundry and dry cleaning      | 600              | 600           | 37            | 563                    |
| Pre-employment drug testing   | 500              | 500           | 64            | 436                    |
| Safety shoes                  | 2,700            | 2,700         | 2,412         | 288                    |
| Postage                       | 500              | 500           | 77            | 423                    |
| 800 MHZ radio expense         | 3,000            | 3,000         | 3,000         | 0                      |
| GPS services                  | 3,800            | 6,300         | 6,208         | 92                     |
| Printing                      | 200              | 200           | 0             | 200                    |
| Subscriptions and memberships | 400              | 400           | 204           | 196                    |
| Advertising                   | 200              | 1,600         | 1,421         | 179                    |
| Utilities                     | 35,000           | 31,000        | 29,443        | 1,557                  |

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

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                     | Budgeted Amounts    |                     | Actual              | Variance<br>Positive<br>(Negative) |
|-------------------------------------|---------------------|---------------------|---------------------|------------------------------------|
|                                     | Original            | Final               |                     |                                    |
| Expenditures - (Continued)          |                     |                     |                     |                                    |
| Current - (Continued)               |                     |                     |                     |                                    |
| Public works - (Continued)          |                     |                     |                     |                                    |
| Operations division - (Continued)   |                     |                     |                     |                                    |
| Telephone                           | \$ 22,000           | \$ 26,000           | \$ 25,793           | \$ 207                             |
| Surveys                             | 3,000               | 1,000               | 610                 | 390                                |
| Small equipment maintenance - signs | 1,700               | 0                   | 0                   | 0                                  |
| Building maintenance                | 9,000               | 13,200              | 12,397              | 803                                |
| Travel and training                 | 2,000               | 300                 | 200                 | 100                                |
| Departmental work sessions          | 0                   | 100                 | 10                  | 90                                 |
| Pest control                        | 1,000               | 1,000               | 879                 | 121                                |
| Office expenditures and paper       | 7,000               | 4,100               | 3,987               | 113                                |
| Operating supplies                  | 4,000               | 4,900               | 4,881               | 19                                 |
| Safety supplies                     | 1,500               | 1,900               | 1,909               | (9)                                |
| Janitorial supplies                 | 1,500               | 1,500               | 1,311               | 189                                |
| Uniforms                            | 9,500               | 9,500               | 9,298               | 202                                |
| Gasoline and oil                    | 128,600             | 138,600             | 125,666             | 12,934                             |
| Repairs and parts                   | 240,000             | 240,000             | 212,207             | 27,793                             |
| Sign shop supplies                  | 2,800               | 2,800               | 2,458               | 342                                |
| Sign parts and supplies             | 40,000              | 44,700              | 15,036              | 29,664                             |
| Major safety markings               | 80,000              | 74,900              | 74,867              | 33                                 |
| Thermoplastic contract              | 10,000              | 2,100               | 2,024               | 76                                 |
| Paving and materials                | 250,000             | 247,500             | 242,069             | 5,431                              |
| Insurance - building and contents   | 5,700               | 5,800               | 5,714               | 86                                 |
| Insurance - vehicle and equipment   | 12,500              | 15,000              | 14,775              | 225                                |
| Insurance - general liability       | 9,300               | 12,000              | 11,787              | 213                                |
| Insurance - workers compensation    | 26,300              | 32,000              | 31,904              | 96                                 |
| Miscellaneous                       | 500                 | 500                 | 424                 | 76                                 |
| Incentive program                   | 4,000               | 4,000               | 2,905               | 1,095                              |
| Small equipment                     | 3,000               | 8,774               | 7,660               | 1,114                              |
| Small equipment - signs             | 1,800               | 8,800               | 8,594               | 206                                |
| Total operations division           | <u>\$ 2,053,000</u> | <u>\$ 2,068,674</u> | <u>\$ 1,973,161</u> | <u>\$ 95,513</u>                   |
| Engineering:                        |                     |                     |                     |                                    |
| Salaries                            | \$ 210,900          | \$ 207,500          | \$ 205,232          | \$ 2,268                           |
| Overtime wages                      | 500                 | 0                   | 0                   | 0                                  |
| Service awards                      | 0                   | 100                 | 100                 | 0                                  |
| Longevity                           | 1,800               | 1,800               | 1,800               | 0                                  |
| Sold vacations                      | 4,000               | 3,400               | 2,455               | 945                                |
| Christmas bonus                     | 500                 | 2,200               | 2,120               | 80                                 |
| Dental insurance                    | 2,000               | 2,200               | 2,144               | 56                                 |
| Social security                     | 16,400              | 16,700              | 15,245              | 1,455                              |
| Health insurance                    | 34,400              | 37,600              | 37,577              | 23                                 |
| Retirement                          | 35,700              | 36,400              | 36,020              | 380                                |
| Life and disability insurance       | 2,700               | 3,500               | 3,215               | 285                                |
| Education reimbursement             | 1,400               | 0                   | 0                   | 0                                  |
| Worker's compensation claims        | 200                 | 200                 | 0                   | 200                                |
| Clothing allowance and shoes        | 600                 | 600                 | 92                  | 508                                |
| Postage                             | 200                 | 200                 | 37                  | 163                                |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                   | Budgeted Amounts    |                     | Actual              | Variance               |
|-----------------------------------|---------------------|---------------------|---------------------|------------------------|
|                                   | Original            | Final               |                     | Positive<br>(Negative) |
| Expenditures - (Continued)        |                     |                     |                     |                        |
| Current - (Continued)             |                     |                     |                     |                        |
| Public works - (Continued)        |                     |                     |                     |                        |
| Engineering - (Continued)         |                     |                     |                     |                        |
| Printing                          | \$ 100              | \$ 0                | \$ 0                | \$ 0                   |
| Subscriptions and memberships     | 1,600               | 1,200               | 1,129               | 71                     |
| Advertising                       | 100                 | 200                 | 112                 | 88                     |
| Telephone                         | 8,000               | 6,100               | 4,352               | 1,748                  |
| Engineering services              | 20,000              | 20,000              | 8,004               | 11,996                 |
| Parkcad software - plans          | 0                   | 1,320               | 1,320               | 0                      |
| Survey expense                    | 5,000               | 2,300               | 2,200               | 100                    |
| Vehicle maintenance               | 5,000               | 5,000               | 2,701               | 2,299                  |
| Office equipment maintenance      | 1,000               | 1,400               | 1,235               | 165                    |
| Building maintenance              | 0                   | 100                 | 33                  | 67                     |
| Travel and training               | 1,500               | 2,200               | 2,127               | 73                     |
| Complimentary meals               | 0                   | 100                 | 36                  | 64                     |
| Office expenditures               | 4,000               | 8,100               | 9,487               | (1,387)                |
| Operating supplies                | 200                 | 200                 | 174                 | 26                     |
| Janitorial                        | 600                 | 600                 | 56                  | 544                    |
| Uniforms                          | 1,100               | 1,100               | 915                 | 185                    |
| Gasoline and oil                  | 4,700               | 4,700               | 3,742               | 958                    |
| Insurance - building and contents | 300                 | 1,300               | 1,223               | 77                     |
| Insurance - vehicle and equipment | 900                 | 1,100               | 1,061               | 39                     |
| Insurance - general liability     | 1,200               | 0                   | 0                   | 0                      |
| Insurance - workers compensation  | 6,900               | 2,900               | 621                 | 2,279                  |
| Miscellaneous                     | 500                 | 500                 | 45                  | 455                    |
| Computer equipment                | 0                   | 180                 | 0                   | 180                    |
| Equipment                         | 1,000               | 3,400               | 2,639               | 761                    |
| Total engineering                 | <u>\$ 375,000</u>   | <u>\$ 376,400</u>   | <u>\$ 349,249</u>   | <u>\$ 27,151</u>       |
| Street lighting and signals:      |                     |                     |                     |                        |
| Street lighting                   | \$ 775,000          | \$ 719,400          | \$ 715,891          | \$ 3,509               |
| Telephone                         | 3,000               | 3,000               | 1,884               | 1,116                  |
| Traffic light utility service     | 55,000              | 38,750              | 32,145              | 6,605                  |
| Pole attachments                  | 0                   | 9,650               | 9,629               | 21                     |
| Interchange lighting              | 0                   | 53,000              | 105,238             | (52,238)               |
| Traffic light repair maintenance  | 300,000             | 302,000             | 302,030             | (30)                   |
| Small equipment                   | 1,000               | 8,200               | 8,135               | 65                     |
| CU - Greenway Lighting            | 0                   | 60,000              | 60,000              | 0                      |
| Total street lighting and signals | <u>\$ 1,134,000</u> | <u>\$ 1,194,000</u> | <u>\$ 1,234,952</u> | <u>\$ (40,952)</u>     |
| Storm water management:           |                     |                     |                     |                        |
| Salaries                          | \$ 84,000           | \$ 84,000           | \$ 82,926           | \$ 1,074               |
| Overtime                          | 1,000               | 1,000               | 1,752               | (752)                  |
| Longevity                         | 900                 | 1,000               | 950                 | 50                     |
| Sold vacations                    | 1,600               | 1,600               | 0                   | 1,600                  |
| Christmas bonus                   | 300                 | 1,100               | 1,060               | 40                     |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                      | Budgeted Amounts    |                     | Actual              | Variance               |
|--------------------------------------|---------------------|---------------------|---------------------|------------------------|
|                                      | Original            | Final               |                     | Positive<br>(Negative) |
| Expenditures - (Continued)           |                     |                     |                     |                        |
| Current - (Continued)                |                     |                     |                     |                        |
| Public works - (Continued)           |                     |                     |                     |                        |
| Storm water management - (Continued) |                     |                     |                     |                        |
| Dental insurance                     | \$ 1,200            | \$ 1,200            | \$ 1,008            | \$ 192                 |
| Social security                      | 6,500               | 6,800               | 5,546               | 1,254                  |
| Health insurance                     | 21,000              | 21,000              | 19,352              | 1,648                  |
| Retirement                           | 14,000              | 14,700              | 14,396              | 304                    |
| Life and disability insurance        | 1,100               | 1,100               | 1,448               | (348)                  |
| Education reimbursement              | 3,000               | 2,100               | 0                   | 2,100                  |
| Postage                              | 200                 | 200                 | 93                  | 107                    |
| Printing                             | 200                 | 200                 | 150                 | 50                     |
| Public education programs            | 6,800               | 6,800               | 9,860               | (3,060)                |
| Subscriptions and memberships        | 1,200               | 1,200               | 611                 | 589                    |
| Advertising                          | 200                 | 200                 | 46                  | 154                    |
| Telephone                            | 3,000               | 3,000               | 2,812               | 188                    |
| Travel and training                  | 5,500               | 5,500               | 4,682               | 818                    |
| Work session                         | 2,500               | 2,500               | 1,173               | 1,327                  |
| NPDES permit fee                     | 3,500               | 3,500               | 3,460               | 40                     |
| Office supplies                      | 1,000               | 1,000               | 1,072               | (72)                   |
| Operating supplies                   | 1,500               | 1,500               | 599                 | 901                    |
| Benthic sampling/labwork             | 7,000               | 3,777               | 0                   | 3,777                  |
| Clothing                             | 1,000               | 1,000               | 997                 | 3                      |
| Gasoline                             | 2,900               | 2,900               | 2,103               | 797                    |
| Repairs and parts                    | 2,000               | 2,000               | 1,210               | 790                    |
| Insurance - vehicles                 | 400                 | 600                 | 516                 | 84                     |
| Insurance - general liability        | 500                 | 600                 | 566                 | 34                     |
| Insurance - worker's compensation    | 300                 | 0                   | 0                   | 0                      |
| Miscellaneous                        | 100                 | 100                 | 31                  | 69                     |
| Vehicle                              | 0                   | 7,848               | 7,848               | 0                      |
| Benjamin Crest lot 38                | 0                   | 43,500              | 0                   | 43,500                 |
| Trash receptacles                    | 6,300               | 6,300               | 30                  | 6,270                  |
| Computer software                    | 600                 | 600                 | 0                   | 600                    |
| Office furniture and equipment       | 1,000               | 1,000               | 422                 | 578                    |
| Total storm water management         | <u>\$ 182,300</u>   | <u>\$ 231,425</u>   | <u>\$ 166,719</u>   | <u>\$ 64,706</u>       |
| FEMA Storm Damage                    |                     |                     |                     |                        |
| Tornado storm damage                 | <u>\$ 0</u>         | <u>\$ 1,200</u>     | <u>\$ 2,696</u>     | <u>\$ (1,496)</u>      |
| Total FEMA storm damage              | <u>\$ 0</u>         | <u>\$ 1,200</u>     | <u>\$ 2,696</u>     | <u>\$ (1,496)</u>      |
| Total public works                   | <u>\$ 3,744,300</u> | <u>\$ 3,871,699</u> | <u>\$ 3,726,777</u> | <u>\$ 144,922</u>      |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                | Budgeted Amounts |            | Actual     | Variance<br>Positive<br>(Negative) |
|--------------------------------|------------------|------------|------------|------------------------------------|
|                                | Original         | Final      |            |                                    |
| Expenditures - (Continued)     |                  |            |            |                                    |
| Current - (Continued)          |                  |            |            |                                    |
| Health and welfare             |                  |            |            |                                    |
| Animal Control                 |                  |            |            |                                    |
| Salaries                       | \$ 264,000       | \$ 253,000 | \$ 256,352 | \$ (3,352)                         |
| Overtime wages                 | 18,000           | 24,270     | 25,517     | (1,247)                            |
| Part time wages                | 0                | 2,000      | 2,665      | (665)                              |
| Service awards                 | 600              | 425        | 425        | 0                                  |
| Longevity                      | 4,900            | 4,850      | 4,850      | 0                                  |
| Sold vacations                 | 700              | 700        | 0          | 700                                |
| Christmas bonus                | 900              | 4,240      | 4,240      | 0                                  |
| Dental insurance               | 3,300            | 2,500      | 1,817      | 683                                |
| Social security                | 21,700           | 23,200     | 22,157     | 1,043                              |
| Health insurance               | 53,800           | 45,100     | 42,356     | 2,744                              |
| Retirement                     | 46,200           | 48,200     | 46,758     | 1,442                              |
| Life and disability insurance  | 3,200            | 3,300      | 3,238      | 62                                 |
| Education reimbursement        | 1,500            | 0          | 0          | 0                                  |
| Worker's compensation claims   | 1,000            | 1,000      | 0          | 1,000                              |
| Laundry and dry cleaning       | 4,000            | 4,750      | 4,458      | 292                                |
| Employee physicals             | 600              | 200        | 150        | 50                                 |
| Protective immunizations       | 300              | 300        | 56         | 244                                |
| Postage                        | 500              | 300        | 270        | 30                                 |
| Contracted services - vehicles | 900              | 1,000      | 587        | 413                                |
| Communications replacement     | 500              | 500        | 0          | 500                                |
| Printing                       | 2,000            | 2,000      | 1,746      | 254                                |
| Subscriptions and memberships  | 800              | 1,100      | 995        | 105                                |
| Advertising                    | 300              | 300        | 0          | 300                                |
| Utilities and pager            | 11,500           | 11,500     | 9,738      | 1,762                              |
| Telephone                      | 11,000           | 13,900     | 12,428     | 1,472                              |
| Donated spay and neuter        | 0                | 7,029      | 12,990     | (5,961)                            |
| State grant spay/neuter        | 0                | 1,775      | 50         | 1,725                              |
| Adoption and veterinary fees   | 22,000           | 99,000     | 92,845     | 6,155                              |
| Sick/veterinary                | 0                | 18,509     | 19,766     | (1,257)                            |
| Vehicle maintenance            | 15,000           | 20,500     | 20,843     | (343)                              |
| Copier maintenance             | 600              | 595        | 579        | 16                                 |
| Grounds improvement            | 1,000            | 265        | 265        | 0                                  |
| Building maintenance           | 6,500            | 6,500      | 6,993      | (493)                              |
| Training and travel            | 1,500            | 1,500      | 1,234      | 266                                |
| Credit card fees               | 0                | 2,500      | 1,510      | 990                                |
| Landfill                       | 3,000            | 1,500      | 1,050      | 450                                |
| Janitorial contract            | 6,400            | 6,400      | 6,000      | 400                                |
| Office supplies and printing   | 2,500            | 2,500      | 2,186      | 314                                |
| OSHA safety supplies           | 500              | 500        | 63         | 437                                |
| Janitorial supplies            | 6,000            | 6,000      | 5,978      | 22                                 |
| Uniforms and safety shoes      | 4,700            | 3,200      | 2,215      | 985                                |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                    | Budgeted Amounts  |                   | Actual            | Variance               |
|------------------------------------|-------------------|-------------------|-------------------|------------------------|
|                                    | Original          | Final             |                   | Positive<br>(Negative) |
| Expenditures - (Continued)         |                   |                   |                   |                        |
| Current - (Continued)              |                   |                   |                   |                        |
| Health and welfare - (Continued)   |                   |                   |                   |                        |
| Animal Control - (Continued)       |                   |                   |                   |                        |
| Ammunition                         | \$ 800            | \$ 50             | \$ 0              | \$ 50                  |
| Gasoline and oil                   | 26,700            | 23,250            | 20,610            | 2,640                  |
| Euthanasia and supplies            | 6,000             | 3,000             | 0                 | 3,000                  |
| Pet food                           | 6,000             | 8,000             | 6,547             | 1,453                  |
| Donations - cages and supplies     | 0                 | 500               | 218               | 282                    |
| Insurance - building and contents  | 300               | 300               | 297               | 3                      |
| Insurance - vehicles and equipment | 1,200             | 1,500             | 1,432             | 68                     |
| Insurance - general liability      | 1,400             | 1,700             | 1,618             | 82                     |
| Insurance - workers compensation   | 6,100             | 7,003             | 7,002             | 1                      |
| Miscellaneous                      | 500               | 500               | 239               | 261                    |
| Equipment                          | 1,100             | 1,300             | 1,295             | 5                      |
| Total Animal Control               | <u>\$ 572,000</u> | <u>\$ 674,011</u> | <u>\$ 654,628</u> | <u>\$ 19,383</u>       |
| Total health and welfare           | <u>\$ 572,000</u> | <u>\$ 674,011</u> | <u>\$ 654,628</u> | <u>\$ 19,383</u>       |
| Culture and recreation:            |                   |                   |                   |                        |
| College Hill Recreation Center:    |                   |                   |                   |                        |
| Salaries                           | \$ 101,000        | \$ 101,000        | \$ 100,190        | \$ 810                 |
| Overtime wages                     | 1,000             | 5,000             | 4,192             | 808                    |
| Part time wages                    | 60,000            | 60,000            | 60,874            | (874)                  |
| Longevity                          | 2,300             | 2,300             | 2,300             | 0                      |
| Sold vacations                     | 2,000             | 2,000             | 1,925             | 75                     |
| Christmas bonus                    | 400               | 1,600             | 1,590             | 10                     |
| Dental insurance                   | 1,200             | 1,200             | 536               | 664                    |
| Social security                    | 12,600            | 12,600            | 12,642            | (42)                   |
| Health insurance                   | 21,600            | 21,600            | 19,237            | 2,363                  |
| Retirement                         | 18,000            | 18,000            | 18,320            | (320)                  |
| Life and disability insurance      | 1,300             | 1,300             | 1,275             | 25                     |
| Unemployment compensation          | 500               | 0                 | 0                 | 0                      |
| Education reimbursement            | 400               | 0                 | 0                 | 0                      |
| Worker's compensation claims       | 200               | 200               | 0                 | 200                    |
| Utilities                          | 54,700            | 48,000            | 43,768            | 4,232                  |
| Telephone                          | 5,500             | 5,500             | 5,898             | (398)                  |
| Building maintenance               | 20,700            | 20,700            | 17,906            | 2,794                  |
| Team competition and trips         | 2,600             | 2,600             | 2,556             | 44                     |
| Office expenditures and paper      | 1,600             | 1,600             | 1,083             | 517                    |
| Janitorial supplies                | 3,000             | 3,500             | 3,099             | 401                    |
| Gate concession supplies           | 3,500             | 3,500             | 4,025             | (525)                  |
| Gasoline                           | 400               | 400               | 0                 | 400                    |
| Pool                               | 4,600             | 9,000             | 7,060             | 1,940                  |
| Athletic supplies                  | 3,000             | 5,300             | 3,710             | 1,590                  |

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

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|  | Budgeted Amounts |            | Actual     | Variance               |
|--|------------------|------------|------------|------------------------|
|  | Original         | Final      |            | Positive<br>(Negative) |
| Expenditures - (Continued)                   |                  |            |            |                        |
| Current - (Continued)                        |                  |            |            |                        |
| Culture and recreation - (Continued)         |                  |            |            |                        |
| College Hill Recreation Center - (Continued) |                  |            |            |                        |
| Program development                          | \$ 6,000         | \$ 6,000   | \$ 5,774   | \$ 226                 |
| Insurance - building and contents            | 4,300            | 4,500      | 4,460      | 40                     |
| Insurance - general liability                | 1,700            | 2,400      | 2,306      | 94                     |
| Insurance - workers compensation             | 4,600            | 4,800      | 4,785      | 15                     |
| NE - football fundraising                    | 0                | 900        | 660        | 240                    |
| Cheerleading program expense                 | 0                | 1,000      | 450        | 550                    |
| Program                                      | 5,000            | 5,000      | 4,878      | 122                    |
| Miscellaneous                                | 500              | 1,000      | 536        | 464                    |
| BCCSA activities                             | 15,000           | 16,000     | 15,924     | 76                     |
| Team donations                               | 1,500            | 1,500      | 1,082      | 418                    |
| Youth achievement program                    | 5,300            | 3,000      | 2,313      | 687                    |
| Swim team                                    | 2,000            | 2,000      | 2,000      | 0                      |
| Small equipment                              | 0                | 4,000      | 3,988      | 12                     |
| Total College Hill Recreation Center         | \$ 368,000       | \$ 379,000 | \$ 361,342 | \$ 17,658              |
| Parks and recreation:                        |                  |            |            |                        |
| Salaries                                     | \$ 327,000       | \$ 327,000 | \$ 344,038 | \$ (17,038)            |
| Overtime wages                               | 3,500            | 3,500      | 1,755      | 1,745                  |
| Part time wages                              | 20,000           | 20,000     | 15,495     | 4,505                  |
| Service awards                               | 400              | 400        | 350        | 50                     |
| Longevity                                    | 3,800            | 3,600      | 3,800      | (200)                  |
| Sold vacation                                | 2,600            | 2,600      | 1,459      | 1,141                  |
| Christmas bonus                              | 1,000            | 4,250      | 4,769      | (519)                  |
| College pay                                  | 200              | 200        | 125        | 75                     |
| Dental insurance                             | 4,000            | 4,000      | 4,200      | (200)                  |
| Social security                              | 28,000           | 28,000     | 26,534     | 1,466                  |
| Health insurance                             | 79,600           | 79,600     | 77,933     | 1,667                  |
| Retirement                                   | 56,000           | 56,000     | 59,807     | (3,807)                |
| Life and disability insurance                | 4,300            | 4,300      | 3,661      | 639                    |
| Unemployment compensation                    | 1,500            | 500        | 365        | 135                    |
| Worker's compensation claims                 | 900              | 900        | 745        | 155                    |
| Laundry and dry cleaning                     | 500              | 500        | 275        | 225                    |
| Postage                                      | 200              | 200        | 122        | 78                     |
| Membership                                   | 600              | 600        | 775        | (175)                  |
| Advertising                                  | 300              | 300        | 66         | 234                    |
| Utilities                                    | 8,900            | 8,900      | 9,447      | (547)                  |
| Telephone                                    | 9,000            | 9,000      | 10,758     | (1,758)                |
| Vehicle maintenance                          | 45,000           | 48,000     | 45,937     | 2,063                  |
| Equipment and repairs                        | 5,500            | 5,500      | 1,889      | 3,611                  |
| Grounds maintenance                          | 23,000           | 24,500     | 22,959     | 1,541                  |
| Fletcher building                            | 9,000            | 9,000      | 11,265     | (2,265)                |

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

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                      | Budgeted Amounts  |                   | Actual            | Variance               |
|--------------------------------------|-------------------|-------------------|-------------------|------------------------|
|                                      | Original          | Final             |                   | Positive<br>(Negative) |
| Expenditures - (Continued)           |                   |                   |                   |                        |
| Current - (Continued)                |                   |                   |                   |                        |
| Culture and recreation - (Continued) |                   |                   |                   |                        |
| Parks and recreation - (Continued)   |                   |                   |                   |                        |
| Car allowance                        | \$ 4,200          | \$ 4,200          | \$ 4,200          | \$ 0                   |
| Training and travel                  | 3,000             | 4,500             | 4,324             | 176                    |
| Office expenditures                  | 1,300             | 1,300             | 1,546             | (246)                  |
| Uniforms                             | 3,500             | 2,000             | 1,391             | 609                    |
| Gasoline and oil                     | 34,100            | 37,500            | 45,777            | (8,277)                |
| Insurance - building and contents    | 3,400             | 3,800             | 3,712             | 88                     |
| Insurance - vehicles and equipment   | 4,100             | 4,800             | 4,744             | 56                     |
| Insurance - general liability        | 3,300             | 4,500             | 4,419             | 81                     |
| Insurance - worker's compensation    | 9,300             | 5,400             | 5,313             | 87                     |
| Miscellaneous                        | 500               | 500               | 103               | 397                    |
| Old timers banquet                   | 2,500             | 2,500             | 1,403             | 1,097                  |
| Greenway public arts comm            | 0                 | 5,000             | 2,180             | 2,820                  |
| Small equipment                      | 1,000             | 1,000             | 398               | 602                    |
| Total parks and recreation           | <u>\$ 705,000</u> | <u>\$ 718,350</u> | <u>\$ 728,039</u> | <u>\$ (9,689)</u>      |
| Landscaping maintenance:             |                   |                   |                   |                        |
| Salaries                             | \$ 226,000        | \$ 226,000        | \$ 238,932        | \$ (12,932)            |
| Overtime wages                       | 900               | 900               | 3,170             | (2,270)                |
| Part-time                            | 0                 | 0                 | 2,990             | (2,990)                |
| Service awards                       | 100               | 175               | 175               | 0                      |
| Longevity                            | 3,600             | 3,700             | 3,700             | 0                      |
| Sold vacations                       | 1,900             | 1,900             | 526               | 1,374                  |
| Christmas bonus                      | 800               | 4,250             | 4,240             | 10                     |
| Dental insurance                     | 3,000             | 3,000             | 2,356             | 644                    |
| Social security                      | 17,500            | 17,500            | 18,003            | (503)                  |
| Health Insurance                     | 53,800            | 53,800            | 47,438            | 6,362                  |
| Retirement                           | 38,000            | 38,000            | 38,294            | (294)                  |
| Life and disability insurance        | 3,600             | 3,600             | 3,018             | 582                    |
| Worker's compensation claims         | 500               | 500               | 0                 | 500                    |
| Pre-employment testing               | 100               | 100               | 0                 | 100                    |
| Postage                              | 100               | 100               | 34                | 66                     |
| Subscriptions and memberships        | 1,500             | 1,500             | 415               | 1,085                  |
| Advertising                          | 200               | 200               | 0                 | 200                    |
| Utilities                            | 3,100             | 3,100             | 1,611             | 1,489                  |
| Telephone                            | 4,600             | 4,600             | 4,425             | 175                    |
| Vehicle maintenance                  | 60,000            | 60,000            | 54,758            | 5,242                  |
| Equipment repairs                    | 1,800             | 1,800             | 109               | 1,691                  |
| Travel and training                  | 2,600             | 2,600             | 1,803             | 797                    |
| Work sessions                        | 0                 | 0                 | 36                | (36)                   |
| Other contracted services            | 300               | 825               | 825               | 0                      |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                       | Budgeted Amounts  |                   | Actual            | Variance               |
|---------------------------------------|-------------------|-------------------|-------------------|------------------------|
|                                       | Original          | Final             |                   | Positive<br>(Negative) |
| Expenditures - (Continued)            |                   |                   |                   |                        |
| Current - (Continued)                 |                   |                   |                   |                        |
| Culture and recreation - (Continued)  |                   |                   |                   |                        |
| Landscaping maintenance - (Continued) |                   |                   |                   |                        |
| Lee University monument               | \$ 0              | \$ 800            | \$ 762            | \$ 38                  |
| Office expenditures                   | 800               | 500               | 345               | 155                    |
| Botanical supplies                    | 9,000             | 11,000            | 10,858            | 142                    |
| Uniforms                              | 3,500             | 3,500             | 3,410             | 90                     |
| Trees                                 | 7,500             | 7,500             | 5,772             | 1,728                  |
| Donations - memorial tree fund        | 0                 | 12,631            | 1,184             | 11,447                 |
| Gasoline and oil                      | 29,000            | 29,000            | 27,625            | 1,375                  |
| Insurance - building and contents     | 2,300             | 0                 | 0                 | 0                      |
| Insurance - vehicle and equipment     | 6,400             | 5,400             | 5,355             | 45                     |
| Insurance - general liability         | 1,500             | 3,200             | 3,102             | 98                     |
| Insurance - workers compensation      | 9,600             | 7,600             | 7,526             | 74                     |
| Miscellaneous                         | 200               | 200               | 343               | (143)                  |
| Small equipment                       | 800               | 1,000             | 744               | 256                    |
| Total landscaping maintenance         | <u>\$ 495,000</u> | <u>\$ 510,881</u> | <u>\$ 493,884</u> | <u>\$ 16,997</u>       |
| Cleveland Community Center:           |                   |                   |                   |                        |
| Salaries                              | \$ 140,000        | \$ 140,000        | \$ 138,845        | \$ 1,155               |
| Part time wages                       | 40,000            | 40,000            | 59,638            | (19,638)               |
| Service awards                        | 200               | 200               | 150               | 50                     |
| Longevity                             | 4,400             | 4,400             | 4,300             | 100                    |
| Sold vacations                        | 1,600             | 1,650             | 1,642             | 8                      |
| Christmas bonus                       | 500               | 2,150             | 2,120             | 30                     |
| Dental insurance                      | 1,400             | 1,400             | 529               | 871                    |
| Social security                       | 13,700            | 13,700            | 15,350            | (1,650)                |
| Health insurance                      | 27,500            | 27,500            | 19,190            | 8,310                  |
| Retirement                            | 24,000            | 24,000            | 22,902            | 1,098                  |
| Life and disability insurance         | 1,700             | 1,700             | 1,566             | 134                    |
| Worker's compensation claims          | 100               | 400               | 1,217             | (817)                  |
| Advertising                           | 0                 | 200               | 137               | 63                     |
| Utilities                             | 40,000            | 40,000            | 41,389            | (1,389)                |
| Telephone                             | 4,000             | 5,000             | 5,564             | (564)                  |
| Vehicle maintenance                   | 500               | 500               | 485               | 15                     |
| Building maintenance                  | 7,500             | 8,500             | 12,441            | (3,941)                |
| Team trips and competition            | 1,500             | 1,350             | 1,329             | 21                     |
| Office expenditures and paper         | 700               | 700               | 666               | 34                     |
| Janitorial contract                   | 2,000             | 3,000             | 1,806             | 1,194                  |
| Pool                                  | 4,400             | 7,500             | 7,803             | (303)                  |
| Athletic supplies                     | 1,500             | 1,000             | 1,192             | (192)                  |
| Ceramic supplies                      | 500               | 500               | 0                 | 500                    |
| Insurance - building and contents     | 3,000             | 3,300             | 3,203             | 97                     |
| Insurance - general liability         | 1,600             | 2,200             | 2,125             | 75                     |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|  | Budgeted Amounts  |                   | Actual            | Variance               |
|--|-------------------|-------------------|-------------------|------------------------|
|  | Original          | Final             |                   | Positive<br>(Negative) |
| Expenditures - (Continued)               |                   |                   |                   |                        |
| Current - (Continued)                    |                   |                   |                   |                        |
| Culture and recreation - (Continued)     |                   |                   |                   |                        |
| Cleveland Community Center - (Continued) |                   |                   |                   |                        |
| Insurance - worker's compensation        | \$ 3,700          | \$ 2,300          | \$ 2,214          | \$ 86                  |
| Contracted services - floor maintenance  | 2,000             | 2,000             | 1,731             | 269                    |
| Contracted services - security           | 1,200             | 1,600             | 1,589             | 11                     |
| Miscellaneous                            | 500               | 500               | 557               | (57)                   |
| Swim team                                | 2,000             | 2,000             | 338               | 1,662                  |
| Junior pro basketball                    | 3,000             | 3,000             | 4,544             | (1,544)                |
| Cardinal account                         | 3,700             | 3,700             | 1,008             | 2,692                  |
| Small equipment                          | 600               | 3,600             | 3,149             | 451                    |
| HVAC unit                                | 0                 | 8,000             | 8,000             | 0                      |
| Total Cleveland Community Center         | <u>\$ 339,000</u> | <u>\$ 357,550</u> | <u>\$ 368,719</u> | <u>\$ (11,169)</u>     |
| Tinsley Park:                            |                   |                   |                   |                        |
| Salaries                                 | \$ 115,700        | \$ 115,700        | \$ 94,753         | \$ 20,947              |
| Overtime                                 | 2,500             | 2,500             | 1,000             | 1,500                  |
| Social security                          | 9,000             | 9,000             | 7,306             | 1,694                  |
| Unemployment compensation                | 0                 | 0                 | 301               | (301)                  |
| Utilities                                | 35,000            | 35,000            | 29,969            | 5,031                  |
| Telephone                                | 1,000             | 1,500             | 2,158             | (658)                  |
| Maintenance and repairs                  | 10,000            | 17,000            | 22,196            | (5,196)                |
| Lifeguard training                       | 0                 | 1,000             | 1,191             | (191)                  |
| Janitorial supplies                      | 3,000             | 3,000             | 5,376             | (2,376)                |
| Tournament                               | 6,000             | 6,000             | 5,262             | 738                    |
| Pool                                     | 17,000            | 16,500            | 21,994            | (5,494)                |
| Concession supplies                      | 16,500            | 22,000            | 20,790            | 1,210                  |
| Insurance - building and contents        | 2,500             | 2,800             | 2,751             | 49                     |
| Insurance - general liability            | 1,000             | 1,500             | 1,404             | 96                     |
| Insurance - worker's compensation        | 4,800             | 4,800             | 2,730             | 2,070                  |
| Equipment                                | 0                 | 7,500             | 6,481             | 1,019                  |
| Total Tinsley Park                       | <u>\$ 224,000</u> | <u>\$ 245,800</u> | <u>\$ 225,662</u> | <u>\$ 20,138</u>       |
| Waterville:                              |                   |                   |                   |                        |
| Salaries                                 | \$ 180,000        | \$ 180,000        | \$ 159,867        | \$ 20,133              |
| Overtime                                 | 6,000             | 6,000             | 9,234             | (3,234)                |
| Part time wages                          | 43,000            | 43,000            | 46,371            | (3,371)                |
| Service awards                           | 300               | 300               | 200               | 100                    |
| Longevity                                | 2,700             | 2,700             | 2,400             | 300                    |
| Sold vacations                           | 2,500             | 2,500             | 3,182             | (682)                  |
| Christmas bonus                          | 700               | 3,200             | 2,650             | 550                    |

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                      | Budgeted Amounts    |                     | Actual              | Variance               |
|--------------------------------------|---------------------|---------------------|---------------------|------------------------|
|                                      | Original            | Final               |                     | Positive<br>(Negative) |
| Expenditures - (Continued)           |                     |                     |                     |                        |
| Current - (Continued)                |                     |                     |                     |                        |
| Culture and recreation - (Continued) |                     |                     |                     |                        |
| Waterville - (Continued)             |                     |                     |                     |                        |
| Dental insurance                     | \$ 2,800            | \$ 2,800            | \$ 1,807            | \$ 993                 |
| Social security                      | 17,900              | 17,900              | 15,812              | 2,088                  |
| Health insurance                     | 53,100              | 53,100              | 43,057              | 10,043                 |
| Retirement                           | 33,000              | 33,000              | 29,499              | 3,501                  |
| Life and disability insurance        | 2,600               | 2,600               | 2,585               | 15                     |
| Worker's compensation claims         | 100                 | 100                 | 0                   | 100                    |
| Subscriptions and memberships        | 1,000               | 700                 | 215                 | 485                    |
| Advertising and marketing            | 1,800               | 1,300               | 888                 | 412                    |
| Utilities                            | 26,000              | 26,000              | 28,753              | (2,753)                |
| Telephone                            | 10,200              | 10,200              | 10,115              | 85                     |
| Vehicle maintenance                  | 1,500               | 1,500               | 1,019               | 481                    |
| Equipment parts and maintenance      | 19,000              | 20,500              | 19,500              | 1,000                  |
| Sod, seed and course maintenance     | 8,000               | 11,000              | 12,960              | (1,960)                |
| Building maintenance                 | 2,000               | 7,000               | 7,290               | (290)                  |
| Golf cart maintenance                | 0                   | 0                   | 754                 | (754)                  |
| Travel and training                  | 900                 | 100                 | 0                   | 100                    |
| Credit card fees                     | 3,500               | 3,500               | 1,670               | 1,830                  |
| Contracted services - pest control   | 300                 | 300                 | 196                 | 104                    |
| Office expenditures                  | 700                 | 600                 | 780                 | (180)                  |
| Janitorial                           | 1,500               | 1,500               | 2,110               | (610)                  |
| Uniform                              | 2,700               | 2,500               | 2,465               | 35                     |
| Golf course accessories              | 1,000               | 1,000               | 793                 | 207                    |
| Tires, tubes, etc.                   | 900                 | 400                 | 0                   | 400                    |
| Irrigation and drainage supplies     | 2,000               | 2,000               | 973                 | 1,027                  |
| Proshop                              | 9,000               | 4,000               | 2,397               | 1,603                  |
| Concession supplies                  | 17,000              | 17,000              | 18,735              | (1,735)                |
| Small supplies                       | 500                 | 0                   | 0                   | 0                      |
| Fertilizer and chemicals             | 20,000              | 19,600              | 13,159              | 6,441                  |
| Insurance - building and contents    | 1,900               | 1,900               | 1,857               | 43                     |
| Insurance - general liability        | 2,500               | 4,200               | 4,129               | 71                     |
| Insurance - worker's compensation    | 8,200               | 5,800               | 5,725               | 75                     |
| Contracted services - security       | 2,700               | 2,700               | 2,576               | 124                    |
| Miscellaneous                        | 500                 | 500                 | 103                 | 397                    |
| Equipment                            | 28,000              | 28,000              | 29,480              | (1,480)                |
| Total Waterville Golf Course         | <u>\$ 518,000</u>   | <u>\$ 521,000</u>   | <u>\$ 485,306</u>   | <u>\$ 35,694</u>       |
| Total culture and recreation         | <u>\$ 2,649,000</u> | <u>\$ 2,732,581</u> | <u>\$ 2,662,952</u> | <u>\$ 69,629</u>       |
| Appropriations:                      |                     |                     |                     |                        |
| Jointly funded                       | \$ 18,100           | \$ 0                | \$ 0                | \$ 0                   |
| Regional Museum                      | 42,300              | 42,300              | 43,000              | (700)                  |
| MTAS benchmarking                    | 4,000               | 4,000               | 0                   | 4,000                  |
| Municipal League dues                | 9,200               | 9,200               | 9,102               | 98                     |

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

CITY OF CLEVELAND, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|   | Budgeted Amounts      |                       | Actual                 | Variance               |
|---|-----------------------|-----------------------|------------------------|------------------------|
|   | Original              | Final                 |                        | Positive<br>(Negative) |
| Expenditures - (Continued)              |                       |                       |                        |                        |
| Current - (Continued)                   |                       |                       |                        |                        |
| Appropriations - (Continued)            |                       |                       |                        |                        |
| Economic development                    | \$ 45,000             | \$ 45,000             | \$ 45,000              | \$ 0                   |
| Southeast Tennessee Development         | 8,000                 | 8,000                 | 8,257                  | (257)                  |
| Mainstreet Cleveland                    | 25,000                | 25,000                | 25,000                 | 0                      |
| Cemetery Association                    | 10,000                | 10,000                | 10,000                 | 0                      |
| Court's Community Services              | 53,900                | 53,900                | 59,148                 | (5,248)                |
| Keep America Beautiful                  | 28,100                | 28,100                | 28,100                 | 0                      |
| Juvenile Court match                    | 1,100                 | 1,100                 | 1,100                  | 0                      |
| United Way supporters                   | 1,000                 | 1,000                 | 998                    | 2                      |
| SETHRA - Transit                        | 135,000               | 135,000               | 135,000                | 0                      |
| Communications Center                   | 450,000               | 450,000               | 450,000                | 0                      |
| Emergency Management                    | 87,300                | 84,990                | 74,715                 | 10,275                 |
| SETDD legal fees                        | 0                     | 1,000                 | 0                      | 1,000                  |
| Veterans Affairs Office                 | 22,100                | 22,100                | 22,875                 | (775)                  |
| Behavioral Research                     | 2,000                 | 2,000                 | 2,000                  | 0                      |
| LT recovery permit fees                 | 0                     | 2,000                 | 0                      | 2,000                  |
| Life Bridges (20%)                      | 0                     | 6,200                 | 6,200                  | 0                      |
| Development Services Agency             | 6,200                 | 0                     | 0                      | 0                      |
| Community Services Agency               | 94,400                | 94,400                | 94,306                 | 94                     |
| HVAC @ Bradley/Cleveland Comm SVCS      | 0                     | 12,000                | 11,600                 | 400                    |
| Aqua Tigers equipment                   | 2,000                 | 2,000                 | 2,000                  | 0                      |
| Bradley Cleveland football              | 3,500                 | 3,500                 | 3,500                  | 0                      |
| Youth baseball                          | 5,000                 | 5,000                 | 5,000                  | 0                      |
| Cleveland Youth Softball                | 4,000                 | 4,000                 | 4,000                  | 0                      |
| Soccer Association                      | 5,000                 | 5,000                 | 5,000                  | 0                      |
| Soccer Association - land               | 5,000                 | 5,000                 | 5,000                  | 0                      |
| Foothills Country Fair                  | 1,000                 | 1,000                 | 1,000                  | 0                      |
| Vocational School                       | 19,800                | 22,236                | 22,236                 | 0                      |
| Total appropriations                    | <u>\$ 1,088,000</u>   | <u>\$ 1,085,026</u>   | <u>\$ 1,074,137</u>    | <u>\$ 10,889</u>       |
| Total expenditures                      | <u>\$ 27,050,300</u>  | <u>\$ 27,224,711</u>  | <u>\$ 26,790,628</u>   | <u>\$ 434,083</u>      |
| Excess of revenues<br>over expenditures | <u>\$ 9,191,700</u>   | <u>\$ 9,932,762</u>   | <u>\$ 10,491,578</u>   | <u>\$ 558,816</u>      |
| Other financing sources (uses):         |                       |                       |                        |                        |
| Transfers in                            | \$ 1,927,000          | \$ 2,070,000          | \$ 2,042,726           | \$ (27,274)            |
| Transfers out                           | <u>(11,116,700)</u>   | <u>(12,030,400)</u>   | <u>(12,207,902)</u>    | <u>(177,502)</u>       |
| Total other financing sources(uses)     | <u>\$ (9,189,700)</u> | <u>\$ (9,960,400)</u> | <u>\$ (10,165,176)</u> | <u>\$ (204,776)</u>    |
| Net change in fund balances             | \$ 2,000              | \$ (27,638)           | \$ 326,402             | \$ 354,040             |
| Fund balance at beginning of year       | <u>10,261,832</u>     | <u>12,065,684</u>     | <u>12,065,684</u>      | <u>0</u>               |
| Fund balance at end of year             | <u>\$ 10,263,832</u>  | <u>\$ 12,038,046</u>  | <u>\$ 12,392,086</u>   | <u>\$ 354,040</u>      |

CITY OF CLEVELAND, TENNESSEE  
SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|                                    | Budgeted Amounts     |                      | Actual               | Variance               |
|------------------------------------|----------------------|----------------------|----------------------|------------------------|
|                                    | Original             | Final                |                      | Positive<br>(Negative) |
| <b>Revenues:</b>                   |                      |                      |                      |                        |
| <b>Intergovernmental:</b>          |                      |                      |                      |                        |
| <b>Federal government:</b>         |                      |                      |                      |                        |
| Education of the handicapped       | \$ 40,598            | \$ 51,759            | \$ 51,759            | \$ 0                   |
| Other direct federal revenue       | 138,990              | 153,011              | 160,825              | 7,814                  |
| <b>Total federal government</b>    | <b>\$ 179,588</b>    | <b>\$ 204,770</b>    | <b>\$ 212,584</b>    | <b>\$ 7,814</b>        |
| <b>State of Tennessee:</b>         |                      |                      |                      |                        |
| Basic education program            | \$ 21,099,000        | \$ 21,294,000        | \$ 21,263,078        | \$ (30,922)            |
| School food service                | 25,663               | 27,047               | 27,047               | 0                      |
| Driver education                   | 8,000                | 8,000                | 8,000                | 0                      |
| Other state education funds        | 287,000              | 328,525              | 332,810              | 4,285                  |
| Career ladder program              | 224,648              | 224,648              | 154,098              | (70,550)               |
| Career ladder extended contract    | 164,793              | 164,793              | 63,300               | (101,493)              |
| Other state grants                 | 967,624              | 1,013,604            | 1,048,652            | 35,048                 |
| State mixed drink tax              | 85,072               | 95,072               | 109,827              | 14,755                 |
| State income tax                   | 30,427               | 30,427               | 40,938               | 10,511                 |
| <b>Total State of Tennessee</b>    | <b>\$ 22,892,227</b> | <b>\$ 23,186,116</b> | <b>\$ 23,047,750</b> | <b>\$ (138,366)</b>    |
| <b>Bradley County:</b>             |                      |                      |                      |                        |
| Property taxes - current           | \$ 5,593,817         | \$ 5,537,095         | \$ 5,473,321         | \$ (63,774)            |
| Property taxes - prior             | 182,061              | 182,061              | 213,605              | 31,544                 |
| Cir clerk/clerk & master           | 116,000              | 116,000              | 125,921              | 9,921                  |
| Interest and penalty               | 31,369               | 31,369               | 32,939               | 1,570                  |
| In lieu of taxes - Local Utilities | 1,305                | 1,305                | 1,798                | 493                    |
| In lieu of taxes - Other Utilities | 34,595               | 91,317               | 106,852              | 15,535                 |
| Marriage license                   | 2,825                | 2,825                | 2,685                | (140)                  |
| Bank excise tax                    | 18,201               | 18,201               | 17,504               | (697)                  |
| Interstate telecommunications tax  | 2,126                | 2,126                | 2,951                | 825                    |
| Local sales tax                    | 4,273,193            | 4,273,193            | 4,259,194            | (13,999)               |
| <b>Total Bradley County</b>        | <b>\$ 10,255,492</b> | <b>\$ 10,255,492</b> | <b>\$ 10,236,770</b> | <b>\$ (18,722)</b>     |
| <b>Total Intergovernmental</b>     | <b>\$ 33,327,307</b> | <b>\$ 33,646,378</b> | <b>\$ 33,497,104</b> | <b>\$ (149,274)</b>    |
| <b>Charges for services:</b>       |                      |                      |                      |                        |
| Tuition                            | \$ 101,935           | \$ 101,935           | \$ 104,179           | \$ 2,244               |
| Community service fees             | 152,396              | 152,396              | 134,191              | (18,205)               |
| Criminal background fee            | 4,800                | 4,800                | 888                  | (3,912)                |
| <b>Total charges for services</b>  | <b>\$ 259,131</b>    | <b>\$ 259,131</b>    | <b>\$ 239,258</b>    | <b>\$ (19,873)</b>     |

CITY OF CLEVELAND, TENNESSEE  
SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                   | Budgeted Amounts |               | Actual        | Variance               |
|-----------------------------------|------------------|---------------|---------------|------------------------|
|                                   | Original         | Final         |               | Positive<br>(Negative) |
| Revenues - (Continued)            |                  |               |               |                        |
| Interest                          | \$ 5,000         | \$ 6,250      | \$ 6,974      | \$ 724                 |
| Miscellaneous:                    |                  |               |               |                        |
| E rate funding                    | \$ 0             | \$ 49,626     | \$ 52,639     | \$ 3,013               |
| Miscellaneous refunds             | 98,841           | 98,841        | 59,735        | (39,106)               |
| Sale of equipment                 | 1,640            | 21,640        | 24,396        | 2,756                  |
| Damages recovered                 | 1,800            | 1,800         | 914           | (886)                  |
| Contributions                     | 137,172          | 153,522       | 153,291       | (231)                  |
| Other                             | 30,000           | 30,000        | 9,290         | (20,710)               |
| Total miscellaneous               | \$ 269,453       | \$ 355,429    | \$ 300,265    | \$ (55,164)            |
| Total revenues                    | \$ 33,860,891    | \$ 34,267,188 | \$ 34,043,601 | \$ (223,587)           |
| Expenditures:                     |                  |               |               |                        |
| Current:                          |                  |               |               |                        |
| Education:                        |                  |               |               |                        |
| Regular instruction:              |                  |               |               |                        |
| Teachers                          | \$ 13,395,455    | \$ 13,434,360 | \$ 13,400,590 | \$ 33,770              |
| Career ladder program             | 129,000          | 129,000       | 88,375        | 40,625                 |
| Career ladder extended contract   | 141,211          | 141,211       | 46,000        | 95,211                 |
| Homebound teachers                | 57,279           | 53,279        | 54,414        | (1,135)                |
| Assistants                        | 1,085,648        | 1,085,648     | 1,070,610     | 15,038                 |
| Other salaries and wages          | 193,439          | 205,989       | 202,120       | 3,869                  |
| Certified substitute teachers     | 120,000          | 130,000       | 165,097       | (35,097)               |
| Non-certified substitute teachers | 92,780           | 92,780        | 101,375       | (8,595)                |
| Social security                   | 929,061          | 894,839       | 866,922       | 27,917                 |
| State retirement                  | 1,399,792        | 1,400,303     | 1,359,645     | 40,658                 |
| Life insurance                    | 15,607           | 15,607        | 29,253        | (13,646)               |
| Medical insurance                 | 1,856,777        | 2,014,757     | 2,006,584     | 8,173                  |
| Unemployment compensation         | 18,000           | 18,000        | 13,314        | 4,686                  |
| Employer medicare liability       | 217,281          | 210,463       | 205,479       | 4,984                  |
| Other fringe benefits             | 144,000          | 144,000       | 134,647       | 9,353                  |
| Maintenance and repair            | 18,650           | 18,650        | 6,346         | 12,304                 |
| Other contracted services         | 323,520          | 390,771       | 431,766       | (40,995)               |
| Instructional supplies            | 268,465          | 268,465       | 366,386       | (97,921)               |
| Textbooks                         | 305,000          | 290,000       | 233,592       | 56,408                 |
| Other supplies and materials      | 31,000           | 32,500        | 27,287        | 5,213                  |
| Other charges                     | 9,825            | 9,825         | 10,065        | (240)                  |
| Regular instruction equipment     | 210,414          | 210,414       | 184,555       | 25,859                 |
| Total regular instruction         | \$ 20,962,204    | \$ 21,190,861 | \$ 21,004,422 | \$ 186,439             |
| Special education:                |                  |               |               |                        |
| Teachers                          | \$ 1,585,137     | \$ 1,580,137  | \$ 1,583,144  | \$ (3,007)             |
| Career ladder program             | 19,000           | 19,000        | 16,500        | 2,500                  |
| Homebound teachers                | 1,000            | 3,000         | 4,171         | (1,171)                |
| Assistants                        | 277,618          | 277,618       | 294,803       | (17,185)               |
| Speech pathologist                | 250,076          | 250,076       | 255,238       | (5,162)                |

CITY OF CLEVELAND, TENNESSEE  
SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                       | Budgeted Amounts    |                     | Actual              | Variance               |
|---------------------------------------|---------------------|---------------------|---------------------|------------------------|
|                                       | Original            | Final               |                     | Positive<br>(Negative) |
| Expenditures - (Continued):           |                     |                     |                     |                        |
| Current - (Continued):                |                     |                     |                     |                        |
| Education - (Continued):              |                     |                     |                     |                        |
| Special education - (Continued):      |                     |                     |                     |                        |
| Certified substitute teachers         | \$ 4,000            | \$ 8,700            | \$ 13,790           | \$ (5,090)             |
| In-service training                   | 0                   | 3,000               | 4,613               | (1,613)                |
| Non-certified substitute teachers     | 3,000               | 0                   | 0                   | 0                      |
| Social security                       | 131,238             | 131,238             | 123,835             | 7,403                  |
| State retirement                      | 211,077             | 206,077             | 201,910             | 4,167                  |
| Life insurance                        | 1,956               | 1,956               | 1,956               | 0                      |
| Medical insurance                     | 222,026             | 233,875             | 230,361             | 3,514                  |
| Employer medicare liability           | 30,692              | 30,692              | 29,824              | 868                    |
| Contracts with private agencies       | 22,102              | 22,102              | 18,387              | 3,715                  |
| Maintenance and other repair services | 1,700               | 1,700               | 0                   | 1,700                  |
| Other contracted services             | 0                   | 0                   | 500                 | (500)                  |
| Instructional supplies                | 24,527              | 24,527              | 22,148              | 2,379                  |
| Other supplies and materials          | 6,773               | 6,773               | 7,478               | (705)                  |
| Special education equipment           | 4,600               | 4,600               | 4,032               | 568                    |
| Total special education               | <u>\$ 2,796,522</u> | <u>\$ 2,805,071</u> | <u>\$ 2,812,690</u> | <u>\$ (7,619)</u>      |
| Vocational education:                 |                     |                     |                     |                        |
| Teachers                              | \$ 841,503          | \$ 754,567          | \$ 756,200          | \$ (1,633)             |
| Career ladder extended program        | 0                   | 0                   | 700                 | (700)                  |
| Certified substitute teachers         | 1,500               | 3,500               | 4,708               | (1,208)                |
| Non-certified substitute teachers     | 1,000               | 1,500               | 2,970               | (1,470)                |
| Social security                       | 51,929              | 45,929              | 43,888              | 2,041                  |
| State retirement                      | 74,725              | 68,725              | 67,213              | 1,512                  |
| Life insurance                        | 639                 | 639                 | 639                 | 0                      |
| Medical insurance                     | 106,040             | 97,040              | 96,723              | 317                    |
| Employer medicare liability           | 12,144              | 11,144              | 10,292              | 852                    |
| Maintenance and repair services       | 8,500               | 8,500               | 19,773              | (11,273)               |
| Tuition                               | 375                 | 375                 | 0                   | 375                    |
| Other contracted services             | 4,500               | 4,500               | 12,193              | (7,693)                |
| Instructional supplies                | 33,200              | 33,200              | 41,153              | (7,953)                |
| Other supplies and materials          | 2,300               | 2,300               | 1,957               | 343                    |
| Vocational instruction equipment      | 67,167              | 67,167              | 40,204              | 26,963                 |
| Total vocational education            | <u>\$ 1,205,522</u> | <u>\$ 1,099,086</u> | <u>\$ 1,098,613</u> | <u>\$ 473</u>          |
| Students:                             |                     |                     |                     |                        |
| Attendance:                           |                     |                     |                     |                        |
| Supervisor                            | \$ 40,546           | \$ 40,546           | \$ 40,546           | \$ 0                   |
| Other salaries & wages                | 38,880              | 38,880              | 38,880              | 0                      |
| Social security                       | 4,924               | 4,924               | 4,771               | 153                    |
| State retirement                      | 10,090              | 10,090              | 10,062              | 28                     |
| Life insurance                        | 120                 | 1,303               | 1,303               | 0                      |
| Medical insurance                     | 2,586               | 3,591               | 3,590               | 1                      |
| Employer medicare liability           | 1,152               | 1,152               | 1,116               | 36                     |
| Other contracted services             | 9,000               | 9,000               | 9,000               | 0                      |
| Total attendance                      | <u>\$ 107,298</u>   | <u>\$ 109,486</u>   | <u>\$ 109,268</u>   | <u>\$ 218</u>          |

CITY OF CLEVELAND, TENNESSEE  
SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                  | Budgeted Amounts    |                     | Actual              | Variance               |
|----------------------------------|---------------------|---------------------|---------------------|------------------------|
|                                  | Original            | Final               |                     | Positive<br>(Negative) |
| Expenditures - (Continued):      |                     |                     |                     |                        |
| Current - (Continued):           |                     |                     |                     |                        |
| Education - (Continued):         |                     |                     |                     |                        |
| Students - (Continued):          |                     |                     |                     |                        |
| Health services:                 |                     |                     |                     |                        |
| Medical personnel                | \$ 83,655           | \$ 80,655           | \$ 71,287           | \$ 9,368               |
| Other salaries and wages         | 82,171              | 61,334              | 61,334              | 0                      |
| Social security                  | 10,282              | 8,990               | 7,687               | 1,303                  |
| State retirement                 | 13,921              | 10,220              | 6,365               | 3,855                  |
| Life insurance                   | 94                  | 94                  | 94                  | 0                      |
| Medical insurance                | 15,712              | 16,795              | 19,840              | (3,045)                |
| Employer medicare liability      | 2,404               | 2,102               | 1,798               | 304                    |
| Travel                           | 3,407               | 4,407               | 4,546               | (139)                  |
| Other contracted services        | 2,525               | 3,100               | 316                 | 2,784                  |
| Drugs and medical supplies       | 2,000               | 2,000               | 1,993               | 7                      |
| Other supplies and materials     | 7,108               | 6,700               | 9,857               | (3,157)                |
| Other charges                    | 9,700               | 33,582              | 32,743              | 839                    |
| Total health services            | <u>\$ 232,979</u>   | <u>\$ 229,979</u>   | <u>\$ 217,860</u>   | <u>\$ 12,119</u>       |
| Other student support:           |                     |                     |                     |                        |
| Career ladder program            | \$ 9,000            | \$ 9,000            | \$ 7,000            | \$ 2,000               |
| Guidance personnel               | 605,281             | 605,281             | 604,249             | 1,032                  |
| Psychological personnel          | 81,229              | 81,229              | 80,339              | 890                    |
| Career ladder extended contracts | 0                   | 0                   | 700                 | (700)                  |
| Social workers                   | 86,128              | 86,128              | 86,786              | (658)                  |
| Attendants                       | 76,795              | 126,795             | 136,737             | (9,942)                |
| Other salaries and wages         | 168,280             | 219,636             | 219,879             | (243)                  |
| Social security                  | 63,359              | 66,543              | 67,771              | (1,228)                |
| State retirement                 | 93,787              | 102,322             | 97,829              | 4,493                  |
| Life insurance                   | 867                 | 867                 | 867                 | 0                      |
| Medical insurance                | 86,627              | 82,627              | 77,325              | 5,302                  |
| Employer medicare liability      | 14,887              | 14,887              | 15,849              | (962)                  |
| Evaluation and testing           | 89,350              | 89,350              | 79,699              | 9,651                  |
| Maintenance and repair services  | 600                 | 600                 | 0                   | 600                    |
| Other contracted services        | 237,670             | 242,670             | 202,996             | 39,674                 |
| Other supplies and materials     | 6,315               | 6,315               | 10,132              | (3,817)                |
| Total other student support      | <u>\$ 1,620,175</u> | <u>\$ 1,734,250</u> | <u>\$ 1,688,158</u> | <u>\$ 46,092</u>       |
| Total students                   | <u>\$ 1,960,452</u> | <u>\$ 2,073,715</u> | <u>\$ 2,015,286</u> | <u>\$ 58,429</u>       |

CITY OF CLEVELAND, TENNESSEE  
SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                   | Budgeted Amounts    |                     | Actual              | Variance               |
|-----------------------------------|---------------------|---------------------|---------------------|------------------------|
|                                   | Original            | Final               |                     | Positive<br>(Negative) |
| Expenditures - (Continued):       |                     |                     |                     |                        |
| Current - (Continued):            |                     |                     |                     |                        |
| Education - (Continued):          |                     |                     |                     |                        |
| Instructional staff:              |                     |                     |                     |                        |
| Regular instruction program :     |                     |                     |                     |                        |
| Supervisor                        | \$ 352,421          | \$ 363,887          | \$ 363,887          | \$ 0                   |
| Career ladder program             | 20,500              | 20,500              | 10,000              | 10,500                 |
| Librarians                        | 468,428             | 468,428             | 469,759             | (1,331)                |
| Materials supervisor              | 43,119              | 43,119              | 43,119              | 0                      |
| Secretaries                       | 132,374             | 132,374             | 132,374             | 0                      |
| Other salaries and wages          | 152,225             | 142,225             | 141,261             | 964                    |
| Social security                   | 71,639              | 71,639              | 67,488              | 4,151                  |
| State retirement                  | 126,040             | 126,040             | 128,672             | (2,632)                |
| Life insurance                    | 1,183               | 0                   | 0                   | 0                      |
| Medical insurance                 | 138,027             | 152,750             | 151,238             | 1,512                  |
| Employer medicare liability       | 16,754              | 16,754              | 15,783              | 971                    |
| Dues and subscriptions            | 4,000               | 4,000               | 1,684               | 2,316                  |
| Travel                            | 36,000              | 36,000              | 26,507              | 9,493                  |
| Other contracted services         | 8,500               | 11,938              | 19,953              | (8,015)                |
| Library books                     | 35,900              | 35,900              | 34,069              | 1,831                  |
| Other supplies and materials      | 21,650              | 21,650              | 14,981              | 6,669                  |
| In-service staff development      | 75,400              | 75,400              | 76,983              | (1,583)                |
| Other equipment                   | 3,500               | 3,500               | 9,721               | (6,221)                |
| Total regular instruction program | <u>\$ 1,707,660</u> | <u>\$ 1,726,104</u> | <u>\$ 1,707,479</u> | <u>\$ 18,625</u>       |
| Special education:                |                     |                     |                     |                        |
| Supervisor                        | \$ 87,806           | \$ 87,806           | \$ 87,806           | \$ 0                   |
| Career ladder program             | 1,000               | 1,000               | 1,000               | 0                      |
| Social security                   | 5,506               | 5,506               | 5,468               | 38                     |
| State retirement                  | 7,886               | 7,886               | 7,886               | 0                      |
| Life insurance                    | 29                  | 29                  | 29                  | 0                      |
| Medical insurance                 | 4,742               | 4,742               | 5,459               | (717)                  |
| Employer medicare liability       | 1,277               | 1,277               | 1,279               | (2)                    |
| Consultants                       | 500                 | 500                 | 0                   | 500                    |
| Travel                            | 1,500               | 1,500               | 3,990               | (2,490)                |
| Total special education           | <u>\$ 110,246</u>   | <u>\$ 110,246</u>   | <u>\$ 112,917</u>   | <u>\$ (2,671)</u>      |
| Vocational education:             |                     |                     |                     |                        |
| Supervisor                        | \$ 75,204           | \$ 75,204           | \$ 75,204           | \$ 0                   |
| Career ladder program             | 3,000               | 3,000               | 0                   | 3,000                  |
| Secretaries                       | 25,524              | 25,524              | 25,524              | 0                      |
| Social security                   | 6,432               | 6,432               | 6,005               | 427                    |
| State retirement                  | 11,204              | 11,204              | 10,920              | 284                    |

CITY OF CLEVELAND, TENNESSEE  
SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                     | Budgeted Amounts    |                     | Actual              | Variance               |
|-------------------------------------|---------------------|---------------------|---------------------|------------------------|
|                                     | Original            | Final               |                     | Positive<br>(Negative) |
| Expenditures - (Continued):         |                     |                     |                     |                        |
| Current - (Continued):              |                     |                     |                     |                        |
| Education - (Continued):            |                     |                     |                     |                        |
| Instructional staff - (Continued):  |                     |                     |                     |                        |
| Vocational education - (Continued): |                     |                     |                     |                        |
| Life insurance                      | \$ 72               | \$ 72               | \$ 72               | \$ 0                   |
| Medical insurance                   | 7,785               | 10,785              | 10,784              | 1                      |
| Employer medicare liability         | 1,504               | 1,504               | 1,404               | 100                    |
| Travel                              | 2,500               | 2,500               | 304                 | 2,196                  |
| Total vocational education          | <u>\$ 133,225</u>   | <u>\$ 136,225</u>   | <u>\$ 130,217</u>   | <u>\$ 6,008</u>        |
| Total instructional staff           | <u>\$ 1,951,131</u> | <u>\$ 1,972,575</u> | <u>\$ 1,950,613</u> | <u>\$ 21,962</u>       |
| General administration:             |                     |                     |                     |                        |
| Board of education:                 |                     |                     |                     |                        |
| Board and committee members fees    | \$ 52,800           | \$ 52,800           | \$ 52,800           | \$ 0                   |
| Social security                     | 3,274               | 3,274               | 3,274               | 0                      |
| Employer medicare                   | 765                 | 765                 | 765                 | 0                      |
| Other fringe benefits               | 740                 | 740                 | 0                   | 740                    |
| Audit services                      | 12,750              | 13,000              | 13,000              | 0                      |
| Dues and membership                 | 11,753              | 11,753              | 14,953              | (3,200)                |
| Legal services                      | 10,000              | 10,000              | 12,133              | (2,133)                |
| Liability insurance                 | 42,543              | 46,769              | 46,769              | 0                      |
| Premiums on corporate surety bonds  | 10,044              | 11,070              | 11,070              | 0                      |
| Trustee's commission                | 109,753             | 109,753             | 118,687             | (8,934)                |
| Worker's compensation insurance     | 142,083             | 171,786             | 171,786             | 0                      |
| Criminal investigation              | 8,000               | 8,000               | 4,992               | 3,008                  |
| Refund for criminal investigation   | 2,000               | 2,000               | 678                 | 1,322                  |
| Other charges                       | 32,000              | 32,000              | 28,486              | 3,514                  |
| Total board of education            | <u>\$ 438,505</u>   | <u>\$ 473,710</u>   | <u>\$ 479,393</u>   | <u>\$ (5,683)</u>      |
| Office of superintendent:           |                     |                     |                     |                        |
| Administrative officer              | \$ 130,754          | \$ 130,754          | \$ 130,754          | \$ 0                   |
| Assistants                          | 90,466              | 90,466              | 90,466              | 0                      |
| Career ladder program               | 1,000               | 1,000               | 1,000               | 0                      |
| Secretaries                         | 71,822              | 74,910              | 72,325              | 2,585                  |
| Other salaries and wages            | 7,200               | 7,200               | 7,200               | 0                      |
| Social security                     | 18,490              | 17,490              | 16,414              | 1,076                  |
| State retirement                    | 32,360              | 30,360              | 29,799              | 561                    |
| Life insurance                      | 195                 | 195                 | 195                 | 0                      |
| Medical insurance                   | 34,950              | 37,243              | 37,243              | 0                      |
| Employer medicare liability         | 4,324               | 4,324               | 4,200               | 124                    |
| Other fringe benefits               | 3,923               | 3,923               | 3,923               | 0                      |
| Communication                       | 120,000             | 90,000              | 85,155              | 4,845                  |

CITY OF CLEVELAND, TENNESSEE  
SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|   | Budgeted Amounts    |                     | Actual              | Variance<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|------------------------------------|
|   | Original            | Final               |                     |                                    |
| Expenditures - (Continued):                 |                     |                     |                     |                                    |
| Current - (Continued):                      |                     |                     |                     |                                    |
| Education - (Continued):                    |                     |                     |                     |                                    |
| General administration - (Continued):       |                     |                     |                     |                                    |
| Office of the superintendent - (Continued): |                     |                     |                     |                                    |
| Dues and memberships                        | \$ 2,500            | \$ 2,624            | \$ 3,005            | \$ (381)                           |
| Postal charges                              | 6,500               | 6,500               | 5,509               | 991                                |
| Travel                                      | 4,300               | 4,300               | 7,681               | (3,381)                            |
| Other contracted services                   | 24,600              | 24,600              | 21,943              | 2,657                              |
| Office supplies                             | 17,500              | 17,500              | 14,362              | 3,138                              |
| Other charges                               | 17,900              | 17,900              | 16,358              | 1,542                              |
| Administrative equipment                    | 5,000               | 5,000               | 5,479               | (479)                              |
| Total office of superintendent              | <u>\$ 593,784</u>   | <u>\$ 566,289</u>   | <u>\$ 553,011</u>   | <u>\$ 13,278</u>                   |
| Total general administration                | <u>\$ 1,032,289</u> | <u>\$ 1,039,999</u> | <u>\$ 1,032,404</u> | <u>\$ 7,595</u>                    |
| Office of the Principal:                    |                     |                     |                     |                                    |
| Principals                                  | \$ 670,408          | \$ 663,408          | \$ 662,461          | \$ 947                             |
| Career ladder program                       | 10,000              | 10,000              | 7,000               | 3,000                              |
| Assistant principals                        | 535,807             | 559,001             | 559,001             | 0                                  |
| Secretaries                                 | 314,399             | 314,399             | 314,514             | (115)                              |
| Clerical personnel                          | 25,930              | 25,930              | 25,930              | 0                                  |
| Social security                             | 95,264              | 95,264              | 92,851              | 2,413                              |
| State retirement                            | 164,801             | 164,801             | 163,041             | 1,760                              |
| Life insurance                              | 1,386               | 1,386               | 1,386               | 0                                  |
| Medical insurance                           | 150,988             | 165,823             | 165,823             | 0                                  |
| Employer medicare liability                 | 22,280              | 22,280              | 21,715              | 565                                |
| Dues and memberships                        | 2,825               | 2,825               | 1,911               | 914                                |
| Maintenance and repair services             | 1,925               | 1,925               | 0                   | 1,925                              |
| Postal charges                              | 7,435               | 7,135               | 5,269               | 1,866                              |
| Travel                                      | 5,100               | 5,100               | 907                 | 4,193                              |
| Other contracted services                   | 13,425              | 13,725              | 20,850              | (7,125)                            |
| Office supplies                             | 11,000              | 11,000              | 7,928               | 3,072                              |
| Other charges                               | 250                 | 250                 | 1,324               | (1,074)                            |
| Administrative equipment                    | 11,125              | 11,125              | 5,164               | 5,961                              |
| Total office of the principal               | <u>\$ 2,044,348</u> | <u>\$ 2,075,377</u> | <u>\$ 2,057,075</u> | <u>\$ 18,302</u>                   |
| Business administration:                    |                     |                     |                     |                                    |
| Bookkeepers                                 | \$ 176,508          | \$ 176,508          | \$ 173,608          | \$ 2,900                           |
| Social security                             | 10,945              | 10,822              | 9,419               | 1,403                              |
| State retirement                            | 29,459              | 27,459              | 26,870              | 589                                |
| Life insurance                              | 163                 | 163                 | 163                 | 0                                  |
| Medical insurance                           | 19,902              | 21,099              | 20,620              | 479                                |
| Employer medicare liability                 | 2,559               | 2,559               | 2,373               | 186                                |
| Data processing services                    | 11,918              | 12,844              | 12,845              | (1)                                |
| Travel                                      | 1,000               | 1,000               | 383                 | 617                                |
| Total business administration               | <u>\$ 252,454</u>   | <u>\$ 252,454</u>   | <u>\$ 246,281</u>   | <u>\$ 6,173</u>                    |

CITY OF CLEVELAND, TENNESSEE  
SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|   | Budgeted Amounts    |                     | Actual              | Variance               |
|---|---------------------|---------------------|---------------------|------------------------|
|   | Original            | Final               |                     | Positive<br>(Negative) |
| Expenditures - (Continued):                 |                     |                     |                     |                        |
| Current - (Continued):                      |                     |                     |                     |                        |
| Education - (Continued):                    |                     |                     |                     |                        |
| Operation and maintenance of plant:         |                     |                     |                     |                        |
| Operation of plant:                         |                     |                     |                     |                        |
| Custodial personnel                         | \$ 23,478           | \$ 23,478           | \$ 23,553           | \$ (75)                |
| Other salaries and wages                    | 81,145              | 81,145              | 81,145              | 0                      |
| Social security                             | 6,486               | 6,486               | 6,250               | 236                    |
| State retirement                            | 11,124              | 11,124              | 11,120              | 4                      |
| Life insurance                              | 84                  | 84                  | 84                  | 0                      |
| Medical insurance                           | 11,931              | 11,931              | 11,508              | 423                    |
| Employer medicare liability                 | 1,517               | 1,517               | 1,462               | 55                     |
| Janitorial services                         | 773,436             | 733,436             | 730,980             | 2,456                  |
| Operating lease payments                    | 52,951              | 52,951              | 0                   | 52,951                 |
| Rentals                                     | 6,000               | 7,200               | 7,800               | (600)                  |
| Other contracted services                   | 216,870             | 216,870             | 245,433             | (28,563)               |
| Electricity                                 | 1,052,422           | 1,052,422           | 975,907             | 76,515                 |
| Natural gas                                 | 151,349             | 140,349             | 88,414              | 51,935                 |
| Water and sewer                             | 149,593             | 144,873             | 133,117             | 11,756                 |
| Other supplies and materials                | 25,000              | 25,000              | 36,580              | (11,580)               |
| Boiler insurance                            | 8,036               | 8,855               | 8,855               | 0                      |
| Building and contents insurance             | 156,373             | 171,309             | 171,309             | 0                      |
| Other charges                               | 5,651               | 5,651               | 2,167               | 3,484                  |
| Total operation of plant                    | <u>\$ 2,733,446</u> | <u>\$ 2,694,681</u> | <u>\$ 2,535,684</u> | <u>\$ 158,997</u>      |
| Maintenance of plant:                       |                     |                     |                     |                        |
| Supervisor                                  | \$ 59,968           | \$ 59,968           | \$ 56,939           | \$ 3,029               |
| Maintenance personnel                       | 376,512             | 376,512             | 386,491             | (9,979)                |
| Other salaries and wages                    | 35,000              | 35,000              | 10,513              | 24,487                 |
| Social security                             | 28,930              | 28,930              | 25,971              | 2,959                  |
| State retirement                            | 72,849              | 72,849              | 64,165              | 8,684                  |
| Life insurance                              | 592                 | 592                 | 592                 | 0                      |
| Medical insurance                           | 80,877              | 87,268              | 87,268              | 0                      |
| Employer medicare liability                 | 6,836               | 6,836               | 6,074               | 762                    |
| Maintenance and repair services - building  | 90,140              | 133,140             | 104,397             | 28,743                 |
| Maintenance and repair services - equipment | 2,000               | 2,000               | 0                   | 2,000                  |
| Other contracted services                   | 86,000              | 101,000             | 113,428             | (12,428)               |
| Equipment and machinery parts               | 10,200              | 5,200               | 74                  | 5,126                  |
| Other supplies and materials                | 200,000             | 190,000             | 162,656             | 27,344                 |
| Other charges                               | 5,000               | 5,000               | 6,449               | (1,449)                |
| Maintenance equipment                       | 2,500               | 16,462              | 41,518              | (25,056)               |
| Total maintenance of plant                  | <u>\$ 1,057,404</u> | <u>\$ 1,120,757</u> | <u>\$ 1,066,535</u> | <u>\$ (54,222)</u>     |
| Total operation and maintenance             | <u>\$ 3,790,850</u> | <u>\$ 3,815,438</u> | <u>\$ 3,602,219</u> | <u>\$ 213,219</u>      |
| Transportation:                             |                     |                     |                     |                        |
| Supervisor                                  | \$ 33,695           | \$ 33,695           | \$ 33,695           | \$ 0                   |
| Mechanics                                   | 60,169              | 62,169              | 61,913              | 256                    |
| Bus drivers                                 | 454,206             | 454,206             | 493,492             | (39,286)               |

CITY OF CLEVELAND, TENNESSEE  
SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|                                 | Budgeted Amounts  |                     | Actual              | Variance               |
|---------------------------------|-------------------|---------------------|---------------------|------------------------|
|                                 | Original          | Final               |                     | Positive<br>(Negative) |
| Expenditures - (Continued):     |                   |                     |                     |                        |
| Current - (Continued):          |                   |                     |                     |                        |
| Education - (Continued):        |                   |                     |                     |                        |
| Transportation - (Continued)    |                   |                     |                     |                        |
| Social security                 | \$ 33,981         | \$ 33,981           | \$ 36,197           | \$ (2,216)             |
| State retirement                | 15,666            | 15,666              | 15,890              | (224)                  |
| Life insurance                  | 94                | 94                  | 94                  | 0                      |
| Medical insurance               | 14,837            | 18,513              | 18,513              | 0                      |
| Employer medicare               | 7,947             | 7,947               | 8,467               | (520)                  |
| Contracts with parents          | 1,000             | 1,000               | 0                   | 1,000                  |
| Medical and dental services     | 3,500             | 3,500               | 2,325               | 1,175                  |
| Travel                          | 1,100             | 1,100               | 813                 | 287                    |
| Other contracted services       | 22,500            | 22,500              | 9,385               | 13,115                 |
| Diesel fuel                     | 181,788           | 181,788             | 191,317             | (9,529)                |
| Gasoline                        | 20,000            | 20,000              | 19,366              | 634                    |
| Lubricants                      | 2,000             | 2,000               | 0                   | 2,000                  |
| Tires and tubes                 | 9,962             | 9,962               | 10,643              | (681)                  |
| Vehicle parts                   | 79,440            | 79,440              | 106,946             | (27,506)               |
| Other supplies and materials    | 2,000             | 2,000               | 1,258               | 742                    |
| Vehicle and equipment insurance | 45,202            | 49,812              | 49,812              | 0                      |
| Other charges                   | 1,550             | 15,550              | 1,373               | 14,177                 |
| Other equipment                 | 0                 | 20,940              | 12,620              | 8,320                  |
| Total transportation            | <u>\$ 990,637</u> | <u>\$ 1,035,863</u> | <u>\$ 1,074,119</u> | <u>\$ (38,256)</u>     |
| Food service:                   |                   |                     |                     |                        |
| Other salaries and wages        | \$ 57,150         | \$ 57,150           | \$ 57,150           | \$ 0                   |
| Social security                 | 3,543             | 3,543               | 3,472               | 71                     |
| State retirement                | 5,075             | 5,075               | 5,073               | 2                      |
| Life insurance                  | 47                | 47                  | 47                  | 0                      |
| Medical insurance               | 5,172             | 5,459               | 5,459               | 0                      |
| Employer medicare liability     | 829               | 829                 | 813                 | 16                     |
| Total food service              | <u>\$ 71,816</u>  | <u>\$ 72,103</u>    | <u>\$ 72,014</u>    | <u>\$ 89</u>           |
| Community services:             |                   |                     |                     |                        |
| Supervisor                      | \$ 55,597         | \$ 55,597           | \$ 55,597           | \$ 0                   |
| Other salaries and wages        | 162,228           | 162,228             | 184,946             | (22,718)               |
| Social security                 | 13,506            | 13,506              | 14,531              | (1,025)                |
| State retirement                | 4,937             | 4,937               | 5,612               | (675)                  |
| Life insurance                  | 34                | 34                  | 34                  | 0                      |
| Medical insurance               | 9,665             | 10,682              | 10,692              | (10)                   |
| Employer medicare liability     | 3,158             | 3,158               | 3,398               | (240)                  |
| Travel                          | 4,141             | 4,141               | 1,223               | 2,918                  |
| Other contracted services       | 20,000            | 20,000              | 20,146              | (146)                  |
| Food supplies                   | 30,000            | 30,000              | 9,339               | 20,661                 |
| Other supplies and materials    | 23,780            | 22,763              | 12,542              | 10,221                 |
| Refunds                         | 350               | 350                 | 0                   | 350                    |

CITY OF CLEVELAND, TENNESSEE  
SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|   | Budgeted Amounts |                | Actual         | Variance<br>Positive<br>(Negative) |
|---|------------------|----------------|----------------|------------------------------------|
|   | Original         | Final          |                |                                    |
| Expenditures - (Continued):                       |                  |                |                |                                    |
| Current - (Continued):                            |                  |                |                |                                    |
| Education - (Continued):                          |                  |                |                |                                    |
| Community services - (Continued):                 |                  |                |                |                                    |
| Other charges                                     | \$ 2,000         | \$ 2,000       | \$ 1,569       | \$ 431                             |
| Total community services                          | \$ 329,396       | \$ 329,396     | \$ 319,629     | \$ 9,767                           |
| Early Childhood Education:                        |                  |                |                |                                    |
| Contracts with other public agencies              | \$ 967,624       | \$ 1,013,604   | \$ 1,048,652   | \$ (35,048)                        |
| Total early childhood education                   | \$ 967,624       | \$ 1,013,604   | \$ 1,048,652   | \$ (35,048)                        |
| Total education                                   | \$ 38,355,245    | \$ 38,775,542  | \$ 38,334,017  | \$ 441,525                         |
| Debt Service                                      |                  |                |                |                                    |
| Principal on bonds                                | \$ 263,360       | \$ 263,360     | \$ 167,376     | \$ 95,984                          |
| Interest on bonds                                 | 167,786          | 167,786        | 18,878         | 148,908                            |
| Other debt service                                | 0                | 194,700        | 0              | 194,700                            |
| Total debt service                                | \$ 431,146       | \$ 625,846     | \$ 186,254     | \$ 439,592                         |
| Total expenditures                                | \$ 38,786,391    | \$ 39,401,388  | \$ 38,520,271  | \$ 881,117                         |
| Excess (deficiency) of revenues over expenditures | \$ (4,925,500)   | \$ (5,134,200) | \$ (4,476,670) | \$ 657,530                         |
| Other Financing Sources (Uses)                    |                  |                |                |                                    |
| Transfers in                                      | \$ 5,134,200     | \$ 5,134,200   | \$ 5,131,845   | \$ (2,355)                         |
| Transfers out                                     | 0                | 0              | (487,000)      | (487,000)                          |
| Total other financing sources(uses)               | \$ 5,134,200     | \$ 5,134,200   | \$ 4,644,845   | \$ (489,355)                       |
| Net change in fund balances                       | \$ 0             | \$ 0           | \$ 168,175     | \$ 168,175                         |
| Fund balance at beginning of year                 | 3,132,931        | 3,132,931      | 3,132,931      | 0                                  |
| Fund balance at end of year                       | \$ 3,132,931     | \$ 3,132,931   | \$ 3,301,106   | \$ 168,175                         |

CITY OF CLEVELAND, TENNESSEE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2013

|  | Enterprise Funds                            |  |   |                       | Internal<br>Service<br>Fund |
|--|---|--|---|-----------------------|-----------------------------|
|  | Cleveland<br>Utilities<br>Water<br>Division | Cleveland<br>Utilities<br>Electric<br>Division | Cleveland<br>Municipal<br>Airport<br>Fund | Total                 |                             |
| <b>ASSETS</b>  |   |  |   |                       |                             |
| <b>Current assets:</b>                                   |   |  |   |                       |                             |
| Cash and cash equivalents                                | \$ 6,354,878                                | \$ 4,810,588                                   | \$ 68,869                                 | \$ 11,234,335         | \$ 22,336                   |
| Cash and cash equivalents - restricted                   | 136   | 0  | 0   | 136                   | 0                           |
| Accounts receivable - net                                | 3,001,675                                   | 14,215,674                                     | 28,251                                    | 17,245,600            | 23,864                      |
| Due from other government agencies                       | 0   | 0  | 712,838                                   | 712,838               | 0                           |
| Inventories  | 310,079                                     | 1,669,965                                      | 52,757                                    | 2,032,801             | 213,324                     |
| Prepays  | 27,688                                      | 208,744  | 430,070                                   | 666,502               | 0                           |
| <b>Total current assets</b>                              | <b>\$ 9,694,456</b>                         | <b>\$ 20,904,971</b>                           | <b>\$ 1,292,785</b>                       | <b>\$ 31,892,212</b>  | <b>\$ 259,524</b>           |
| <b>Noncurrent assets:</b>                                |   |  |   |                       |                             |
| Receivable - conservation loans                          | \$ 0  | \$ 1,449,526                                   | \$ 0                                      | \$ 1,449,526          | \$ 0                        |
| Debt issue cost, being amortized                         | 383,343                                     | 115,096  | 8,350                                     | 506,789               | 0                           |
| Other assets   | 0   | 1,797,061                                      | 94,153                                    | 1,891,214             | 0                           |
| <b>Capital assets:</b>                                   |   |  |   |                       |                             |
| Land and construction in progress                        | 4,040,934                                   | 1,054,574                                      | 27,089,995                                | 32,185,503            | 108,291                     |
| Other capital assets, net of<br>accumulated depreciation | 104,639,845                                 | 69,879,082                                     | 13,784,287                                | 188,303,214           | 1,018,433                   |
| <b>Total noncurrent assets</b>                           | <b>\$ 109,064,122</b>                       | <b>\$ 74,295,339</b>                           | <b>\$ 40,976,785</b>                      | <b>\$ 224,336,246</b> | <b>\$ 1,126,724</b>         |
| <b>Total assets</b>                                      | <b>\$ 118,758,578</b>                       | <b>\$ 95,200,310</b>                           | <b>\$ 42,269,570</b>                      | <b>\$ 256,228,458</b> | <b>\$ 1,386,248</b>         |
| <b>LIABILITIES AND FUND EQUITY</b>                       |   |  |   |                       |                             |
| <b>Current liabilities:</b>                              |   |  |   |                       |                             |
| Accounts payable   | \$ 916,226                                  | \$ 10,323,474                                  | \$ 320,791                                | \$ 11,560,491         | \$ 11,538                   |
| Customer deposits  | 0   | 3,152,485                                      | 0   | 3,152,485             | 0                           |
| Due to other funds                                       | 0   | 100,000  | 5,881,642                                 | 5,981,642             | 0                           |
| Notes payable - current                                  | 222,356                                     | 0  | 78,000                                    | 300,356               | 0                           |
| Revenue bonds payable - current                          | 2,960,000                                   | 940,000  | 0   | 3,900,000             | 0                           |
| Other current liabilities                                | 1,864,706                                   | 1,246,534                                      | 0   | 3,111,240             | 0                           |
| <b>Total current liabilities</b>                         | <b>\$ 5,963,288</b>                         | <b>\$ 15,762,493</b>                           | <b>\$ 6,280,433</b>                       | <b>\$ 28,006,214</b>  | <b>\$ 11,538</b>            |
| <b>Noncurrent liabilities:</b>                           |   |  |   |                       |                             |
| Post-employment benefits payable                         | \$ 2,902,707                                | \$ 2,251,247                                   | \$ 0                                      | \$ 5,153,954          | \$ 0                        |
| Conservation advances from TVA                           | 0   | 1,488,869                                      | 0   | 1,488,869             | 0                           |
| Due to other funds                                       | 0   | 1,636,692                                      | 0   | 1,636,692             | 0                           |
| Notes payable  | 3,247,626                                   | 0  | 1,356,000                                 | 4,603,626             | 0                           |
| Revenue bonds payable<br>(net of unamortized discount)   | 38,531,707                                  | 11,820,158                                     | 0   | 50,351,865            | 0                           |
| <b>Total noncurrent liabilities</b>                      | <b>\$ 44,682,040</b>                        | <b>\$ 17,196,966</b>                           | <b>\$ 1,356,000</b>                       | <b>\$ 63,235,006</b>  | <b>\$ 0</b>                 |
| <b>Total liabilities</b>                                 | <b>\$ 50,645,328</b>                        | <b>\$ 32,959,459</b>                           | <b>\$ 7,636,433</b>                       | <b>\$ 91,241,220</b>  | <b>\$ 11,538</b>            |
| <b>NET POSITION</b>                                      |   |  |   |                       |                             |
| Invested in capital assets, net of<br>related debt       | \$ 63,719,226                               | \$ 58,173,498                                  | \$ 39,440,282                             | \$ 161,333,006        | \$ 1,126,724                |
| Unrestricted   | 4,394,024                                   | 4,067,353                                      | (4,807,145)                               | 3,654,232             | 247,986                     |
| <b>Total net position</b>                                | <b>\$ 68,113,250</b>                        | <b>\$ 62,240,851</b>                           | <b>\$ 34,633,137</b>                      | <b>\$ 164,987,238</b> | <b>\$ 1,374,710</b>         |

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

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

|  | Enterprise Funds                            |  |   |                       | Internal<br>Service<br>Fund |
|--|---|--|---|-----------------------|-----------------------------|
|  | Cleveland<br>Utilities<br>Water<br>Division | Cleveland<br>Utilities<br>Electric<br>Division | Cleveland<br>Municipal<br>Airport<br>Fund | Total                 |                             |
| <b>Operating Revenues:</b>                           |   |  |   |                       |                             |
| Charges for services                                 | \$ 21,097,904                               | \$ 94,707,658                                  | \$ 123,841                                | \$ 115,929,403        | \$ 624,283                  |
| Other operating revenues                             | 1,908,928                                   | 1,438,381                                      | 0   | 3,347,309             | 0                           |
| <b>Total operating revenues</b>                      | <b>\$ 23,006,832</b>                        | <b>\$ 96,146,039</b>                           | <b>\$ 123,841</b>                         | <b>\$ 119,276,712</b> | <b>\$ 624,283</b>           |
| <b>Operating Expenses:</b>                           |   |  |   |                       |                             |
| Power purchased                                      | \$ 0  | \$ 79,304,189                                  | \$ 0                                      | \$ 79,304,189         | \$ 0                        |
| Operation expenses                                   | 12,488,456                                  | 6,823,118                                      | 376,827                                   | 19,688,401            | 675,777                     |
| Maintenance expense                                  | 2,804,324                                   | 3,035,186                                      | 0   | 5,839,510             | 0                           |
| Depreciation and amortization                        | 5,093,470                                   | 3,584,496                                      | 186,727                                   | 8,864,693             | 32,931                      |
| <b>Total operating expenses</b>                      | <b>\$ 20,386,250</b>                        | <b>\$ 92,746,989</b>                           | <b>\$ 563,554</b>                         | <b>\$ 113,696,793</b> | <b>\$ 708,708</b>           |
| <b>Operating income (loss)</b>                       | <b>\$ 2,620,582</b>                         | <b>\$ 3,399,050</b>                            | <b>\$ (439,713)</b>                       | <b>\$ 5,579,919</b>   | <b>\$ (84,425)</b>          |
| <b>Non Operating Revenues (Expenses):</b>            |   |  |   |                       |                             |
| Interest income                                      | \$ 27,966                                   | \$ 27,756                                      | \$ 223                                    | \$ 55,945             | \$ 263                      |
| Interest expense                                     | (1,797,392)                                 | (447,343)                                      | (9,734)                                   | (2,254,469)           | 0                           |
| Plant cost recovered through<br>contributions        | 0   | (331,830)                                      | 0   | (331,830)             | 0                           |
| Other income (expense)                               | 0   | 43,272   | 1,825                                     | 45,097                | 0                           |
| <b>Total nonoperating revenues<br/>(expenses)</b>    | <b>\$ (1,769,426)</b>                       | <b>\$ (708,145)</b>                            | <b>\$ (7,686)</b>                         | <b>\$ (2,485,257)</b> | <b>\$ 263</b>               |
| <b>Income before contributions<br/>and transfers</b> | <b>\$ 851,156</b>                           | <b>\$ 2,690,905</b>                            | <b>\$ (447,399)</b>                       | <b>\$ 3,094,662</b>   | <b>\$ (84,162)</b>          |
| Capital contributions                                | 142,492                                     | 331,830  | 9,148,258                                 | 9,622,580             | 0                           |
| Transfers in   | 0   | 0  | 426,200                                   | 426,200               | 0                           |
| Transfers out  | (205,046)                                   | (1,837,680)                                    | 0   | (2,042,726)           | 0                           |
| <b>Change in net position</b>                        | <b>\$ 788,602</b>                           | <b>\$ 1,185,055</b>                            | <b>\$ 9,127,059</b>                       | <b>\$ 11,100,716</b>  | <b>\$ (84,162)</b>          |
| <b>Total net position - beginning</b>                | <b>67,324,648</b>                           | <b>61,055,796</b>                              | <b>25,506,078</b>                         | <b>153,886,522</b>    | <b>1,458,872</b>            |
| <b>Total net position - ending</b>                   | <b>\$ 68,113,250</b>                        | <b>\$ 62,240,851</b>                           | <b>\$ 34,633,137</b>                      | <b>\$ 164,987,238</b> | <b>\$ 1,374,710</b>         |

CITY OF CLEVELAND, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2013

|  | Enterprise Funds                            |  |   |                        | Internal<br>Service<br>Funds |
|--|---|--|---|------------------------|------------------------------|
|  | Cleveland<br>Utilities<br>Water<br>Division | Cleveland<br>Utilities<br>Electric<br>Division | Cleveland<br>Municipal<br>Airport<br>Fund | Total                  |                              |
| Cash flows from operating activities:                                      |   |  |   |                        |                              |
| Receipts from customers  | \$ 24,116,386                               | \$ 96,735,942                                  | \$ 95,677                                 | \$ 120,948,005         | \$ 625,652                   |
| Payments to suppliers  | (9,999,523)                                 | (82,357,338)                                   | (473,806)                                 | (92,830,667)           | (333,801)                    |
| Payments to employees for services   | (4,398,346)                                 | (7,162,252)                                    | (24,529)                                  | (11,585,127)           | (344,784)                    |
| Net cash provided by<br>(used in) operating activities                     | <u>\$ 9,718,517</u>                         | <u>\$ 7,216,352</u>                            | <u>\$ (402,658)</u>                       | <u>\$ 16,532,211</u>   | <u>\$ (52,933)</u>           |
| Cash flows from noncapital financing activities:                           |   |  |   |                        |                              |
| Interfund loan borrowing   | \$ 0  | \$ 0   | \$ 1,340,642                              | \$ 1,340,642           | \$ 0                         |
| Transfers out  | (205,046)                                   | (1,837,680)                                    | 0   | (2,042,726)            | 0                            |
| Net cash provided by<br>(used in) financing activities                     | <u>\$ (205,046)</u>                         | <u>\$ (1,837,680)</u>                          | <u>\$ 1,340,642</u>                       | <u>\$ (702,084)</u>    | <u>\$ 0</u>                  |
| Cash flows from capital and related financing activities:                  |   |  |   |                        |                              |
| Additions to plants  | \$ (9,824,618)                              | \$ (6,035,205)                                 | \$ (13,059,621)                           | \$ (28,919,444)        | \$ 0                         |
| Proceeds received for contributions<br>in aid of construction              | 142,492                                     | 331,830  | 10,306,039                                | 10,780,361             | 0                            |
| Proceeds from sale of assets   | 0   | 398,705  | 1,825                                     | 400,530                | 0                            |
| Removal cost   | 0   | (590,954)                                      | 0   | (590,954)              | 0                            |
| Salvage  | 77,927                                      | 201,177  | 0   | 279,104                | 0                            |
| Transfers in   | 0   | 0  | 426,200                                   | 426,200                | 0                            |
| Proceeds from issuance of debt   | 2,923,346                                   | 0  | 1,400,000                                 | 4,323,346              | 0                            |
| Payment of principal on long-term debt                                     | (3,121,629)                                 | (920,000)                                      | (75,000)                                  | (4,116,629)            | 0                            |
| Payment of interest on long-term debt                                      | (1,681,401)                                 | (429,258)                                      | (9,202)                                   | (2,119,861)            | 0                            |
| Debt issuance costs  | (22,500)                                    | 0  | 0   | (22,500)               | 0                            |
| Net cash provided by (used in) capital<br>and related financing activities | <u>\$ (11,506,383)</u>                      | <u>\$ (7,043,705)</u>                          | <u>\$ (1,009,759)</u>                     | <u>\$ (19,559,847)</u> | <u>\$ 0</u>                  |
| Cash flows from investing activities:                                      |   |  |   |                        |                              |
| Interest received  | \$ 27,966                                   | \$ 71,027                                      | \$ 223                                    | \$ 99,216              | \$ 263                       |
| Net cash provided by investing activities                                  | <u>\$ 27,966</u>                            | <u>\$ 71,027</u>                               | <u>\$ 223</u>                             | <u>\$ 99,216</u>       | <u>\$ 263</u>                |
| Net increase (decrease) in cash and<br>cash equivalents                    | \$ (1,964,946)                              | \$ (1,594,006)                                 | \$ (71,552)                               | \$ (3,630,504)         | \$ (52,670)                  |
| Cash and cash equivalents, beginning of year                               | 8,319,960                                   | 6,404,594                                      | 140,421                                   | 14,864,975             | 75,006                       |
| Cash and cash equivalents, end of year                                     | <u>\$ 6,355,014</u>                         | <u>\$ 4,810,588</u>                            | <u>\$ 68,869</u>                          | <u>\$ 11,234,471</u>   | <u>\$ 22,336</u>             |

CITY OF CLEVELAND, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2013

(Continued)

|   | Enterprise Funds                            |  |   |                      | Internal<br>Service<br>Funds |
|---|---|--|---|----------------------|------------------------------|
|   | Cleveland<br>Utilities<br>Water<br>Division | Cleveland<br>Utilities<br>Electric<br>Division | Cleveland<br>Municipal<br>Airport<br>Fund | Total                |                              |
| Reconciliation of operating income to net cash provided by operating activities:              |   |  |   |                      |                              |
| Operating income (loss)   | \$ 2,620,582                                | \$ 3,399,050                                   | \$ (439,713)                              | \$ 5,579,919         | \$ (84,425)                  |
| Adjustments to reconcile net operating revenues to net cash provided by operating activities: |   |  |   |                      |                              |
| Depreciation  | 5,219,317                                   | 3,750,529                                      | 186,727                                   | 9,156,573            | 32,931                       |
| Changes in operating assets and liabilities   |   |  |   |                      |                              |
| Accounts receivable   | 1,109,554                                   | 421,291  | (28,164)                                  | 1,502,681            | 1,369                        |
| Allowance for doubtful accounts   | 0   | (4,282)  | 0   | (4,282)              | 0                            |
| Inventories   | (46,882)                                    | 144,932  | (52,757)                                  | 45,293               | 2,510                        |
| Receivable from customers for conservation loans  | 0   | (2,956)  | 0   | (2,956)              | 0                            |
| Prepays   | 52,078                                      | (139,704)                                      | 0   | (87,626)             | 0                            |
| Other assets  | 0   | (8,719)  | (97,400)                                  | (106,119)            | 0                            |
| Accounts payable  | 271,677                                     | (768,796)                                      | 6,034                                     | (491,085)            | (5,318)                      |
| Customer deposits   | 0   | 171,567  | 0   | 171,567              | 0                            |
| Other current liabilities   | 492,191                                     | 259,470  | 22,615                                    | 774,276              | 0                            |
| Conservation loans  | 0   | (6,030)  | 0   | (6,030)              | 0                            |
| Net cash provided by operating activities   | <u>\$ 9,718,517</u>                         | <u>\$ 7,216,352</u>                            | <u>\$ (402,658)</u>                       | <u>\$ 16,532,211</u> | <u>\$ (52,933)</u>           |

This page left blank intentionally.

## **NOTES**

CITY OF CLEVELAND, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cleveland, Tennessee was incorporated in 1903 under the provisions of Chapter 307 of The Acts of 1903. The City operates under the Council-Manager form of government as authorized under Chapter 78 of the Private Acts of 1993 and amended by Chapter 165 of the Private Acts of 1994 as it relates to the operation of the school system. The City provides the following services as authorized by its charter: health, public safety, welfare and general government services.

The following is a summary of significant policies:

A. Reporting Entity

The financial statements of the City of Cleveland include those of separately administered organizations that have a significant operational or financial relationship with the City.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements as part of the primary government:

Cleveland Board of Education

The Board of Education consists of seven members. Members are elected to four-year terms. The Council levies taxes for the Board's operations and issues debt for its capital projects. The financial position and results of operations of the Board of Education are reported in the School Fund, School Federal Projects Fund, and School Food Services Fund as governmental fund types, and included as part of the primary government due to the fact that it is not considered to be legally separate.

Cleveland Board of Public Utilities

The Board of Public Utilities consists of five members appointed by the City Council. The City Council has authority over the Board, prescribes the rules and regulations to which the Board must comply, and must approve their budget and proposed changes in rates. The financial position and results of operations of the Board of Public Utilities are presented in the Cleveland Utilities Water Division and Cleveland Utilities Electric Division in the enterprise fund section. The activities of the Board of Public Utilities are includable as part of the primary government due to the fact that it is not considered to be legally separate.

Cleveland Public Library Board

The Board of Cleveland Public Library consists of seven members appointed by the City Council and the County Commission. The Board is fiscally dependent upon the City because the City Council approves the Library's budget and issues debt for its capital projects. The financial position and results of operations of the Cleveland Public Library Board are reported in the Library Fund as a governmental fund type and includable as part of the primary government due to the fact that it is not considered to be legally separate.

B. Government-wide and Fund Financial Statements

Government-wide Statements - The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenue, including all taxes, are presented as general revenue.

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

Proprietary fund operating revenues, such as charges for services, 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

School Fund. This fund is used to account for the revenues and expenditures of the City of Cleveland public school system. Funding for the school system is provided by federal and state grants as well as state and county taxes.

The City reports the following major enterprise funds:

Cleveland Utilities Water Division. This fund is used to account for the provision of water and wastewater services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, billing and collection and some service areas outside the corporate boundaries.

Cleveland Utilities Electric Division. This fund is used to account for the provision of electric service to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, financing, billing and collection and some service areas outside the corporate boundaries.

Cleveland Municipal Airport Authority Fund. This fund is used to account for grants and local funds used to meet the aviation needs of the community.

B. Government-wide and Fund Financial Statements - (Cont.)

Additionally, the government reports the following fund type:

Internal Service Fund. This fund is used to account for the maintenance of all vehicles owned by the City of Cleveland and various other government agencies.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water, wastewater and electric functions. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Measurement focus, Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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, gasoline taxes, wholesale beer taxes, income taxes, mixed drink taxes, gross receipts taxes and in-lieu of taxes are susceptible to accrual. Licenses and permits, fines and forfeitures, gross receipts taxes and excise taxes are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operation. The principal operating revenues of the City's enterprise funds and internal service fund are charges to customers for sales and services. Cleveland Utilities - Water Division also recognizes as operating revenue the portion of the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The effect of interfund activity has been eliminated from the government-wide financial statements.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three months or less, primarily with local financial institutions.

E. Investments

Investments are stated at fair value based on quoted market prices, except for non-negotiable certificates of deposit that are reported at cost, which approximates fair value. Legal provisions of the city charter require that all investments be properly insured or collateralized with a federal depository. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and pooled investment funds.

F. Receivables and Payables

Activity 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" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible. The reserve method is used to estimate the allowance for electric and water service receivables.

The City's property tax is levied each October 1, on the assessed value listed as of the prior January 1, for all real and personal property located in the City. City property tax revenues are recognized when levied to the extent they result in current receivables. Taxes not collected as of March 1 of the following year are considered delinquent and are subject to lien on April 1 of the succeeding year.

G. Inventories and Prepaid Items

Inventories are valued at cost, using the first-in, first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

H. Restricted Assets

Certain proceeds of the Cleveland Utilities - Water Division revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. They are represented mostly by cash and certificates of deposit. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., primary roads, secondary roads, drainage), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

I. Capital Assets - (Cont.)

Property plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

| Asset Class                      | Years |
|----------------------------------|-------|
| Infrastructure - Roads           | 50    |
| Infrastructure - Drainage        | 20    |
| Infrastructure - Detention Ponds | 40    |
| Buildings                        | 20-50 |
| Vehicles                         | 5     |
| Equipment                        | 5-10  |
| Other Improvements               | 25    |

Cleveland Utilities

| Electric Division                                 |       | Water Division                                    |       |
|---|-------|---|-------|
| Class   | Years | Class   | Years |
| Structures, transmission and distribution systems | 33-50 | Structures, transmission and distribution systems | 25-50 |
| Equipment   | 10-20 | Equipment   | 10-20 |
| Transportation equipment                          | 5     | Transportation equipment                          | 5     |

Cleveland Utilities uses a composite straight-line rate expressed as a percentage of average depreciable plant. The 2013 rates for the Electric Division and Water Divisions were 3.2% and 2.8% respectively. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its costs, together with the cost of removal less salvage, is charged to the reserve for depreciation. Replacements of property (exclusive of minor items of property) for Cleveland Utilities are charged to utility plant accounts.

Cleveland Utilities Electric and Water Divisions charge a portion of depreciation on certain transportation equipment to other expense classifications based on relative usage. Depreciation charged to other accounts was \$166,033 and \$125,847 for Cleveland Utilities Electric Division and Water Division respectively. The following schedule reconciles this allocation of depreciation expense:

|   | Reconciliation      |
|---|---------------------|
| Depreciation and amortization per statement of revenues, expenses and changes in net position | \$ 8,677,966        |
| Depreciation charged to clearing account  | 291,880             |
| Depreciation and amortization per statement of cash flows                                     | <u>\$ 8,969,846</u> |

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-term obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Net Position and Fund Equity

In the government-wide financial statements equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of June 30, 2013, outstanding bond proceeds totaled \$136.

Restricted net position - Consists of amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other amounts that do not meet the definition of restricted or invested in capital assets, net of related debt.

On the government-wide Statements of Net Position, the restricted equity consist of the following:

|   |                     |
|---|---------------------|
| Permanent fund principal for animal shelter | \$ 459,936          |
| Permanent principal for library             | 13,700              |
| Law enforcement - drug fund                 | 72,632              |
| Community development - federal grants      | 53,151              |
| Street maintenance - State funding          | 506,244             |
| Recycling - state grant                     | 4,000               |
| Education - federal grants                  | 111,184             |
| Capital outlay - federal grant              | 50,395              |
| Capital outlay - donor restriction          | 261,126             |
| Capital outlay - sales tax referendum       | 3,370,959           |
|   | <u>\$ 4,903,327</u> |

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications consist of the following:

Nonspendable Fund Balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

L. Net Position and Fund Equity - (Cont.)

Committed Fund Balance - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances by the City Council, the City's highest level of decision-making authority.

Assigned Fund Balance - includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The City Council is the authorized body to make assignments.

Unassigned Fund Balance - the residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When an expenditure is incurred for purposes of which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

M. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. The City holds budget hearings in mid March of each year with all department heads submitting requests. The operating budget includes proposed expenditures and the means of financing them. Also, a six-year capital budget is presented in conjunction with the operating budget.
2. At a later date, the City Manager makes a formal presentation to the Council for the finalized budget.
3. Prior to July 1, the budget and property tax rate are due for passage by ordinance.
4. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Expenditures may not exceed appropriations at the fund level.
5. Formal legally adopted budgets are employed as a management control device during the year for all funds except for Cleveland Utilities - Electric and Water Divisions. Budgeted amounts reflected in the accompanying final budget and actual comparison are as originally adopted and amended by the City Council.
6. All appropriations which are not expended lapse at year end.
7. During the year, supplementary appropriations were necessary. The effect of the amendments were to increase budgeted revenues by \$7,929,954, and increase budgeted expenditures by \$16,130,728. The increase in revenues is primarily from federal grants and tax revenue received by the City. The increase in budgeted expenditures is a result of the additional funding.

N. Subsequent Events

Management has evaluated events and transactions that occurred between June 30, 2013, and December 16, 2013, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Note 2 - DEPOSITS AND INVESTMENTS

At year end, all deposits of the City of Cleveland were covered by federal depository insurance or by collateral held by the State of Tennessee Collateral Pool for Public Deposits.

At year end, the government's investment balances, other than certificates of deposit, were held in the State of Tennessee Local Government Investment Pool. In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

|                                   | Investment Maturities |                     |                   |
|-----------------------------------|-----------------------|---------------------|-------------------|
|                                   | Fair Value            | Less than One Year  | One to Five Years |
| Certificates of Deposit           | \$ 819,921            | \$ 819,921          | \$ 0              |
| State Treasurer's investment pool | 376,969               | 376,969             | 0                 |
| Total investments                 | <u>\$ 1,196,890</u>   | <u>\$ 1,196,890</u> | <u>\$ 0</u>       |

Interest rate risk - In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the amount invested in long-term investments and bidding the amount of interest earned on checking accounts with area banks. Presently, the City earns one hundred percent of the federal funds rate on accounts. During fiscal year ended June 30, 2013, a total of \$135,501 was earned in interest income.

Credit risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2013, the City's investment in the State Treasurer's investment pool was rated AAA, by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City places no limit on the amount that may be invested with one issuer.

Custodial credit risk - Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City does not have a formal policy that limits custodial credit risk for investments.

Note 3 - RECEIVABLES

Receivables as of year end for the government's individual major funds, nonmajor, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

| Receivables | Inter-governmental   | Taxes                | Customer Accounts    | Other             | Allowance for Uncollectibles | Net Receivables      |
|-------------|----------------------|----------------------|----------------------|-------------------|------------------------------|----------------------|
| General     | \$ 3,300,619         | \$ 21,483,521        | \$ 0                 | \$ 587,664        | \$ (459,000)                 | \$ 24,912,804        |
| School      | 5,188,778            | 745,923              | 0                    | 0                 | (112,492)                    | 5,822,209            |
| Water       | 0                    | 0                    | 3,001,675            | 0                 | 0                            | 3,001,675            |
| Electric    | 0                    | 0                    | 14,366,225           | 0                 | (150,551)                    | 14,215,674           |
| Airport     | 712,838              | 0                    | 28,251               | 0                 | 0                            | 741,089              |
| Nonmajor    | 2,842,808            | 0                    | 23,864               | 212,679           | 0                            | 3,079,351            |
| Totals      | <u>\$ 12,045,043</u> | <u>\$ 22,229,444</u> | <u>\$ 17,420,015</u> | <u>\$ 800,343</u> | <u>\$ (722,043)</u>          | <u>\$ 51,772,802</u> |

Note 3 - RECEIVABLES - (Cont.)

Cleveland Utilities Electric and Water Divisions recognize revenues based on billings to customers on monthly meter-reading cycles and also an accrual for the estimate of unbilled revenue for service provided from the date of each meter reading to the end of the month.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

|   | Unavailable         | Unearned             | Total                |
|---|---------------------|----------------------|----------------------|
| Delinquent property taxes receivable (general fund) | \$ 1,595,452        | \$ 0                 | \$ 1,595,452         |
| Delinquent property taxes receivable (school fund)  | 144,568             | 0                    | 144,568              |
| Income tax (general fund)                           | 477,927             | 0                    | 477,927              |
| State beer tax (general fund)                       | 4,825               | 0                    | 4,825                |
| TVA - In-lieu of tax (general fund)                 | 117,892             | 0                    | 117,892              |
| Income tax (school fund)                            | 20,421              | 0                    | 20,421               |
| Sales tax - (sales tax capital projects fund)       | 1,327,838           | 0                    | 1,327,838            |
| 2013 Property tax levy (general fund)               | 0                   | 18,780,620           | 18,780,620           |
| 2013 County shared revenues (school fund)           | 0                   | 4,637,322            | 4,637,322            |
| Fees collected in advance (school food service)     | 0                   | 24,383               | 24,383               |
| Fees collected in advance (general fund)            | 0                   | 18,070               | 18,070               |
| <b>Total</b>  | <b>\$ 3,688,923</b> | <b>\$ 23,460,395</b> | <b>\$ 27,149,318</b> |

Note 4 - CAPITAL ASSETS

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

|  | Beginning<br>Balance   | Increases             | Decreases             | Ending<br>Balance      |
|--|------------------------|-----------------------|-----------------------|------------------------|
| <b>Governmental activities:</b>                    |                        |                       |                       |                        |
| Capital assets not being depreciated:              |                        |                       |                       |                        |
| Land   | \$ 9,216,970           | \$ 1,168,100          | \$ 0                  | \$ 10,385,070          |
| Construction in progress                           | 3,180,876              | 4,162,913             | (1,627,019)           | 5,716,770              |
| <b>Total capital assets not being depreciated</b>  | <b>\$ 12,397,846</b>   | <b>\$ 5,331,013</b>   | <b>\$ (1,627,019)</b> | <b>\$ 16,101,840</b>   |
| Capital assets, being depreciated:                 |                        |                       |                       |                        |
| Buildings  | \$ 103,975,292         | \$ 678,276            | \$ 0                  | \$ 104,653,568         |
| Improvements other than buildings                  | 7,084,791              | 1,821,178             | 0                     | 8,905,969              |
| Infrastructure                                     | 52,612,083             | 1,826,162             | 0                     | 54,438,245             |
| Furniture, fixtures, equipment and vehicles        | 28,021,884             | 1,570,408             | (775,918)             | 28,816,374             |
| <b>Total capital assets being depreciated</b>      | <b>\$ 191,694,050</b>  | <b>\$ 5,896,024</b>   | <b>\$ (775,918)</b>   | <b>\$ 196,814,156</b>  |
| Less accumulated depreciation for                  |                        |                       |                       |                        |
| Buildings  | (26,722,041)           | (2,131,782)           | 0                     | (28,853,823)           |
| Improvements other than buildings                  | (4,012,705)            | (269,352)             | 0                     | (4,282,057)            |
| Infrastructure                                     | (16,968,196)           | (1,207,767)           | 0                     | (18,175,963)           |
| Furniture, fixtures, equipment and vehicles        | (20,397,887)           | (1,682,277)           | 775,905               | (21,304,259)           |
| <b>Total accumulated depreciation</b>              | <b>\$ (68,100,829)</b> | <b>\$ (5,291,178)</b> | <b>\$ 775,905</b>     | <b>\$ (72,616,102)</b> |
| <b>Total capital assets being depreciated, net</b> | <b>\$ 123,593,221</b>  | <b>\$ 604,846</b>     | <b>\$ (13)</b>        | <b>\$ 124,198,054</b>  |
| <b>Governmental activities capital assets, net</b> | <b>\$ 135,991,067</b>  | <b>\$ 5,935,859</b>   | <b>\$ (1,627,032)</b> | <b>\$ 140,299,894</b>  |

Note 4 - CAPITAL ASSETS - (Cont.)

|   | Beginning<br>Balance    | Increases             | Decreases             | Ending<br>Balance       |
|---|-------------------------|-----------------------|-----------------------|-------------------------|
| <b>Business-type activities:</b>            |                         |                       |                       |                         |
| Capital assets not being depreciated:       |                         |                       |                       |                         |
| Land and land rights, easements             | \$ 27,110,574           | \$ 1,498,676          | \$ 0                  | \$ 28,609,250           |
| Construction work-in-progress               | 8,429,770               | 135,982               | (4,989,499)           | 3,576,253               |
| Total capital assets not being depreciated  | <u>\$ 35,540,344</u>    | <u>\$ 1,634,658</u>   | <u>\$ (4,989,499)</u> | <u>\$ 32,185,503</u>    |
| Capital assets being depreciated:           |                         |                       |                       |                         |
| Plant in service                            | \$ 294,157,419          | \$ 20,328,975         | \$ (1,625,144)        | \$ 312,861,250          |
| Other improvements                          | 0                       | 10,097,776            | 0                     | 10,097,776              |
| Equipment                                   | 402,462                 | 705,154               | 0                     | 1,107,616               |
| Total capital assets being depreciated      | <u>\$ 294,559,881</u>   | <u>\$ 31,131,905</u>  | <u>\$ (1,625,144)</u> | <u>\$ 324,066,642</u>   |
| Less accumulated depreciation for           |                         |                       |                       |                         |
| Plant in service                            | \$ (127,981,575)        | \$ (9,041,514)        | \$ 1,625,144          | \$ (135,397,945)        |
| Other improvements                          | 0                       | (115,491)             | 0                     | (115,491)               |
| Equipment                                   | (228,855)               | (21,137)              | 0                     | (249,992)               |
| Total accumulated depreciation              | <u>\$ (128,210,430)</u> | <u>\$ (9,178,142)</u> | <u>\$ 1,625,144</u>   | <u>\$ (135,763,428)</u> |
| Total capital assets being depreciated, net | <u>\$ 166,349,451</u>   | <u>\$ 21,953,763</u>  | <u>\$ 0</u>           | <u>\$ 188,303,214</u>   |
| Business-type activities capital assets     | <u>\$ 201,889,795</u>   | <u>\$ 23,588,421</u>  | <u>\$ (4,989,499)</u> | <u>\$ 220,488,717</u>   |

Depreciation expense was charged to governmental functions as follows:

|   |                     |
|---|---------------------|
| General government  | \$ 80,674           |
| Community development   | 41,027              |
| Public safety   | 802,403             |
| Public works  | 1,331,561           |
| Health and welfare  | 13,897              |
| Culture and recreation  | 625,149             |
| Education   | 2,363,536           |
| Capital assets held by the government's internal service fund are charged to various functions based on usage | <u>32,931</u>       |
| Total depreciation expense - governmental activities  | <u>\$ 5,291,178</u> |

Note 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from other funds:

| <u>Receivable Fund</u>             | <u>Payable Fund</u>            | <u>Amount</u>       |
|------------------------------------|--------------------------------|---------------------|
| General fund                       | Nonmajor governmental          | \$ 76,801           |
| Spring Branch Industrial Park Fund | Cleveland Utilities - Electric | 1,736,692           |
| General fund                       | Cleveland Municipal Airport    | 5,881,642           |
|                                    |                                | <u>\$ 7,695,135</u> |

Of the total interfund receivable/payable balances, \$6,058,443, is expected to be repaid within one year. Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

Note 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - (Cont.)

| Transfers out:                 | Transfers in:       |                     |                       |                                  | Totals               |
|--------------------------------|---------------------|---------------------|-----------------------|----------------------------------|----------------------|
|                                | General Fund        | School Fund         | Nonmajor Governmental | Cleveland Municipal Airport Fund |                      |
| General fund                   | \$ 0                | \$ 5,120,000        | \$ 6,661,702          | \$ 426,200                       | \$ 12,207,902        |
| School fund                    | 0                   | 0                   | 487,000               | 0                                | 487,000              |
| Cleveland Utilities - Electric | 1,837,680           | 0                   | 0                     | 0                                | 1,837,680            |
| Cleveland Utilities - Water    | 205,046             | 0                   | 0                     | 0                                | 205,046              |
| Nonmajor Governmental          | 0                   | 11,845              | 393,099               | 0                                | 404,944              |
|                                | <u>\$ 2,042,726</u> | <u>\$ 5,131,845</u> | <u>\$ 7,541,801</u>   | <u>\$ 426,200</u>                | <u>\$ 15,142,572</u> |

Note 6 - LONG-TERM DEBT

Capital Leases

The City has entered into two lease agreements as lessee for financing improvements to the school system to upgrade the lighting systems in its facilities. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future lease payments as of the inception date. Future payments are as follows:

| Fiscal Year<br>Ending June 30, | Principal         | Interest         | Requirements      |
|--------------------------------|-------------------|------------------|-------------------|
| 2014                           | \$ 151,850        | \$ 32,174        | \$ 184,024        |
| 2015                           | 161,551           | 22,472           | 184,023           |
| 2016                           | 169,259           | 14,765           | 184,024           |
| 2017                           | 46,262            | 6,688            | 52,950            |
| 2018                           | 48,226            | 4,725            | 52,951            |
| 2019-2023                      | 76,203            | 3,223            | 79,426            |
|                                | <u>\$ 653,351</u> | <u>\$ 84,047</u> | <u>\$ 737,398</u> |

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have also been issued to refund older issues of general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with increasing amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

| Purpose                             | Interest Rates | Amount               |
|-------------------------------------|----------------|----------------------|
| Governmental activities             | 4.00-5.00%     | \$ 5,250,000         |
| Governmental activities - refunding | 2.00-5.00%     | 31,895,000           |
|                                     |                | <u>\$ 37,145,000</u> |

General Obligation Bonds - (Cont.)

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Fiscal Year<br>Ending June 30, | Principal            | Interest             | Total<br>Requirements |
|--------------------------------|----------------------|----------------------|-----------------------|
| 2014                           | \$ 1,660,000         | \$ 1,486,606         | \$ 3,146,606          |
| 2015                           | 1,785,000            | 1,433,931            | 3,218,931             |
| 2016                           | 1,865,000            | 1,370,806            | 3,235,806             |
| 2017                           | 1,975,000            | 1,309,481            | 3,284,481             |
| 2018                           | 2,075,000            | 1,241,481            | 3,316,481             |
| 2019-2023                      | 11,785,000           | 4,912,974            | 16,697,974            |
| 2024-2028                      | 10,965,000           | 2,449,757            | 13,414,757            |
| 2029-2033                      | 4,650,000            | 697,532              | 5,347,532             |
| 2034-2038                      | 385,000              | 42,875               | 427,875               |
|                                | <u>\$ 37,145,000</u> | <u>\$ 14,945,443</u> | <u>\$ 52,090,443</u>  |

Revenue Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

The revenue bonds are collateralized as to payment of principal and interest by a pledge of sufficient revenues, after deduction of all current operating expenses, to meet principal and interest payments when due. In the event of a deficiency of revenues, the full faith, credit and resources of the City of Cleveland are irrevocably pledged for the prompt payment of principal and interest when due. Revenue bonds currently outstanding are as follows:

| Purpose                                 | Interest Rates | Amount        |
|---|----------------|---------------|
| Cleveland Utilities - Water Division    | 1.00-5.75%     | \$ 42,265,000 |
| Cleveland Utilities - Electric Division | 1.00-5.75%     | 12,790,000    |

Debt service requirements to maturity for revenue bonds of Cleveland Utilities for the fiscal year ended June 30, 2013, are as follows:

| Fiscal Year<br>Ending June 30, | Principal            | Interest             | Total<br>Requirements |
|--------------------------------|----------------------|----------------------|-----------------------|
| 2014                           | \$ 3,900,000         | \$ 1,969,190         | \$ 5,869,190          |
| 2015                           | 3,945,000            | 1,861,276            | 5,806,276             |
| 2016                           | 3,965,000            | 1,754,342            | 5,719,342             |
| 2017                           | 4,075,000            | 1,633,687            | 5,708,687             |
| 2018                           | 4,020,000            | 1,504,414            | 5,524,414             |
| 2019-2023                      | 17,510,000           | 5,590,998            | 23,100,998            |
| 2024-2028                      | 12,170,000           | 2,519,684            | 14,689,684            |
| 2029-2033                      | 3,685,000            | 755,204              | 4,440,204             |
| 2034-2038                      | 1,785,000            | 199,281              | 1,984,281             |
|                                | <u>\$ 55,055,000</u> | <u>\$ 17,788,076</u> | <u>\$ 72,843,076</u>  |

Notes Payable

Principal requirements to maturity for notes payable accounted for in the governmental activities for the fiscal year ended June 30, 2013, are as follows:

| Fiscal Year<br>Ending June 30, | Total                |                      |                      |
|--------------------------------|----------------------|----------------------|----------------------|
|                                | Principal            | Interest             | Requirements         |
| 2014                           | \$ 1,380,191         | \$ 1,502,986         | \$ 2,883,177         |
| 2015                           | 1,371,337            | 1,456,868            | 2,828,205            |
| 2016                           | 1,393,906            | 1,409,350            | 2,803,256            |
| 2017                           | 1,392,577            | 1,360,222            | 2,752,799            |
| 2018                           | 1,414,577            | 1,310,427            | 2,725,004            |
| 2019-2023                      | 7,817,886            | 5,751,717            | 13,569,603           |
| 2024-2028                      | 12,249,758           | 3,823,801            | 16,073,559           |
| 2029-2033                      | 7,807,000            | 583,872              | 8,390,872            |
|                                | <u>\$ 34,827,232</u> | <u>\$ 17,199,243</u> | <u>\$ 52,026,475</u> |

Principal requirements to maturity for notes payable accounted for in the business-type activities for the fiscal year ended June 30, 2013, are as follows:

| Fiscal Year<br>Ending June 30, | Total               |                     |                     |
|--------------------------------|---------------------|---------------------|---------------------|
|                                | Principal           | Interest            | Requirements        |
| 2014                           | \$ 300,356          | \$ 215,015          | \$ 515,371          |
| 2015                           | 305,099             | 203,652             | 508,751             |
| 2016                           | 308,858             | 192,114             | 500,972             |
| 2017                           | 312,633             | 180,438             | 493,071             |
| 2018                           | 317,424             | 168,628             | 486,052             |
| 2019-2023                      | 1,655,587           | 630,168             | 2,285,755           |
| 2024-2028                      | 1,655,053           | 338,283             | 1,993,336           |
| 2029-2033                      | 875,626             | 78,565              | 954,191             |
|                                | <u>\$ 5,730,636</u> | <u>\$ 2,006,863</u> | <u>\$ 7,737,499</u> |

|                                 | Beginning<br>Balance | Additions           | Reductions            | Ending<br>Balance    | Due Within<br>One Year |
|---------------------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|
| <b>Governmental activities:</b> |                      |                     |                       |                      |                        |
| General obligation bonds        | \$ 39,095,000        | \$ 0                | \$ (1,950,000)        | \$ 37,145,000        | \$ 1,660,000           |
| Notes payable                   | 29,428,344           | 5,260,075           | (701,977)             | 33,986,442           | 1,380,191              |
| Capital leases                  | 692,527              | 0                   | (39,176)              | 653,351              | 151,850                |
| Compensated absences            | 1,699,962            | 1,417,010           | (1,438,921)           | 1,678,051            | 134,244                |
| Postemployment benefits         | 9,755,232            | 3,054,540           | (853,531)             | 11,956,241           | 0                      |
| Derivative - interest rate swap | 7,252,080            | 0                   | (2,102,418)           | 5,149,662            | 0                      |
| Less bond discount/premium      | 212,384              | 0                   | (20,027)              | 192,357              | 0                      |
| Less deferred charges           | (416,313)            | 0                   | 33,558                | (382,755)            | 0                      |
| Total                           | <u>\$ 87,719,216</u> | <u>\$ 9,731,625</u> | <u>\$ (7,072,492)</u> | <u>\$ 90,378,349</u> | <u>\$ 3,326,285</u>    |

|                                  | Beginning<br>Balance | Additions           | Reductions            | Ending<br>Balance    | Due Within<br>One Year |
|----------------------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|
| <b>Business-type activities:</b> |                      |                     |                       |                      |                        |
| Revenue bonds                    | \$ 58,875,000        | \$ 0                | \$ (3,820,000)        | \$ 55,055,000        | \$ 3,900,000           |
| Notes payable                    | 109,000              | 4,323,346           | (262,500)             | 4,169,846            | 265,500                |
| State revolving loan fund        | 768,265              | 0                   | (34,130)              | 734,135              | 34,856                 |
| Conservation advances            | 1,762,424            | 361,079             | (367,109)             | 1,756,394            | 267,525                |
| Postemployment benefits          | 4,127,429            | 1,552,493           | (525,968)             | 5,153,954            | 0                      |
| Less bond discount/premiums      | 143,189              | 0                   | (11,500)              | 131,689              | 0                      |
| Less deferred charges            | (1,049,217)          | 0                   | 114,394               | (934,823)            | 0                      |
|                                  | <u>\$ 64,736,090</u> | <u>\$ 6,236,918</u> | <u>\$ (4,906,813)</u> | <u>\$ 66,066,195</u> | <u>\$ 4,467,881</u>    |

Compensated absences, postemployment benefit obligations and pension benefit obligations are generally liquidated by the general fund, school fund, school federal projects fund, school food service fund, library fund, state street aid fund, and solid waste management fund.

On April 18, 2012, the Public Building Authority of the City of Clarksville, Tennessee, issued \$1,006,000, in aggregate principal amount of Local Government Public Improvement Bonds, Adjustable Rate Series 2012 for the purpose of making a loan to the City of Cleveland, Tennessee. The proceeds of this loan are being used to finance the costs of improving infrastructure along Durkee Road. The loan matures May 25, 2027, and bears interest at a weekly variable rate. As of June 30, 2013, the City had drawn down \$905,135 of the \$1,006,000 loan proceeds.

On September 20, 2013, the City of Cleveland on behalf of the Water Division of Cleveland Utilities entered into a loan agreement with the Public Building Authority of the City of Clarksville, TN for a loan in the amount of \$3,750,000 for the purpose of making extensions and improvements to the water system. The variable rate loan was obtained through the Tennessee Municipal League Bond Fund and is amortized over 20 years. As of June 30, 2013, \$2,923,345, of the loan proceeds have been drawn down. The remaining balance of \$826,655, will be received in fiscal year ending June 30, 2014.

On December 13, 2012 the City issued \$6,000,000, in variable rate notes that will mature through May 25, 2028. The City issued these notes in conjunction with the Cleveland Utilities Board, Bradley County, and the local Industrial Development Board to purchase an undeveloped tract of land off of APD-40 within the city limits of Cleveland, Tennessee. The land will become an industrial park when developed. The City, Bradley County and Cleveland Utilities, with the approval of the Tennessee Valley Authority, have agreed to fund 1/3 of the \$6 million acquisition and improvement costs. The City issued the notes and will report the total debt liability. Bradley County will make intergovernmental payments to the City to cover 1/3 of the debt service. Cleveland Utilities has recorded a due to/due from with the City, and will repay their share of the note as it becomes due. The land is titled to the Industrial Development Board. As of June 30, 2013, \$5,260,038, of the loan proceeds have been drawn down.

#### Interest Rate Swap - Notes Payable

The City is a party to an interest rate swap agreement which is considered a derivative instrument. All derivatives must be tested for effectiveness to qualify for hedge accounting. The tests are outlined in GASB 53. Depending on the test results, the changes in fair value are either reported on the statement of net position as a deferral, or in the statement of activities as investment revenue or loss.

The City engaged an independent party to perform the valuations and required tests on the swaps. Both of the City's swaps qualify for hedge accounting under GASB 53, therefore all cumulative changes in fair value, as of June 30, 2013 all swap liabilities, are offset by a corresponding deferred outflow asset on the statement of net position.

Interest Rate Swap - Notes Payable - (Cont.)

All pay-fixed swap transactions are associated with variable debt. Combining a pay-fixed receive-variable rate swap with variable debt results in what is termed "synthetic" fixed rate debt. It is called synthetic because the economics are similar to fixed rate debt, but another instrument is involved unlike regular fixed rate debt. Each time the City created synthetic fixed rate debt, a comparison and determination was made that the fixed rate on regular debt would have been higher than the fixed rate on the swap.

For all swaps, there are two main strategies the City pursues with respect to each transaction. Each swap can achieve one or more of these strategies. Then as a result of execution of the derivative, its value will change with respect to how prevailing rates on each reporting period compare to when the derivative was put in place. The accumulated changes in fair value, or total fair value of all the derivatives are a function of how prevailing interest rates and other market factors affect each transaction at each reporting period. Pursuant to GASB 53, each swap transaction is then evaluated to determine what type of accounting treatment to apply.

(i) Mitigate the effect of fluctuations in variable interest rates. The primary function of the swaps is for the City to pay a fixed rate, and receive a floating rate. In an interest rate environment whose level is generally higher than the rate at which the City is fixed, the swap would result in a positive value to the City. Correspondingly, a lower rate environment than the fixed rate would result in a negative value to the City. The value primarily depends on the overall level of interest rates on the reporting date compared to what the City pays. The overall level of long term interest rates from period to period is the primary driver of changes in value recorded from the investment derivatives where the City pays fixed and receives a floating rate. Interest rates have trended lower since inception of the pay fixed swaps, therefore, the mark-to-market value is generally more negative to the City.

(ii) Reduce interest expense from expected benefit resulting from the difference between tax-exempt and taxable rates. This is a function of swaps where the City receives 70% of 3-Month LIBOR when hedging tax-exempt variable debt, with the expectation of receiving an ongoing net benefit from paying a lower fixed rate at the time of putting on the swap transaction. The historical average ratio of 3-Month LIBOR (short-term taxable rates) versus tax-exempt rates, a direct function of tax rates, is approximately 70%, but the ratio of long-term taxable rates and long-term tax-exempt rates is normally significantly higher than 70%. Therefore, the fixed rate payable in exchange for a smaller percentage of LIBOR will be significantly less than a long-term tax-exempt fixed rate. This reduction in fixed rate is the value of the benefit, the risk being tax rates change over the life of the percentage of LIBOR swap, or the variable rates on the City's hedged bonds do not closely match the percentage of LIBOR variable rate on the swap. The value of such a swap is determined by the prevailing level of taxable interest rates, with no reference to tax-exempt interest rates.

The following table provides a summary of the basic terms of the swap agreements as of June 30, 2013.

| Associated Bonds | Current Notional | Effective Date | Maturity Date | Rate Paid | Rate Received  | Fair Value    | Bank Counterparty                       | Counterparty Ratings<br>Moody's/S&P/Fitch |
|------------------|------------------|----------------|---------------|-----------|----------------|---------------|---|---|
| Series E-9-A     | \$ 11,175,000    | 1/29/10        | 6/1/2030      | 4.4300%   | 70% of 3-Month | (\$3,219,197) | Deutsche Bank<br>AG -New<br>York Branch | A2/A+/A+                                  |
| Series E-9-A     | \$ 10,000,000    | 2/02/10        | 6/1/2025      | 4.4250%   | 70% of 3-Month | (\$1,930,465) | Deutsche Bank<br>AG -New<br>York Branch | A2/A+/A+                                  |

Under its loan agreement, the Public Building Authority of Blount County, TN (the "Authority"), and the Public Building Authority of Sevier County, TN (the "Authority"), at the request of the City, entered into interest rate swap agreements for Series A-2-A, and IV-C-3. The Series A-2-A and the Series IV-C-3 notes have since been refunded with a portion of the proceeds of the E-9-A notes, and the interest rate swaps are now associated with the Series E-9-A notes.

Interest Rate Swap - Notes Payable - (Cont.)

In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authorities, on its behalf, to enter into interest rate swaps in connection with its \$10 million Series IV-C-3, and its \$11.175 million Series A-2-A variable rate notes. The intention of the swaps was to effectively change the City's variable interest rate on the notes to a synthetic fixed rate.

Under the swaps, the Authorities pays the counterparty a fixed payment of 4.425 percent (IV-C-3), and 4.430 percent (A-2-A) and receives a payment computed as 70.0 percent of the three-month London Interbank Offered Rate (LIBOR). At no time will the notional amount on interest rate swap agreements exceed the outstanding principal of the Series E-9-A notes. The notes variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the "SIFMA"). The notes mature and the related swap agreements mature on June 1, 2025 (Series IV-C-3) and June 1, 2030 (Series A-2-A). As of June 30, 2013, rates were as follows:

| Interest rate swap                 | IV-C-3         | A-2-A          |
|------------------------------------|----------------|----------------|
| Fixed payment to counterparty      | 4.425 %        | 4.430 %        |
| Variable payment from counterparty | (1.010)        | (1.010)        |
| Net interest rate swap payment     | 3.415 %        | 3.420 %        |
| Variable-rate note payments        | 0.070          | 0.070          |
| Synthetic interest rate on notes   | <u>3.485 %</u> | <u>3.490 %</u> |

As of June 30, 2013, the swaps had a negative fair value of \$1,930,465, (IV-C-3) and \$3,219,197, (A-2-A). The negative fair value of the swaps may be countered by reductions in total interest payments required under the variable-rate notes, creating lower synthetic rates. Because the rates on the government's variable-rate notes adjust to changing interest rates, the notes do not have a corresponding fair value increase. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swaps, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

The City was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swaps counterparty was unrated at the time of the swaps.

As noted above, the swaps expose the City to basis risk should the rate on the notes increase to above 63.5% of LIBOR, thus increasing the synthetic rate on the notes. If a change occurs that results in the rate on the notes to be below 63.5% of LIBOR, then the synthetic rate on the notes will decrease.

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision". The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

Note 6 - LONG-TERM DEBT - (Cont.)

Interest Rate Swap - Notes Payable - (Cont.)

As of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

| Fiscal Year<br>Ending<br>June 30, | Series IV-C-3       |                  | Net                           |                      |
|-----------------------------------|---------------------|------------------|-------------------------------|----------------------|
|                                   | Principal           | Interest         | Interest Rate<br>Swap Payment | Total                |
| 2014                              | \$ 505,000          | \$ 6,839         | \$ 333,680                    | \$ 845,519           |
| 2015                              | 530,000             | 6,486            | 316,432                       | 852,918              |
| 2016                              | 575,000             | 6,115            | 298,331                       | 879,446              |
| 2017                              | 575,000             | 5,712            | 278,693                       | 859,405              |
| 2018                              | 575,000             | 5,310            | 259,054                       | 839,364              |
| 2019-2023                         | 3,270,000           | 20,188           | 984,987                       | 4,275,175            |
| 2024-2025                         | 3,740,000           | 4,631            | 225,925                       | 3,970,556            |
|                                   | <u>\$ 9,770,000</u> | <u>\$ 55,281</u> | <u>\$ 2,697,102</u>           | <u>\$ 12,522,383</u> |

| Fiscal Year<br>Ending<br>June 30, | Series A-2-A         |                   | Net                           |                      |
|-----------------------------------|----------------------|-------------------|-------------------------------|----------------------|
|                                   | Principal            | Interest          | Interest Rate<br>Swap Payment | Total                |
| 2014                              | \$ 0                 | \$ 7,823          | \$ 382,224                    | \$ 390,047           |
| 2015                              | 0                    | 7,823             | 382,224                       | 390,047              |
| 2016                              | 0                    | 7,823             | 382,224                       | 390,047              |
| 2017                              | 0                    | 7,823             | 382,224                       | 390,047              |
| 2018                              | 0                    | 7,823             | 382,224                       | 390,047              |
| 2019-2023                         | 0                    | 39,113            | 1,911,121                     | 1,950,234            |
| 2024-2028                         | 3,810,000            | 38,808            | 1,896,242                     | 5,745,050            |
| 2029-2030                         | 7,365,000            | 7,809             | 381,540                       | 7,754,349            |
|                                   | <u>\$ 11,175,000</u> | <u>\$ 124,845</u> | <u>\$ 6,100,023</u>           | <u>\$ 17,399,868</u> |

Note 7 - RESTRICTED ASSETS

Cleveland Utilities' restricted assets are represented by cash, certificates of deposit, and unexpended bond proceeds and are presented as required under the terms of bond indentures and resolutions.

Note 8 - JOINT VENTURES

The City of Cleveland together with Bradley County and the City of Charleston, have created the Cleveland Bradley Communications Center (CBCC) to combine Emergency 911 services that were operated separately by each government. The CBCC board consists of ten ex-officio members including: the County Mayor, the City of Cleveland Mayor, the City of Charleston Police Chief, the County Sheriff, the Cleveland Police Chief, the Cleveland Fire Chief, the Director of Emergency Medical Services, the Director of the Emergency Management Agency, Cleveland City Manager and Bradley County Fire Chief, along with three persons appointed by the County Mayor with the approval of the County Commission and the City of Cleveland Council. The City has constructed a building and purchased equipment for the CBCC at a total cost of \$1,311,046. The City is financing this endeavor through loans from bond proceeds issued by the Public Building Authority of Sevier County, Tennessee. The City is receiving impact payments from the CBCC equal to the debt service requirements. Separate financial statements are issued for the CBCC and may be obtained by writing to the CBCC, Guthrie Drive, Cleveland, Tennessee 37312.

Note 9 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds, notes payable, compensated absences and interest payable are not due and payable in the current period and therefore are not reported in the funds." The details of this \$84,622,979, are as follows:

|                          |                      |
|--------------------------|----------------------|
| Bonds payable            | \$ 37,145,000        |
| Notes payable            | 33,986,442           |
| Capital leases           | 653,351              |
| Compensated absences     | 1,678,051            |
| Postemployment benefits  | 11,956,241           |
| Interest payable         | 123,892              |
| Premium on bonds payable | 192,357              |
| Bond issuance costs      | (729,600)            |
| Unamortized bond costs   | <u>(382,755)</u>     |
| Net adjustment           | <u>\$ 84,622,979</u> |

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$4,341,770, difference are as follows:

|                      |                     |
|----------------------|---------------------|
| Capital outlay       | \$ 9,600,018        |
| Depreciation expense | <u>(5,258,248)</u>  |
| Net adjustment       | <u>\$ 4,341,770</u> |

Another element of that reconciliation states that "Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position." The details of this \$2,691,153, difference are as follows:

|                          |                     |
|--------------------------|---------------------|
| Principal repayments:    |                     |
| General Obligation Bonds | \$ 1,950,000        |
| Notes Payable            | 701,977             |
| Capital leases payable   | <u>39,176</u>       |
| Net adjustment           | <u>\$ 2,691,153</u> |

Note 10 - COMMITMENTS AND CONTINGENCIES

Cleveland Utilities Board is a party to a contract with TVA dated August 17, 1976, under which the Electric Division purchases its entire requirements for electric power and energy from TVA for resale. The contract may be terminated by either TVA or the Board at any time upon not less than five years' written notice.

Note 10 - COMMITMENTS AND CONTINGENCIES - (Cont.)

The Cleveland Utilities Board is a party to a contract with the Hiwassee Utilities Commission (HUC) dated June 22, 2006 under which the Water Division agrees to purchase an annual quantity of water equal to an average of 5,335,000 gallons of water per day.

The Cleveland Utilities Board is a party to a contract with the Hiwassee Utilities Commission (HUC) dated January 21, 1982, under which HUC agrees to contract with the Water Division for operating the water filter plant owned by HUC in Charleston, Tennessee. Cleveland Utilities provides all necessary functions of the day-to-day operation of the plant. Cleveland Utilities is reimbursed for all costs incurred in operating the plant plus additional amounts for overhead as called for in the contract. Cleveland Utilities is not responsible for property insurance on the HUC facilities.

On September 16, 2005, Cleveland Utilities received a Commissioner's Order from the Tennessee Department of Environment and Conservation. The order deals with the violations of Cleveland Utilities' NPDES Permit related to overflows in the sewer collection system. Cleveland Utilities reported the violations listed in the order to TDEC. The Board authorized the utility to engage the services of legal counsel to appeal the order. The appeal was filed September 21, 2005, and on January 25, 2006, an "agreed order" was signed by all parties. The agreed order outlines certain requirements to be undertaken by the utility to address the violations as they are listed in the order. In conjunction with the Commissioner's Order received in 2005, Cleveland Utilities submitted a Capacity, Maintenance, Operations and Management (CMOM) plan to the Tennessee Department of Environment and Conservation (TDEC) for approval. This document details how Cleveland Utilities will ensure capacity within the wastewater collection system, perform routine and preventative maintenance, what daily operations are performed by Cleveland Utilities personnel and how the data is being managed. On September 23, 2011, Cleveland Utilities received approval of the CMOM program. Cleveland Utilities developed the Strategic Commitment to Protect the Environment (SCOPE-10) program. This program will manage the CMOM program while also overseeing wastewater rehabilitation of the collection system. Cleveland Utilities has revised the CMOM document and received approval of the new CMOM on July 18, 2012.

Note 11 - LITIGATION

The City generally follows the practice of recording liabilities from claims and legal actions only when they become fixed or determinable in amount. The City of Cleveland and Cleveland Utilities Electric and Water Divisions are involved in certain legal matters, the outcome of which is not presently determinable. It is the opinion of management, based in part on the advice of legal counsel, that these matters will not have a material adverse effect on the results of operations or the financial position of the City and Cleveland Utilities.

Note 12 - TENNESSEE VALLEY AUTHORITY (TVA) CONSERVATION PROGRAMS

Cleveland Utilities - Electric Division is a fiscal intermediary for TVA conservation programs. Under these programs, the Division obtains advances from TVA to administer loans to qualified customers approved by TVA. The repayment of the customer loans is based on monthly amortization schedules ranging from three to ten years. The TVA advances are repaid monthly as payments are received on outstanding customer loans. Amounts billed monthly to customers but not yet received are included in Accounts Receivable - other. All other amounts are reported as long-term. TVA assumes all credit risks under these programs. Effective June 30, 1997, TVA sold its loans to First American National Bank which was acquired by Regions Bank during the year ended June 30, 2000. This sale changes the parties to the arrangement described above but does not change the Board's role as a fiscal intermediary.

Note 13 - RISK MANAGEMENT

It is the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. The City has commercial insurance coverage for property, employee theft, and major equipment. The City is also a member of the Tennessee Municipal League Risk Management Pool and receives coverage for worker's compensation claims and general liability. The City pays an

Note 13 - RISK MANAGEMENT - (Cont.)

annual premium to the Tennessee Municipal League (TML) for its insurance coverage. The creation of the TML Risk Management Pool provides for it to be self-sustaining through member premiums. Settled claims from losses have not exceeded insurance coverage in any of the past three fiscal years.

Note 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, accounts receivable, and various current liabilities reported in proprietary funds are reasonable estimates of their fair value because of the short-term maturity of these financial instruments.

Note 15 - DEFERRED COMPENSATION PLAN

During fiscal year ended June 30, 1998, the City of Cleveland implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This Statement rescinds GASB No. 2, Financial Reporting of Deferred Compensation Plans Adopted under the Provision of Internal Revenue Code Section 457. The effect of the new statement is to eliminate the requirement for statement presentation and note disclosure for plans that are held in trust and meet the requirements of Section 457(g).

Note 16 - ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Note 17 - RETIREMENT COMMITMENTS

CLEVELAND BOARD OF EDUCATION, CLEVELAND FIRE AND POLICE DEPARTMENTS, CLEVELAND CITY-OTHER DEPARTMENTS, CLEVELAND UTILITIES-WATER DIVISION, CLEVELAND UTILITIES-ELECTRIC DIVISION, CLEVELAND SANITATION DEPARTMENT

PLAN DESCRIPTION

Certain employees of the above Departments of the City of Cleveland are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. The City has authorized mandatory retirement for its Public Safety Officers. Public Safety Officers can retire at age 55 with five years of service or at any age with 25 years of service and receive a supplemental bridge payment between the mandatory retirement age and 62. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City of Cleveland participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>:

FUNDING POLICY

The City of Cleveland Plan is noncontributory and has assumed employee contributions up to 5.0 percent of annual covered payroll.

The City of Cleveland is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 17.71% of annual covered payroll. The contribution requirement of plan members is set by state statute. Contribution requirement for the City of Cleveland is established and may be amended by the TCRS Board of Trustees.

ANNUAL PENSION COST

For the year ending June 30, 2013, the City's annual pension cost of \$4,912,561 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 12 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

| Trend Information  |                           |                               |                        |
|--------------------|---------------------------|-------------------------------|------------------------|
| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 6/30/13            | \$ 4,912,561              | 100%                          | \$0.00                 |
| 6/30/12            | 4,974,186                 | 100%                          | \$0.00                 |
| 6/30/11            | 4,751,248                 | 100%                          | \$0.00                 |

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2011, the most recent actuarial valuation date, the plan was 80.89% funded. The actuarial accrued liability for benefits was \$102.37 million, and the actuarial value of assets was \$82.81 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$19.56 million. The covered payroll (annual payroll of active employees covered by the plan) was \$26.73 million, and the ratio of the UAAL to the covered payroll was 73.18%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the AALs for benefits.

CLEVELAND CITY SCHOOLS SYSTEM

PLAN DESCRIPTION

The Cleveland City Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are

determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/Schools](http://www.tn.gov/treasury/tcrs/Schools).

## FUNDING POLICY

Most teachers are required by state statute to contribute 5 percent of their salary to the plan. The Cleveland City Schools are required to contribute at an actuarially determined rate. The rate for the fiscal year ending June 30, 2013 was 8.88 percent of annual covered payroll. The contribution requirement of Cleveland City Schools is established and may be amended by the TCRS Board of Trustees. Cleveland City School's contributions to the TCRS for the years ending June 30, 2013, 2012, and 2011, were \$1,829,898, \$1,792,845, and \$1,764,065, respectively, equal to the required contributions for each year.

## CLEVELAND UTILITIES - CSA PENSION PLAN

### PLAN DESCRIPTION

All employees of the Cleveland Utilities - Electric Division hired prior to October 15, 1993 participate in a cost-sharing multiple-employer pension plan administered by the Central Service Association (the "CSA Plan"). The CSA Plan provides retirement benefits to plan members. Section 5.1 & 5.2 of the Pension Plan for employees of Central Service Association ("CSA") assigns the authority to establish and amend benefit provisions to the CSA Board of Directors.

On October 1, 2005, Cleveland Utilities-Electric Division withdrew from the CSA Non-governmental plan in a spin off whereby assets and liabilities were transferred into the Central Service Association Pension Plan for Governmental Employees, a new tax-qualified multiple employer defined benefit pension plan that is maintained as a governmental plan (as defined under section 414(d) of the Internal Revenue Code). The CSA Governmental Plan is substantially the same as the CSA Non-governmental plan with certain exceptions, including, but not limited to, (1) the CSA Governmental Plan will not be subject to any PBGC requirements, (2) benefits under the CSA Governmental Plan will not be insured by the PBGC, and (3) the CSA Governmental Plan will not be subject to the additional deficit reduction contribution funding requirements of Code Section 412(1).

The Cleveland Utilities Board will serve as the "Plan Sponsor," in regard to employees participating in the plan (active and retired) and CSA shall continue to serve as the "Plan Administrator."

Note 17 - RETIREMENT COMMITMENTS - (Cont.)

CSA issues a publicly available financial report that includes financial statements and required supplementary information for the CSA plan. That report may be obtained by writing Central Service Association, P.O. Box 3480, Tupelo, MS 38803-3480, or by calling (662) 842-5962.

FUNDING POLICY

Participants are not required to contribute to the CSA Plan. The Board is required to contribute an actuarially determined amount. The contribution requirements of the Board are established and may be amended by the CSA Board of Directors. The Board's contributions to the CSA Plan for the year ending June 30, 2013, 2012, and 2011 were \$1,348,918, \$1,175,552, and \$1,126,146, respectively, and were equal to the required contribution established by the CSA Board.

ANNUAL PENSION COST AND NET PENSION OBLIGATION

Determined in accordance with current standards, there is no net pension obligation as the Board has contributed the annual required contribution, adjusted with interest, as calculated by actuarial valuation. The annual required contribution was determined as part of an actuarial valuation performed as of October 1, 2012, using the frozen entry age method. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 7.0% per year compounded annually, (b) projected salary increases of 3% per year compounded annually, and (c) no postretirement benefit increases.

Effective October 1, 2008, the actuarial value of assets are set to the smoothed asset value determined by recognizing the difference between actual versus expected asset return for each year over a five year period. The resulting smoothed asset value cannot be less than 90%, and not more than 110% of the market value of assets. The actuarial value of assets is used to determine the minimum required contribution.

Note 18 - POSTEMPLOYMENT BENEFITS

CITY EMPLOYEES OTHER THAN CITY SCHOOLS AND CLEVELAND UTILITIES

PLAN DESCRIPTION

The City provides postretirement medical, dental and life insurance benefits to employees who retire from the City with 30 years of service, public safety employees 25 years) or age 55 with 10 years of service. Medical benefits are provided using a point of service (POS) single-employer plan through Blue Cross. Dental benefits are provided using a preferred provider organization (PPO) through Blue Cross/Blue Shield. Boston Mutual Life Insurance provides life insurance benefits. The following schedule applies to employees with over 10 years of service. If the retiree has family coverage the City will pay half the difference between the cost of the family plan and the cost of the individual plan. No separate report is issued for this plan.

| Years of<br>Service At<br>Retirement | Percentage of Premium<br>Paid by Participant |
|--------------------------------------|--|
| <15                                  | 100.00%                                      |
| 15                                   | 50.00%                                       |
| 16                                   | 46.67%                                       |
| 17                                   | 43.33%                                       |
| 18                                   | 40.00%                                       |
| 19                                   | 36.67%                                       |
| 20                                   | 33.33%                                       |
| 21                                   | 30.00%                                       |
| 22                                   | 26.67%                                       |

| Years of<br>Service At<br>Retirement | Percentage of Premium<br>Paid by Participant |
|--------------------------------------|--|
| 23                                   | 23.33%                                       |
| 24                                   | 20.00%                                       |
| 25                                   | 16.67%                                       |
| 26                                   | 13.33%                                       |
| 27                                   | 10.00%                                       |
| 28                                   | 6.67%  |
| 29                                   | 3.33%  |
| 30+                                  | 0.00%  |

FUNDING POLICY AND ANNUAL OPEB COST

The City's annual other postemployment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of government accounting standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for the current year are as follows:

|  |                     |
|--|---------------------|
| Annual Required Contribution (ARC)         | \$ 1,982,343        |
| Interest on net OPEB obligation            | 265,546             |
| Adjustment to annual required contribution | <u>(313,684)</u>    |
| Annual OPEB cost (expense)                 | \$ 1,934,205        |
| Contributions made                         | <u>(471,983)</u>    |
| Increase in net OPEB obligation            | \$ 1,462,222        |
| Net OPEB obligation - June 30, 2012        | <u>6,638,649</u>    |
| Net OPEB obligation - June 30, 2013        | <u>\$ 8,100,871</u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

| Fiscal<br>Year<br>Ending | Annual<br>OPEB Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net<br>OPEB<br>Obligation |
|--------------------------|---------------------|--|---------------------------|
| 6/30/2011                | \$ 1,726,281        | 22.40%   | \$ 5,253,571              |
| 6/30/2012                | 1,842,938           | 24.84%   | 6,638,649                 |
| 6/30/2013                | 1,934,205           | 24.40%   | 8,100,871                 |

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of July 1, 2011, was as follows:

|   |                      |
|---|----------------------|
| Actuarial accrued liability (AAL)                 | \$ 19,584,486        |
| Actuarial value of plan assets                    | <u>0</u>             |
| Unfunded actuarial accrued liability (UAAL)       | <u>\$ 19,584,486</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0%                   |
| Covered payroll (active plan members)             | \$ 15,380,355        |
| UAAL as a percentage of covered payroll           | 127.3%               |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions include a 4.00% funding interest rate and no post retirement benefit increases. A 3% inflation rate is being assumed by the plan. The 2011 medical cost trend rate used was 10% with an ultimate medical cost trend rate of 5% projected to be reached in 2016. The annual payroll growth rate is assumed to be 2.5%. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

CLEVELAND UTILITIES - POSTEMPLOYMENT BENEFIT PLAN

PLAN DESCRIPTION

Cleveland Utilities provides postemployment medical, hospitalization, and dental benefits to employees who retire from the Utility with 30 years of service, or age 55 with 15 years of service through a single-employer plan. As of August 1, 2006, employees with a hire date prior to July 1, 2005, are non-contributory. For those participants with a date of hire on or after July 1, 2005, benefit participants pay according to the following schedule:

| Years of<br>Service At<br><u>At Retirement</u> | <u>Percentage of Premium<br/>Paid by Participant</u> |
|--|--|
| <15  | 100.00%  |
| 15   | 50.00%   |
| 16   | 46.67%   |
| 17   | 43.33%   |
| 18   | 40.00%   |
| 19   | 36.67%   |
| 20   | 33.33%   |
| 21   | 30.00%   |
| 22   | 26.67%   |
| 23   | 23.33%   |
| 24   | 20.00%   |
| 25   | 16.67%   |
| 26   | 13.33%   |
| 27   | 10.00%   |
| 28   | 6.67%  |
| 29   | 3.33%  |
| 30+  | 0.00%  |

Note 18 - POSTEMPLOYMENT BENEFITS - (Cont.)

As of August 1, 2006, participants with a date of hire prior to July 1, 2005, Cleveland Utilities will pay 50% of the spouse only premium. For those participants with a date of hire on or after July 1, 2005, Cleveland Utilities will pay 50% of the spouse only premium based on the schedule shown above for the retiree. There is no provision to provide surviving spouse benefits. No separate report is issued for this plan.

Monthly premiums effective August 1, 2013, are as follows:

|                            | <u>Medical</u> | <u>Dental</u> |
|----------------------------|----------------|---------------|
| Pre-65 Retiree             | \$ 435.89      | \$ 24.66      |
| Pre-65 Retiree and Spouse  | 1,135.87       | 63.82         |
| Post-65 Retiree            | 292.00         | 24.66         |
| Post-65 Retiree and Spouse | 584.00         | 63.82         |

FUNDING POLICY AND ANNUAL OPEB COST

The Utilities' annual other postemployment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of governmental auditing standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Utilities' annual OPEB cost for the current year are as follows:

|  |                            |
|--|----------------------------|
| Annual Required Contribution (ARC)         | \$ 1,584,417               |
| Interest on net OPEB obligation            | 165,097                    |
| Adjustment to annual required contribution | <u>(197,021)</u>           |
| Annual OPEB cost (expense)                 | \$ 1,552,493               |
| Contributions made                         | <u>(525,968)</u>           |
| Increase in net OPEB obligation            | \$ 1,026,525               |
| Net OPEB obligation - June 30, 2012        | <u>4,127,429</u>           |
| Net OPEB obligation - June 30, 2013        | <u><u>\$ 5,153,954</u></u> |

The Utilities' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

| Fiscal<br>Year<br>Ending | Annual<br>OPEB Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net<br>OPEB<br>Obligation |
|--------------------------|---------------------|--|---------------------------|
| 6/30/2011                | \$ 1,214,538        | 34.77%   | \$ 3,176,722              |
| 6/30/2012                | 1,484,359           | 35.96%   | 4,127,429                 |
| 6/30/2013                | 1,552,493           | 30.12%   | 5,153,954                 |

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of July 1, 2011, was as follows:

|   |                             |
|---|-----------------------------|
| Actuarial accrued liability (AAL)                 | \$ 18,690,885               |
| Actuarial value of plan assets                    | <u>0</u>                    |
| Unfunded actuarial accrued liability (UAAL)       | <u><u>\$ 18,690,885</u></u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0%                          |
| Covered payroll (active plan members)             | \$ 10,123,317               |
| UAAL as a percentage of covered payroll           | 184.6%                      |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI

following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**ACTUARIAL METHODS AND ASSUMPTIONS**

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions include a 4.00% funding interest rate and no post retirement benefit increases. A 3% inflation rate is being assumed by the plan. The 2011 medical cost trend rate used was 8% with an ultimate medical cost trend rate of 5% projected to be reached in 2014. The annual payroll growth rate is assumed to be 2.5%. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

**CLEVELAND CITY SCHOOLS SYSTEM**

The Cleveland City Schools participate in the state-administered Teacher Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-302. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/caft.html>.

**FUNDING POLICY**

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The State does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplemental Plan.

|  |                            |
|--|----------------------------|
| Annual Required Contribution (ARC)         | \$ 1,128,000               |
| Interest on net OPEB obligation            | 124,663                    |
| Adjustment to annual required contribution | <u>(132,328)</u>           |
| Annual OPEB cost (expense)                 | \$ 1,120,335               |
| Contributions made                         | <u>(381,548)</u>           |
| Increase in net OPEB obligation            | \$ 738,787                 |
| Net OPEB obligation - June 30, 2012        | <u>3,116,582</u>           |
| Net OPEB obligation - June 30, 2013        | <u><u>\$ 3,855,369</u></u> |

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

| Fiscal<br>Year<br>Ending | Annual<br>OPEB Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net<br>OPEB<br>Obligation |
|--------------------------|---------------------|--|---------------------------|
| 6/30/2011                | \$ 1,075,961        | 34.99%   | \$ 2,366,876              |
| 6/30/2012                | 1,112,179           | 32.59%   | 3,116,582                 |
| 6/30/2013                | 1,120,335           | 34.06%   | 3,855,369                 |

Note 18 - POSTEMPLOYMENT BENEFITS - (Cont.)

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of July 1, 2011, was as follows:

|   |                     |
|---|---------------------|
| Actuarial accrued liability (AAL)                 | \$ 8,625,000        |
| Actuarial value of plan assets                    | 0                   |
| Unfunded actuarial accrued liability (UAAL)       | <u>\$ 8,625,000</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0%                  |
| Covered payroll (active plan members)             | \$ 25,299,624       |
| UAAL as a percentage of covered payroll           | 34.1%               |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend will decrease to 8.75% in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2021. A 3% inflation rate is being assumed by the plan. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

Note 19 - FEMA REIMBURSEMENT

On April 27, 2011, numerous tornadoes struck within and around the City of Cleveland. Damage to the Electric System was extensive and the cost to repair the system was approximately \$2,692,918. In addition, the City incurred cost for debris removal of approximately \$737,998. During fiscal year ended June 30, 2013, a total of \$1,881,311, was received from the Federal Emergency Management Agency (FEMA) and the Tennessee Emergency Management Agency (TEMA). A remaining balance receivable of \$703,229 is expected to be recovered after FEMA performs its inspection on the completed work.

Note 20 - ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements; and Statement No. 63, Reporting Deferred Outflows, Deferred Inflows, and Net Position, became effective for the year ended June 30, 2013.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principals Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

Note 20 - ACCOUNTING CHANGES

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting these financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to Statement of Financial Position.

Note 21- SUBSEQUENT EVENTS

On July 8, 2013, the Cleveland Utilities' board announced that Ken Webb will be appointed as Cleveland Utilities' new President and Chief Executive Officer, effective October 1, 2013. He will succeed Tom Wheeler who is retiring from his position with Cleveland Utilities. Former President/CEO Tom Wheeler retired from his prior position after serving over 42 years of service to the Utility.

On June 26, 2013, Cleveland Utilities received approval for a \$10 million loan from the Tennessee State Revolving Loan Fund "TSRF" to finance a significant portion of the Strategic Commitment to Protect the Environment project, ("Scope 10"). The TSRF loan includes two components. The first is a \$1,826,000 loan that includes a debt forgiveness of \$451,022 and the second is a loan for \$8,174,000. Both loans are for a 20-year period at a fixed rate of 1.15 percent. As of the date of this report no funds have been received. Scope 10 projects are scheduled to begin during FY 2014. Once projects have begun, funds will be requested through the agreement as needed.

On December 9, 2013, the Cleveland City Council approved resolutions for the issuance of notes not to exceed \$3,625,000, and \$2,750,000, for improvements to the Electric Division and the Water and Wastewater Division, respectively, of Cleveland Utilities. It is anticipated that the loans will be for a 20-year period with a variable rate of interest.

CITY OF CLEVELAND, TENNESSEE  
REQUIRED SUPPLEMENTARY INFORMATION

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM(TCRS)  
RETIREMENT PLAN  
(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b) - (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---------------------------------------|------------------------|--------------------|---------------------|---|
| 07/01/11                 | \$82,810                      | \$102,371                             | \$19,561               | 80.89%             | \$26,731            | 73.18%  |
| 07/01/09                 | \$65,941                      | \$70,566                              | \$4,625                | 93.45%             | \$27,521            | 16.81%  |
| 07/01/07                 | \$59,075                      | \$64,847                              | \$5,772                | 91.10%             | \$24,855            | 23.22%  |

CITY OF CLEVELAND OTHER THAN CITY SCHOOLS AND CLEVELAND UTILITIES  
POSTEMPLOYMENT BENEFITS  
(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b) - (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---------------------------------------|------------------------|--------------------|---------------------|---|
| 07/01/11                 | \$0                           | \$19,584                              | \$19,584               | 0.00%              | \$15,380            | 127.33%   |
| 07/01/09                 | \$0                           | \$14,601                              | \$14,601               | 0.00%              | \$15,112            | 96.62%  |
| 07/01/07                 | \$0                           | \$14,171                              | \$14,171               | 0.00%              | \$15,125            | 93.69%  |

CLEVELAND UTILITIES  
POSTEMPLOYMENT BENEFITS  
(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b) - (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---------------------------------------|------------------------|--------------------|---------------------|---|
| 07/01/11                 | \$0                           | \$18,691                              | \$18,691               | 0.00%              | \$10,123            | 184.64%   |
| 07/01/09                 | \$0                           | \$14,772                              | \$14,772               | 0.00%              | \$10,795            | 136.84%   |
| 07/01/07                 | \$0                           | \$12,967                              | \$12,967               | 0.00%              | \$10,630            | 121.98%   |

CLEVELAND CITY SCHOOLS  
POSTEMPLOYMENT BENEFITS  
(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b) - (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---------------------------------------|------------------------|--------------------|---------------------|---|
| 07/01/11                 | \$0                           | \$8,625                               | \$8,625                | 0.00%              | \$25,299            | 34.10%  |
| 07/01/10                 | \$0                           | \$8,807                               | \$8,807                | 0.00%              | \$24,970            | 35.30%  |
| 07/01/09                 | \$0                           | \$8,700                               | \$8,700                | 0.00%              | \$24,213            | 35.93%  |

This page left blank intentionally.

## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenues that are legally restricted to finance specific functions or activities of government and which, therefore, cannot be diverted to other uses.

**State Street Aid Fund:** This fund accounts for maintenance of all non-State streets in the City. Revenues are provided from a portion of the State of Tennessee gasoline and motor fuels tax.

**Solid Waste Management Fund:** This fund accounts for the revenues and expenditures of the City of Cleveland's Solid Waste Management program.

**School Federal Projects Fund:** This fund accounts for federal project funds received from the Federal government and for the disbursement of those funds for federal programs of the City of Cleveland.

**School Food Services Fund:** This fund is used to account for the revenues and expenditures of the City of Cleveland public school cafeterias.

**Library Fund:** This fund is used to account for revenues and expenditures of the City's public library.

**Drug Enforcement Fund:** This fund is used to account for investigations of violations of controlled substance laws and is funded primarily by the state statute from the receipt of fines and costs related to drug enforcement cases.

**Metropolitan Transportation Planning Organization Fund:** This fund will serve Cleveland and the urbanized portions of Bradley County by transportation planning and the implementation of transportation projects.

**Community Development Block Grant:** This fund is used to account for a grant received from the United States Department of Housing and Urban Development.

**Department of Justice Asset Forfeiture Fund:** This fund accounts for all monies received from participation in a Federal Equitable Sharing Agreement with the U.S. Department of Justice and the U.S. Department of the Treasury.

**COPS Hiring Recovery Grant Fund:** This fund is used to account for a grant received from the America Recovery and Reinvestment Act (ARRA) to hire four police officers for a period of three years.

**Byrne Memorial Justice Assistance Grants:** These funds are used to account for grants received from the United States Department of Justice for the purchase of equipment.

**THDA Neighborhood Stabilization Program Fund:** This fund is used to account for funds for renovating houses owned by low income individuals.

**Targeted Crime Reduction Project Fund:** This fund is used to account for a grant from the Office of Criminal Justice Programs. The grant provides funding for two police officers and programs with various partners to reduce crime in sectors 1 and 2 in the City.

**Recycling Grant:** This fund is used to account for the “Clean and Green Cleveland” program. It is funded by the TDOT Department of Beautifications’ Special Litter Project.

### **Debt Service**

The Debt Service Fund is used for the accumulation of resources for, and the payment of, principal and interest on general long-term debt.

### **Capital Projects**

The Capital Projects Funds are used to account for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds.

**Capital Improvement Program Fund:** This fund serves as a planning tool for the city’s capital improvement needs and accounts for projected revenues and expenditures needed to meet those needs.

**Greenway Fund:** This fund is used to account for a grant from the State of Tennessee Department of Transportation, as well as City and County contributions, to be used for construction of the City/County Greenway Project.

**Fletcher Park Trust Fund:** This fund is used to account for funds bequeathed to the City of Cleveland by Leonard G. and Agnes W. Fletcher for the development of the Fletcher Park.

**Sales Tax Capital Projects Fund:** This fund is used to account for the proceeds from a .5 cent increase in the sales tax rate approved in a March 2009 referendum. The ordinance approving the referendum provided that all of the tax increase is used for capital projects for the City and City Schools.

**ARRA Grants Fund:** This fund accounts for the proceeds from America Recovery and Reinvestment Act (ARRA) grants for acquiring various capital assets for the city.

**Spring Branch Industrial Park Fund:** This fund accounts for the purchase and for the development of an industrial park located off of Exit 20.

### **Permanent Fund**

**Meiler Estate Animal Shelter Trust Fund:** This fund is used to account for funds bequeathed to the City of Cleveland Animal Control by John and Elizabeth Jean Meiler.

CITY OF CLEVELAND, TENNESSEE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2013

|  | Special Revenue                |                                      |                                       |                                    |
|--|--------------------------------|--------------------------------------|---------------------------------------|------------------------------------|
|  | State<br>Street<br>Aid<br>Fund | Solid<br>Waste<br>Management<br>Fund | School<br>Federal<br>Projects<br>Fund | School<br>Food<br>Services<br>Fund |
| <b>ASSETS</b>                              |                                |                                      |                                       |                                    |
| Cash and cash equivalents                  | \$ 322,689                     | \$ 542,172                           | \$ 194,442                            | \$ 401,901                         |
| Cash and cash equivalents - restricted     | 0                              | 0                                    | 0                                     | 0                                  |
| Investments                                | 0                              | 0                                    | 0                                     | 0                                  |
| Investments - restricted                   | 0                              | 0                                    | 0                                     | 0                                  |
| Accounts receivable                        | 0                              | 198,760                              | 0                                     | 0                                  |
| Due from other government agencies         | 193,205                        | 0                                    | 98,850                                | 169,771                            |
| Due from other funds                       | 0                              | 0                                    | 0                                     | 0                                  |
| Prepays                                    | 0                              | 0                                    | 0                                     | 3,045                              |
| <b>Total Assets</b>                        | <b>\$ 515,894</b>              | <b>\$ 740,932</b>                    | <b>\$ 293,292</b>                     | <b>\$ 574,717</b>                  |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                |                                      |                                       |                                    |
| <b>Liabilities:</b>                        |                                |                                      |                                       |                                    |
| Accrued liabilities                        | \$ 9,332                       | \$ 12,024                            | \$ 243,560                            | \$ 0                               |
| Accounts payable                           | 318                            | 140                                  | 0                                     | 8,158                              |
| Due to other funds                         | 0                              | 0                                    | 0                                     | 0                                  |
| Matured interest payable                   | 0                              | 0                                    | 0                                     | 0                                  |
| Matured bonds payable                      | 0                              | 0                                    | 0                                     | 0                                  |
| Deferred revenue                           | 0                              | 0                                    | 0                                     | 24,383                             |
| <b>Total Liabilities</b>                   | <b>\$ 9,650</b>                | <b>\$ 12,164</b>                     | <b>\$ 243,560</b>                     | <b>\$ 32,541</b>                   |
| <b>Fund Balances:</b>                      |                                |                                      |                                       |                                    |
| <b>Nonspendable:</b>                       |                                |                                      |                                       |                                    |
| Permanent fund principal                   | \$ 0                           | \$ 0                                 | \$ 0                                  | \$ 0                               |
| <b>Restricted for:</b>                     |                                |                                      |                                       |                                    |
| Law enforcement                            | 0                              | 0                                    | 0                                     | 0                                  |
| Community development - federal grants     | 0                              | 0                                    | 0                                     | 0                                  |
| Street improvements                        | 506,244                        | 0                                    | 0                                     | 0                                  |
| Recycling                                  | 0                              | 0                                    | 0                                     | 0                                  |
| Capital outlay                             | 0                              | 0                                    | 0                                     | 0                                  |
| Education                                  | 0                              | 0                                    | 49,732                                | 0                                  |
| <b>Committed to:</b>                       |                                |                                      |                                       |                                    |
| Solid Waste                                | 0                              | 728,768                              | 0                                     | 0                                  |
| <b>Assigned to:</b>                        |                                |                                      |                                       |                                    |
| Education                                  | 0                              | 0                                    | 0                                     | 542,176                            |
| Library                                    | 0                              | 0                                    | 0                                     | 0                                  |
| Debt service                               | 0                              | 0                                    | 0                                     | 0                                  |
| Capital outlay                             | 0                              | 0                                    | 0                                     | 0                                  |
| <b>Total Fund Balances</b>                 | <b>\$ 506,244</b>              | <b>\$ 728,768</b>                    | <b>\$ 49,732</b>                      | <b>\$ 542,176</b>                  |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 515,894</b>              | <b>\$ 740,932</b>                    | <b>\$ 293,292</b>                     | <b>\$ 574,717</b>                  |

Special Revenue

| Library<br>Fund   | Drug<br>Enforcement<br>Fund | Metropolitan<br>Transportation<br>Planning<br>Organization<br>Fund | Community<br>Development<br>Block<br>Grant<br>Fund |
|-------------------|-----------------------------|--|--|
| \$ 234,511        | \$ 71,525                   | \$ 31,646  | \$ 51,753  |
| 0                 | 0                           | 0  | 0  |
| 364,844           | 0                           | 0  | 0  |
| 0                 | 0                           | 0  | 0  |
| 0                 | 0                           | 0  | 0  |
| 0                 | 1,291                       | 20,457   | 40,019   |
| 0                 | 0                           | 0  | 0  |
| 0                 | 0                           | 0  | 1,210  |
| <u>\$ 599,355</u> | <u>\$ 72,816</u>            | <u>\$ 52,103</u>   | <u>\$ 92,982</u>                                   |
| <br>              |                             |  |  |
| \$ 0              | \$ 0                        | \$ 0   | \$ 0   |
| 5,463             | 184                         | 1,708  | 39,831   |
| 0                 | 0                           | 0  | 0  |
| 0                 | 0                           | 0  | 0  |
| 0                 | 0                           | 0  | 0  |
| 0                 | 0                           | 0  | 0  |
| <u>\$ 5,463</u>   | <u>\$ 184</u>               | <u>\$ 1,708</u>  | <u>\$ 39,831</u>                                   |
| <br>              |                             |  |  |
| \$ 13,700         | \$ 0                        | \$ 0   | \$ 0   |
| 0                 | 72,632                      | 0  | 0  |
| 0                 | 0                           | 0  | 53,151   |
| 0                 | 0                           | 0  | 0  |
| 0                 | 0                           | 0  | 0  |
| 260,076           | 0                           | 50,395   | 0  |
| 0                 | 0                           | 0  | 0  |
| 0                 | 0                           | 0  | 0  |
| 0                 | 0                           | 0  | 0  |
| 320,116           | 0                           | 0  | 0  |
| 0                 | 0                           | 0  | 0  |
| 0                 | 0                           | 0  | 0  |
| <u>\$ 593,892</u> | <u>\$ 72,632</u>            | <u>\$ 50,395</u>   | <u>\$ 53,151</u>                                   |
| <u>\$ 599,355</u> | <u>\$ 72,816</u>            | <u>\$ 52,103</u>   | <u>\$ 92,982</u>                                   |

CITY OF CLEVELAND, TENNESSEE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (Continued)  
 June 30, 2013

|  | <u>Special Revenue</u>                            |                            | <u>Debt Service</u>        | <u>Capital<br/>Projects</u>               |
|--|---|----------------------------|----------------------------|---|
|  | Targeted<br>Crime<br>Reduction<br>Project<br>Fund | Recycling<br>Grant<br>Fund | Debt<br>Service<br>Fund    | Capital<br>Improvement<br>Program<br>Fund |
| <b>ASSETS</b>                              |   |                            |                            |   |
| Cash and cash equivalents                  | \$ 0  | \$ 3,074                   | \$ 2,683,562               | \$ 1,327,635                              |
| Cash and cash equivalents - restricted     | 0   | 0                          | 0                          | 0   |
| Investments                                | 0   | 0                          | 0                          | 376,969                                   |
| Investments - restricted                   | 0   | 0                          | 0                          | 0   |
| Accounts receivable                        | 0   | 0                          | 0                          | 0   |
| Due from other government agencies         | 76,801  | 926                        | 0                          | 215,908                                   |
| Due from other funds                       | 0   | 0                          | 0                          | 0   |
| Prepays                                    | 0   | 0                          | 0                          | 0   |
| <b>Total Assets</b>                        | <b><u>\$ 76,801</u></b>                           | <b><u>\$ 4,000</u></b>     | <b><u>\$ 2,683,562</u></b> | <b><u>\$ 1,920,512</u></b>                |
| <b>LIABILITIES AND FUND BALANCES</b>       |   |                            |                            |   |
| <b>Liabilities:</b>                        |   |                            |                            |   |
| Accrued liabilities                        | \$ 0  | \$ 0                       | \$ 0                       | \$ 0                                      |
| Accounts payable                           | 0   | 0                          | 0                          | 168,136                                   |
| Due to other funds                         | 76,801  | 0                          | 0                          | 0   |
| Matured interest payable                   | 0   | 0                          | 1,097                      | 0   |
| Matured bonds payable                      | 0   | 0                          | 1,000                      | 0   |
| Deferred revenue                           | 0   | 0                          | 0                          | 0   |
| <b>Total Liabilities</b>                   | <b><u>\$ 76,801</u></b>                           | <b><u>\$ 0</u></b>         | <b><u>\$ 2,097</u></b>     | <b><u>\$ 168,136</u></b>                  |
| <b>Fund Balances:</b>                      |   |                            |                            |   |
| <b>Nonspendable:</b>                       |   |                            |                            |   |
| Permanent fund principal                   | \$ 0  | \$ 0                       | \$ 0                       | \$ 0                                      |
| <b>Restricted for:</b>                     |   |                            |                            |   |
| Law enforcement                            | 0   | 0                          | 0                          | 0   |
| Community development - federal grants     | 0   | 0                          | 0                          | 0   |
| Street improvements                        | 0   | 0                          | 0                          | 0   |
| Recycling                                  | 0   | 4,000                      | 0                          | 0   |
| Capital outlay                             | 0   | 0                          | 0                          | 0   |
| Education                                  | 0   | 0                          | 0                          | 0   |
| <b>Committed to:</b>                       |   |                            |                            |   |
| Solid Waste                                | 0   | 0                          | 0                          | 0   |
| <b>Assigned to:</b>                        |   |                            |                            |   |
| Education                                  | 0   | 0                          | 0                          | 0   |
| Library                                    | 0   | 0                          | 0                          | 0   |
| Debt service                               | 0   | 0                          | 2,681,465                  | 0   |
| Capital outlay                             | 0   | 0                          | 0                          | 1,752,376                                 |
| <b>Total Fund Balances</b>                 | <b><u>\$ 0</u></b>                                | <b><u>\$ 4,000</u></b>     | <b><u>\$ 2,681,465</u></b> | <b><u>\$ 1,752,376</u></b>                |
| <b>Total Liabilities and Fund Balances</b> | <b><u>\$ 76,801</u></b>                           | <b><u>\$ 4,000</u></b>     | <b><u>\$ 2,683,562</u></b> | <b><u>\$ 1,920,512</u></b>                |

| Greenway<br>Fund | Capital Projects                  |   |  | Permanent<br>Fund                                   | Total<br>Nonmajor<br>Governmental<br>Funds |
|------------------|-----------------------------------|---|--|---|--|
|                  | Fletcher<br>Park<br>Trust<br>Fund | Sales<br>Tax<br>Capital<br>Projects<br>Fund | Spring<br>Branch<br>Industrial<br>Park<br>Fund | Meiler<br>Estate<br>Animal<br>Shelter<br>Trust Fund |  |
| \$ 15,789        | \$ 5,403                          | \$ 1,346,470                                | \$ 50,037                                      | \$ 873  | \$ 7,283,482                               |
| 0                | 0                                 | 0   | 0  | 4,951   | 4,951                                      |
| 0                | 0                                 | 0   | 0  | 0   | 741,813                                    |
| 0                | 0                                 | 0   | 0  | 454,985   | 454,985                                    |
| 0                | 0                                 | 0   | 10,522   | 3,397   | 212,679                                    |
| 0                | 0                                 | 2,025,580                                   | 0  | 0   | 2,842,808                                  |
| 0                | 0                                 | 0   | 1,736,692                                      | 0   | 1,736,692                                  |
| 0                | 0                                 | 0   | 0  | 0   | 4,255                                      |
| <u>\$ 15,789</u> | <u>\$ 5,403</u>                   | <u>\$ 3,372,050</u>                         | <u>\$ 1,797,251</u>                            | <u>\$ 464,206</u>                                   | <u>\$ 13,281,665</u>                       |
| \$ 0             | \$ 0                              | \$ 0  | \$ 0   | \$ 0  | \$ 264,916                                 |
| 0                | 0                                 | 1,091                                       | 0  | 0   | 225,029                                    |
| 0                | 0                                 | 0   | 0  | 0   | 76,801                                     |
| 0                | 0                                 | 0   | 0  | 0   | 1,097                                      |
| 0                | 0                                 | 0   | 0  | 0   | 1,000                                      |
| 0                | 0                                 | 1,327,838                                   | 0  | 0   | 1,352,221                                  |
| <u>\$ 0</u>      | <u>\$ 0</u>                       | <u>\$ 1,328,929</u>                         | <u>\$ 0</u>                                    | <u>\$ 0</u>   | <u>\$ 1,921,064</u>                        |
| \$ 0             | \$ 0                              | \$ 0  | \$ 0   | \$ 459,936  | \$ 473,636                                 |
| 0                | 0                                 | 0   | 0  | 0   | 72,632                                     |
| 0                | 0                                 | 0   | 0  | 0   | 53,151                                     |
| 0                | 0                                 | 0   | 0  | 0   | 506,244                                    |
| 0                | 0                                 | 0   | 0  | 0   | 4,000                                      |
| 0                | 1,050                             | 2,043,121                                   | 0  | 0   | 2,354,642                                  |
| 0                | 0                                 | 0   | 0  | 0   | 49,732                                     |
| 0                | 0                                 | 0   | 0  | 0   | 728,768                                    |
| 0                | 0                                 | 0   | 0  | 0   | 542,176                                    |
| 0                | 0                                 | 0   | 0  | 0   | 320,116                                    |
| 0                | 0                                 | 0   | 0  | 0   | 2,681,465                                  |
| 15,789           | 4,353                             | 0   | 1,797,251                                      | 4,270   | 3,574,039                                  |
| <u>\$ 15,789</u> | <u>\$ 5,403</u>                   | <u>\$ 2,043,121</u>                         | <u>\$ 1,797,251</u>                            | <u>\$ 464,206</u>                                   | <u>\$ 11,360,601</u>                       |
| <u>\$ 15,789</u> | <u>\$ 5,403</u>                   | <u>\$ 3,372,050</u>                         | <u>\$ 1,797,251</u>                            | <u>\$ 464,206</u>                                   | <u>\$ 13,281,665</u>                       |

CITY OF CLEVELAND, TENNESSEE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended June 30, 2013

|  | Special Revenue                |                                      |                                       |                                    |                     |                             |
|--|--------------------------------|--------------------------------------|---------------------------------------|------------------------------------|---------------------|-----------------------------|
|  | State<br>Street<br>Aid<br>Fund | Solid<br>Waste<br>Management<br>Fund | School<br>Federal<br>Projects<br>Fund | School<br>Food<br>Services<br>Fund | Library<br>Fund     | Drug<br>Enforcement<br>Fund |
| <b>Revenues:</b>   |                                |                                      |                                       |                                    |                     |                             |
| Taxes  | \$ 0                           | \$ 0                                 | \$ 0                                  | \$ 0                               | \$ 0                | \$ 0                        |
| Intergovernmental  | 1,062,605                      | 0                                    | 3,731,299                             | 2,121,055                          | 570,944             | 0                           |
| Fines and forfeitures  | 0                              | 0                                    | 0                                     | 0                                  | 0                   | 14,025                      |
| Charges for services   | 0                              | 2,372,613                            | 0                                     | 657,382                            | 70,428              | 0                           |
| Interest   | 719                            | 1,788                                | 0                                     | 176                                | 2,293               | 227                         |
| Miscellaneous  | 0                              | 1,731                                | 0                                     | 0                                  | 39,297              | 16,649                      |
| <b>Total revenues</b>  | <b>\$ 1,063,324</b>            | <b>\$ 2,376,132</b>                  | <b>\$ 3,731,299</b>                   | <b>\$ 2,778,613</b>                | <b>\$ 682,962</b>   | <b>\$ 30,901</b>            |
| <b>Expenditures:</b>   |                                |                                      |                                       |                                    |                     |                             |
| <b>Current:</b>  |                                |                                      |                                       |                                    |                     |                             |
| General government   | \$ 0                           | \$ 0                                 | \$ 0                                  | \$ 0                               | \$ 0                | \$ 0                        |
| Community development  | 0                              | 0                                    | 0                                     | 0                                  | 0                   | 0                           |
| Public safety  | 0                              | 0                                    | 0                                     | 0                                  | 0                   | 66,377                      |
| Public works   | 554,025                        | 3,635,615                            | 0                                     | 0                                  | 0                   | 0                           |
| Culture and recreation                                       | 0                              | 0                                    | 0                                     | 0                                  | 1,201,465           | 0                           |
| Education  | 0                              | 0                                    | 3,682,969                             | 2,656,870                          | 0                   | 0                           |
| Capital Outlay   | 0                              | 0                                    | 0                                     | 0                                  | 3,155               | 0                           |
| Debt Service   | 0                              | 0                                    | 0                                     | 0                                  | 0                   | 0                           |
| <b>Total expenditures</b>                                    | <b>\$ 554,025</b>              | <b>\$ 3,635,615</b>                  | <b>\$ 3,682,969</b>                   | <b>\$ 2,656,870</b>                | <b>\$ 1,204,620</b> | <b>\$ 66,377</b>            |
| <b>Excess (deficiency) of<br/>revenues over expenditures</b> | <b>\$ 509,299</b>              | <b>\$ (1,259,483)</b>                | <b>\$ 48,330</b>                      | <b>\$ 121,743</b>                  | <b>\$ (521,658)</b> | <b>\$ (35,476)</b>          |
| <b>Other financing sources (uses):</b>                       |                                |                                      |                                       |                                    |                     |                             |
| Transfers in   | \$ 0                           | \$ 1,226,000                         | \$ 0                                  | \$ 0                               | \$ 567,933          | \$ 0                        |
| Transfers out  | (371,900)                      | 0                                    | (11,845)                              | 0                                  | 0                   | 0                           |
| Notes issued   | 0                              | 0                                    | 0                                     | 0                                  | 0                   | 0                           |
| <b>Total other financing sources<br/>sources (uses)</b>      | <b>\$ (371,900)</b>            | <b>\$ 1,226,000</b>                  | <b>\$ (11,845)</b>                    | <b>\$ 0</b>                        | <b>\$ 567,933</b>   | <b>\$ 0</b>                 |
| <b>Net change in fund balances</b>                           | <b>\$ 137,399</b>              | <b>\$ (33,483)</b>                   | <b>\$ 36,485</b>                      | <b>\$ 121,743</b>                  | <b>\$ 46,275</b>    | <b>\$ (35,476)</b>          |
| <b>Fund balances at beginning of year</b>                    | <b>368,845</b>                 | <b>762,251</b>                       | <b>13,247</b>                         | <b>420,433</b>                     | <b>547,617</b>      | <b>108,108</b>              |
| <b>Fund balances at end of year</b>                          | <b>\$ 506,244</b>              | <b>\$ 728,768</b>                    | <b>\$ 49,732</b>                      | <b>\$ 542,176</b>                  | <b>\$ 593,892</b>   | <b>\$ 72,632</b>            |

| Metropolitan<br>Transportation<br>Planning<br>Organization<br>Fund | Community<br>Development<br>Block<br>Grant<br>Fund | Department<br>of Justice<br>Asset<br>Forfeiture<br>Fund | COPS<br>Hiring<br>Recovery<br>Grant<br>Fund | 2011 Byrne<br>Memorial<br>Justice<br>Assistance<br>Grants | 2012 Byrne<br>Memorial<br>Justice<br>Assistance<br>Grants |
|--|--|---|---|---|---|
| \$ 0   | \$ 0   | \$ 0  | \$ 0  | \$ 0  | \$ 0  |
| 94,372   | 445,684  | 0   | 149,415                                     | 0   | 28,237  |
| 0  | 0  | 0   | 0   | 0   | 0   |
| 0  | 0  | 0   | 0   | 0   | 0   |
| 0  | 0  | 0   | 0   | 0   | 0   |
| 0  | 0  | 0   | 0   | 0   | 0   |
| <u>\$ 94,372</u>   | <u>\$ 445,684</u>                                  | <u>\$ 0</u>   | <u>\$ 149,415</u>                           | <u>\$ 0</u>   | <u>\$ 28,237</u>  |
| \$ 112,223   | \$ 0   | \$ 0  | \$ 0  | \$ 0  | \$ 0  |
| 0  | 240,123  | 0   | 0   | 0   | 0   |
| 0  | 0  | 1,311   | 149,415                                     | 3,729   | 28,237  |
| 0  | 0  | 0   | 0   | 0   | 0   |
| 0  | 0  | 0   | 0   | 0   | 0   |
| 0  | 0  | 0   | 0   | 0   | 0   |
| 0  | 218,002  | 0   | 0   | 0   | 0   |
| 0  | 0  | 0   | 0   | 0   | 0   |
| <u>\$ 112,223</u>  | <u>\$ 458,125</u>                                  | <u>\$ 1,311</u>   | <u>\$ 149,415</u>                           | <u>\$ 3,729</u>   | <u>\$ 28,237</u>  |
| <u>\$ (17,851)</u>   | <u>\$ (12,441)</u>                                 | <u>\$ (1,311)</u>                                       | <u>\$ 0</u>                                 | <u>\$ (3,729)</u>   | <u>\$ 0</u>   |
| \$ 40,000  | \$ 38,199  | \$ 0  | \$ 0  | \$ 0  | \$ 0  |
| 0  | 0  | 0   | 0   | 0   | 0   |
| 0  | 0  | 0   | 0   | 0   | 0   |
| <u>\$ 40,000</u>   | <u>\$ 38,199</u>                                   | <u>\$ 0</u>   | <u>\$ 0</u>                                 | <u>\$ 0</u>   | <u>\$ 0</u>   |
| \$ 22,149  | \$ 25,758  | \$ (1,311)  | \$ 0  | \$ (3,729)  | \$ 0  |
| 28,246   | 27,393   | 1,311   | 0   | 3,729   | 0   |
| <u>\$ 50,395</u>   | <u>\$ 53,151</u>                                   | <u>\$ 0</u>   | <u>\$ 0</u>                                 | <u>\$ 0</u>   | <u>\$ 0</u>   |

CITY OF CLEVELAND, TENNESSEE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS (Continued)  
 For the Fiscal Year Ended June 30, 2013

|  | Special Revenue  |   |                            | Debt Service            | Capital Projects                          |                  |
|--|--|---|----------------------------|-------------------------|---|------------------|
|  | THDA<br>Neighborhood<br>Stabilization<br>Program<br>Fund | Targeted<br>Crime<br>Reduction<br>Project<br>Fund | Recycling<br>Grant<br>Fund | Debt<br>Service<br>Fund | Capital<br>Improvement<br>Program<br>Fund | Greenway<br>Fund |
| <b>Revenues:</b>   |  |   |                            |                         |   |                  |
| Taxes  | \$ 0   | \$ 0  | \$ 0                       | \$ 0                    | \$ 0                                      | \$ 0             |
| Intergovernmental  | 21,228   | 304,703   | 926                        | 79,284                  | 2,102,006                                 | 13,586           |
| Fines and forfeitures  | 0  | 0   | 0                          | 0                       | 0   | 0                |
| Charges for services   | 0  | 0   | 0                          | 0                       | 0   | 0                |
| Interest   | 0  | 0   | 0                          | 7,179                   | 2,772                                     | 56               |
| Miscellaneous  | 0  | 0   | 0                          | 83,500                  | 43,655                                    | 25,450           |
| <b>Total revenues</b>  | <b>\$ 21,228</b>   | <b>\$ 304,703</b>                                 | <b>\$ 926</b>              | <b>\$ 169,963</b>       | <b>\$ 2,148,433</b>                       | <b>\$ 39,092</b> |
| <b>Expenditures:</b>   |  |   |                            |                         |   |                  |
| <b>Current:</b>  |  |   |                            |                         |   |                  |
| General government   | \$ 0   | \$ 0  | \$ 0                       | \$ 0                    | \$ 0                                      | \$ 0             |
| Community development  | 0  | 0   | 0                          | 0                       | 0   | 0                |
| Public safety  | 0  | 304,703   | 0                          | 0                       | 0   | 0                |
| Public works   | 0  | 0   | 926                        | 0                       | 0   | 0                |
| Culture and recreation                                       | 0  | 0   | 0                          | 0                       | 0   | 0                |
| Education  | 0  | 0   | 0                          | 0                       | 0   | 0                |
| Capital Outlay   | 29   | 0   | 0                          | 0                       | 4,197,585                                 | 26,435           |
| Debt Service   | 0  | 0   | 0                          | 4,893,605               | 0   | 0                |
| <b>Total expenditures</b>                                    | <b>\$ 29</b>   | <b>\$ 304,703</b>                                 | <b>\$ 926</b>              | <b>\$ 4,893,605</b>     | <b>\$ 4,197,585</b>                       | <b>\$ 26,435</b> |
| <b>Excess (deficiency) of<br/>revenues over expenditures</b> | <b>\$ 21,199</b>   | <b>\$ 0</b>                                       | <b>\$ 0</b>                | <b>\$ (4,723,642)</b>   | <b>\$ (2,049,152)</b>                     | <b>\$ 12,657</b> |
| <b>Other financing sources (uses):</b>                       |  |   |                            |                         |   |                  |
| Transfers in   | \$ 0   | \$ 0  | \$ 4,000                   | \$ 4,856,600            | \$ 809,069                                | \$ 0             |
| Transfers out  | (21,199)   | 0   | 0                          | 0                       | 0   | 0                |
| Notes issued   | 0  | 0   | 0                          | 0                       | 0   | 0                |
| <b>Total other financing<br/>sources (uses)</b>              | <b>\$ (21,199)</b>                                       | <b>\$ 0</b>                                       | <b>\$ 4,000</b>            | <b>\$ 4,856,600</b>     | <b>\$ 809,069</b>                         | <b>\$ 0</b>      |
| <b>Net change in fund balances</b>                           | <b>\$ 0</b>  | <b>\$ 0</b>                                       | <b>\$ 4,000</b>            | <b>\$ 132,958</b>       | <b>\$ (1,240,083)</b>                     | <b>\$ 12,657</b> |
| <b>Fund balances at beginning of year</b>                    | <b>0</b>   | <b>0</b>  | <b>0</b>                   | <b>2,548,507</b>        | <b>2,992,459</b>                          | <b>3,132</b>     |
| <b>Fund balances at end of year</b>                          | <b>\$ 0</b>  | <b>\$ 0</b>                                       | <b>\$ 4,000</b>            | <b>\$ 2,681,465</b>     | <b>\$ 1,752,376</b>                       | <b>\$ 15,789</b> |

| Capital Projects         |                                 |                  |                                    | Permanent Fund                          |                                   |
|--------------------------|---------------------------------|------------------|------------------------------------|---|-----------------------------------|
| Fletcher Park Trust Fund | Sales Tax Capital Projects Fund | ARRA Grants Fund | Spring Branch Industrial Park Fund | Meiler Estate Animal Shelter Trust Fund | Total Nonmajor Governmental Funds |
| \$ 0                     | \$ 4,968,239                    | \$ 0             | \$ 0                               | \$ 0                                    | \$ 4,968,239                      |
| 0                        | 0                               | 423              | 0                                  | 0                                       | 10,725,767                        |
| 0                        | 0                               | 0                | 0                                  | 0                                       | 14,025                            |
| 0                        | 0                               | 0                | 0                                  | 0                                       | 3,100,423                         |
| 0                        | 28,145                          | 0                | 10,522                             | 4,254                                   | 58,131                            |
| 0                        | 0                               | 0                | 0                                  | 0                                       | 210,282                           |
| <u>\$ 0</u>              | <u>\$ 4,996,384</u>             | <u>\$ 423</u>    | <u>\$ 10,522</u>                   | <u>\$ 4,254</u>                         | <u>\$ 19,076,867</u>              |
| \$ 0                     | \$ 0                            | \$ 0             | \$ 0                               | \$ 0                                    | \$ 112,223                        |
| 0                        | 0                               | 0                | 0                                  | 0                                       | 240,123                           |
| 0                        | 0                               | 0                | 0                                  | 0                                       | 553,772                           |
| 0                        | 0                               | 0                | 0                                  | 0                                       | 4,190,566                         |
| 0                        | 0                               | 0                | 0                                  | 0                                       | 1,201,465                         |
| 0                        | 0                               | 0                | 0                                  | 0                                       | 6,339,839                         |
| 0                        | 4,690,541                       | 423              | 3,437,346                          | 0                                       | 12,573,516                        |
| 0                        | 431,764                         | 0                | 36,000                             | 0                                       | 5,361,369                         |
| <u>\$ 0</u>              | <u>\$ 5,122,305</u>             | <u>\$ 423</u>    | <u>\$ 3,473,346</u>                | <u>\$ 0</u>                             | <u>\$ 30,572,873</u>              |
| <u>\$ 0</u>              | <u>\$ (125,921)</u>             | <u>\$ 0</u>      | <u>\$ (3,462,824)</u>              | <u>\$ 4,254</u>                         | <u>\$ (11,496,006)</u>            |
| \$ 0                     | \$ 0                            | \$ 0             | \$ 0                               | \$ 0                                    | \$ 7,541,801                      |
| 0                        | 0                               | 0                | 0                                  | 0                                       | (404,944)                         |
| 0                        | 0                               | 0                | 5,260,075                          | 0                                       | 5,260,075                         |
| <u>\$ 0</u>              | <u>\$ 0</u>                     | <u>\$ 0</u>      | <u>\$ 5,260,075</u>                | <u>\$ 0</u>                             | <u>\$ 12,396,932</u>              |
| \$ 0                     | \$ (125,921)                    | \$ 0             | \$ 1,797,251                       | \$ 4,254                                | \$ 900,926                        |
| 5,403                    | 2,169,042                       | 0                | 0                                  | 459,952                                 | 10,459,675                        |
| <u>\$ 5,403</u>          | <u>\$ 2,043,121</u>             | <u>\$ 0</u>      | <u>\$ 1,797,251</u>                | <u>\$ 464,206</u>                       | <u>\$ 11,360,601</u>              |

CITY OF CLEVELAND, TENNESSEE  
STATE STREET AID FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|   | Budgeted Amounts         |                          | Actual                   | Variance<br>Positive<br>(Negative) |
|---|--------------------------|--------------------------|--------------------------|------------------------------------|
|   | Original                 | Final                    |                          |                                    |
| Revenues:                               |                          |                          |                          |                                    |
| Intergovernmental:                      |                          |                          |                          |                                    |
| State gas tax                           | \$ 1,000,000             | \$ 1,000,000             | \$ 1,062,605             | \$ 62,605                          |
| Interest                                | 0                        | 300                      | 719                      | 419                                |
| Total revenues                          | <u>\$ 1,000,000</u>      | <u>\$ 1,000,300</u>      | <u>\$ 1,063,324</u>      | <u>\$ 63,024</u>                   |
| Expenditures:                           |                          |                          |                          |                                    |
| Current:                                |                          |                          |                          |                                    |
| Public works:                           |                          |                          |                          |                                    |
| Salaries                                | \$ 354,000               | \$ 354,000               | \$ 354,033               | \$ (33)                            |
| Overtime wages                          | 6,000                    | 6,000                    | 3,228                    | 2,772                              |
| Service awards                          | 400                      | 100                      | 75                       | 25                                 |
| Longevity                               | 7,000                    | 6,900                    | 6,950                    | (50)                               |
| Sold vacations                          | 3,300                    | 3,300                    | 2,100                    | 1,200                              |
| Christmas bonus                         | 1,100                    | 5,300                    | 5,299                    | 1                                  |
| Dental insurance                        | 5,100                    | 4,700                    | 4,365                    | 335                                |
| Social security                         | 28,000                   | 28,000                   | 26,691                   | 1,309                              |
| Health insurance                        | 75,000                   | 69,000                   | 67,862                   | 1,138                              |
| Retirement                              | 61,000                   | 63,000                   | 61,675                   | 1,325                              |
| Life and disability insurance           | 4,600                    | 4,400                    | 4,420                    | (20)                               |
| Worker's compensation insurance         | 14,200                   | 13,900                   | 13,819                   | 81                                 |
| Worker's compensation claims            | 500                      | 1,600                    | 2,097                    | (497)                              |
| Pre-employment testing                  | 100                      | 100                      | 28                       | 72                                 |
| Safety shoes                            | 1,500                    | 1,500                    | 1,383                    | 117                                |
| Total expenditures                      | <u>\$ 561,800</u>        | <u>\$ 561,800</u>        | <u>\$ 554,025</u>        | <u>\$ 7,775</u>                    |
| Excess of revenues<br>over expenditures | <u>\$ 438,200</u>        | <u>\$ 438,500</u>        | <u>\$ 509,299</u>        | <u>\$ 70,799</u>                   |
| Other financing sources (uses):         |                          |                          |                          |                                    |
| Transfers out                           | <u>\$ (371,900)</u>      | <u>\$ (371,900)</u>      | <u>\$ (371,900)</u>      | <u>\$ 0</u>                        |
| Total other financing sources (uses)    | <u>\$ (371,900)</u>      | <u>\$ (371,900)</u>      | <u>\$ (371,900)</u>      | <u>\$ 0</u>                        |
| Net change in fund balances             | \$ 66,300                | \$ 66,600                | \$ 137,399               | \$ 70,799                          |
| Fund balance at beginning of year       | <u>368,845</u>           | <u>368,845</u>           | <u>368,845</u>           | <u>0</u>                           |
| Fund balance at end of year             | <u><u>\$ 435,145</u></u> | <u><u>\$ 435,445</u></u> | <u><u>\$ 506,244</u></u> | <u><u>\$ 70,799</u></u>            |

CITY OF CLEVELAND, TENNESSEE  
SOLID WASTE MANAGEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|                               | Budgeted Amounts    |                     | Actual              | Variance               |
|-------------------------------|---------------------|---------------------|---------------------|------------------------|
|                               | Original            | Final               |                     | Positive<br>(Negative) |
| Revenues:                     |                     |                     |                     |                        |
| Charges for services:         |                     |                     |                     |                        |
| Commercial garbage            | \$ 1,000,000        | \$ 965,000          | \$ 963,054          | \$ (1,946)             |
| Residential garbage           | 1,410,000           | 1,410,000           | 1,409,559           | (441)                  |
| Interest                      | 1,000               | 1,000               | 1,788               | 788                    |
| Miscellaneous                 | 0                   | 0                   | 1,731               | 1,731                  |
| Total revenues                | <u>\$ 2,411,000</u> | <u>\$ 2,376,000</u> | <u>\$ 2,376,132</u> | <u>\$ 132</u>          |
| Expenditures:                 |                     |                     |                     |                        |
| Current:                      |                     |                     |                     |                        |
| Public works:                 |                     |                     |                     |                        |
| Salaries                      | \$ 481,000          | \$ 477,500          | \$ 478,703          | \$ (1,203)             |
| Overtime wages                | 15,000              | 15,000              | 9,263               | 5,737                  |
| Supplement pay                | 700                 | 700                 | 100                 | 600                    |
| Service awards                | 100                 | 100                 | 591                 | (491)                  |
| Longevity                     | 10,600              | 10,600              | 10,550              | 50                     |
| Sold vacation                 | 2,600               | 3,200               | 3,192               | 8                      |
| Christmas bonus               | 1,500               | 6,900               | 6,889               | 11                     |
| Dental insurance              | 5,200               | 5,200               | 4,902               | 298                    |
| Social security               | 38,600              | 38,600              | 36,495              | 2,105                  |
| Health insurance              | 87,000              | 82,400              | 81,559              | 841                    |
| Retirement                    | 84,100              | 87,400              | 84,577              | 2,823                  |
| Life insurance                | 6,300               | 6,100               | 6,000               | 100                    |
| Worker's compensation claims  | 1,000               | 1,700               | 1,413               | 287                    |
| Safety shoes                  | 1,900               | 1,900               | 1,385               | 515                    |
| Postage                       | 300                 | 300                 | 10                  | 290                    |
| GPS services                  | 3,100               | 3,600               | 3,547               | 53                     |
| Printing                      | 200                 | 100                 | 0                   | 100                    |
| Subscriptions and memberships | 100                 | 100                 | 69                  | 31                     |
| Advertising                   | 100                 | 1,000               | 308                 | 692                    |
| Training and travel           | 400                 | 400                 | 0                   | 400                    |
| Tire disposal                 | 0                   | 10,000              | 2,499               | 7,501                  |
| Landfill                      | 264,000             | 308,700             | 285,767             | 22,933                 |
| Residential account           | 1,130,000           | 1,130,300           | 1,130,069           | 231                    |
| Commercial account            | 1,046,000           | 1,032,500           | 1,032,409           | 91                     |
| Commercial recycling          | 73,500              | 74,500              | 74,483              | 17                     |
| Office expenditures           | 1,800               | 1,500               | 1,461               | 39                     |
| Operating supplies            | 1,500               | 2,000               | 1,918               | 82                     |
| Safety supplies               | 800                 | 800                 | 798                 | 2                      |
| Janitorial supplies           | 600                 | 400                 | 384                 | 16                     |
| Uniforms                      | 4,000               | 3,500               | 3,028               | 472                    |
| Gasoline and oil              | 65,600              | 65,600              | 60,457              | 5,143                  |
| Repairs and parts             | 135,000             | 160,000             | 114,648             | 45,352                 |
| Insurance - property          | 1,000               | 400                 | 310                 | 90                     |
| Insurance - vehicle           | 3,700               | 4,300               | 4,256               | 44                     |
| Insurance - general liability | 8,000               | 10,400              | 10,366              | 34                     |

CITY OF CLEVELAND, TENNESSEE  
SOLID WASTE MANAGEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|  | Budgeted Amounts         |                          | Actual                   | Variance                 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | Original                 | Final                    |                          | Positive<br>(Negative)   |
| Expenditures - (Continued):                          |                          |                          |                          |                          |
| Current - (Continued):                               |                          |                          |                          |                          |
| Public works - (Continued):                          |                          |                          |                          |                          |
| Insurance - workers compensation                     | \$ 16,400                | \$ 16,700                | \$ 16,702                | \$ (2)                   |
| Computer maintenance and support                     | 0                        | 4,000                    | 0                        | 4,000                    |
| Miscellaneous  | 500                      | 500                      | 198                      | 302                      |
| Bradley County recycling                             | 20,000                   | 20,000                   | 20,000                   | 0                        |
| Office furniture and equipment                       | 800                      | 800                      | 440                      | 360                      |
| Knuckleboom replacement                              | 123,000                  | 124,500                  | 124,000                  | 500                      |
| Leaf machine   | 28,000                   | 38,000                   | 0                        | 38,000                   |
| Street sweeper                                       | 0                        | 21,900                   | 21,869                   | 31                       |
| Total expenditures                                   | <u>\$ 3,664,000</u>      | <u>\$ 3,774,100</u>      | <u>\$ 3,635,615</u>      | <u>\$ 138,485</u>        |
| Excess (deficiency) of revenues<br>over expenditures | <u>\$ (1,253,000)</u>    | <u>\$ (1,398,100)</u>    | <u>\$ (1,259,483)</u>    | <u>\$ 138,617</u>        |
| Other financing sources:                             |                          |                          |                          |                          |
| Transfers in   | <u>\$ 1,226,000</u>      | <u>\$ 1,226,000</u>      | <u>\$ 1,226,000</u>      | <u>\$ 0</u>              |
| Total other financing sources                        | <u>\$ 1,226,000</u>      | <u>\$ 1,226,000</u>      | <u>\$ 1,226,000</u>      | <u>\$ 0</u>              |
| Net change in fund balances                          | \$ (27,000)              | \$ (172,100)             | \$ (33,483)              | \$ 138,617               |
| Fund balance at beginning of year                    | <u>762,251</u>           | <u>762,251</u>           | <u>762,251</u>           | <u>0</u>                 |
| Fund balance at end of year                          | <u><u>\$ 735,251</u></u> | <u><u>\$ 590,151</u></u> | <u><u>\$ 728,768</u></u> | <u><u>\$ 138,617</u></u> |

CITY OF CLEVELAND, TENNESSEE  
SCHOOL FEDERAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|   | Budgeted Amounts    |                     | Actual                  | Variance<br>Positive<br>(Negative) |
|---|---------------------|---------------------|-------------------------|------------------------------------|
|   | Original            | Final               |                         |                                    |
| Revenues:                               |                     |                     |                         |                                    |
| Intergovernmental:                      |                     |                     |                         |                                    |
| Federal government                      | \$ 4,058,673        | \$ 4,402,039        | \$ 3,731,299            | \$ (670,740)                       |
| Total revenues                          | <u>\$ 4,058,673</u> | <u>\$ 4,402,039</u> | <u>\$ 3,731,299</u>     | <u>\$ (670,740)</u>                |
| Expenditures:                           |                     |                     |                         |                                    |
| Current:                                |                     |                     |                         |                                    |
| Education:                              |                     |                     |                         |                                    |
| Regular instruction                     | \$ 1,625,165        | \$ 1,685,137        | \$ 1,450,302            | \$ 234,835                         |
| Special education                       | 925,195             | 925,195             | 831,385                 | 93,810                             |
| Vocational education                    | 89,470              | 91,758              | 91,755                  | 3                                  |
| Support services                        | 1,421,245           | 1,701,351           | 1,309,527               | 391,824                            |
| Total expenditures                      | <u>\$ 4,061,075</u> | <u>\$ 4,403,441</u> | <u>\$ 3,682,969</u>     | <u>\$ 720,472</u>                  |
| Excess of revenues<br>over expenditures | <u>\$ (2,402)</u>   | <u>\$ (1,402)</u>   | <u>\$ 48,330</u>        | <u>\$ 49,732</u>                   |
| Other financing sources (uses):         |                     |                     |                         |                                    |
| Transfers out                           | <u>\$ (10,845)</u>  | <u>\$ (11,845)</u>  | <u>\$ (11,845)</u>      | <u>\$ 0</u>                        |
| Total other financing sources (uses)    | <u>\$ (10,845)</u>  | <u>\$ (11,845)</u>  | <u>\$ (11,845)</u>      | <u>\$ 0</u>                        |
| Net change in fund balances             | \$ (13,247)         | \$ (13,247)         | \$ 36,485               | \$ 49,732                          |
| Fund balance at beginning of year       | <u>13,247</u>       | <u>13,247</u>       | <u>13,247</u>           | <u>0</u>                           |
| Fund balance at end of year             | <u><u>\$ 0</u></u>  | <u><u>\$ 0</u></u>  | <u><u>\$ 49,732</u></u> | <u><u>\$ 49,732</u></u>            |

CITY OF CLEVELAND, TENNESSEE  
SCHOOL FOOD SERVICES FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|   | Budgeted Amounts         |                          | Actual                   | Variance                 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | Original                 | Final                    |                          | Positive<br>(Negative)   |
| <b>Revenues:</b>                        |                          |                          |                          |                          |
| Intergovernmental:                      |                          |                          |                          |                          |
| USDA reimbursements                     | \$ 2,064,350             | \$ 2,088,450             | \$ 2,121,055             | \$ 32,605                |
| Charges for services                    | 797,900                  | 689,500                  | 657,382                  | (32,118)                 |
| Interest                                | 150                      | 150                      | 176                      | 26                       |
| <br>                                    |                          |                          |                          |                          |
| Total revenues                          | <u>\$ 2,862,400</u>      | <u>\$ 2,778,100</u>      | <u>\$ 2,778,613</u>      | <u>\$ 513</u>            |
| <br>                                    |                          |                          |                          |                          |
| <b>Expenditures:</b>                    |                          |                          |                          |                          |
| Current:                                |                          |                          |                          |                          |
| Education:                              |                          |                          |                          |                          |
| Clerical personnel                      | \$ 62,500                | \$ 52,500                | \$ 52,163                | \$ 337                   |
| Cafeteria personnel                     | 757,000                  | 797,000                  | 787,437                  | 9,563                    |
| In-service training                     | 2,000                    | 2,050                    | 2,040                    | 10                       |
| Social security                         | 51,000                   | 51,000                   | 48,111                   | 2,889                    |
| State retirement                        | 132,000                  | 117,000                  | 115,801                  | 1,199                    |
| Life insurance                          | 5,000                    | 5,000                    | 4,285                    | 715                      |
| Medical insurance                       | 265,000                  | 209,500                  | 207,195                  | 2,305                    |
| Unemployment compensation               | 1,000                    | 1,000                    | 596                      | 404                      |
| Employer medicare liability             | 13,000                   | 12,000                   | 11,252                   | 748                      |
| Other fringe benefits                   | 18,000                   | 22,000                   | 21,912                   | 88                       |
| Communication                           | 750                      | 1,000                    | 970                      | 30                       |
| Dues and membership                     | 700                      | 700                      | 699                      | 1                        |
| Maintenance and repair services         | 20,000                   | 18,500                   | 15,673                   | 2,827                    |
| Transportation                          | 2,000                    | 3,500                    | 3,518                    | (18)                     |
| Travel                                  | 4,000                    | 4,000                    | 3,117                    | 883                      |
| Other contracted services               | 20,000                   | 16,850                   | 16,529                   | 321                      |
| Food supplies                           | 1,170,000                | 1,139,600                | 1,048,345                | 91,255                   |
| Office supplies                         | 8,000                    | 8,000                    | 6,922                    | 1,078                    |
| Uniforms                                | 2,000                    | 2,000                    | 1,014                    | 986                      |
| Utilities                               | 4,000                    | 4,200                    | 4,290                    | (90)                     |
| In-service staff development            | 1,000                    | 1,250                    | 1,324                    | (74)                     |
| Food commodities                        | 146,000                  | 146,000                  | 155,430                  | (9,430)                  |
| Other supplies and materials            | 150,000                  | 136,000                  | 121,874                  | 14,126                   |
| Applicant investigation                 | 600                      | 600                      | 462                      | 138                      |
| Food service equipment                  | 26,850                   | 26,850                   | 25,911                   | 939                      |
| <br>                                    |                          |                          |                          |                          |
| Total expenditures                      | <u>\$ 2,862,400</u>      | <u>\$ 2,778,100</u>      | <u>\$ 2,656,870</u>      | <u>\$ 121,230</u>        |
| <br>                                    |                          |                          |                          |                          |
| Excess of revenues<br>over expenditures | <u>\$ 0</u>              | <u>\$ 0</u>              | <u>\$ 121,743</u>        | <u>\$ 121,743</u>        |
| <br>                                    |                          |                          |                          |                          |
| Fund balance at beginning of year       | <u>420,433</u>           | <u>420,433</u>           | <u>420,433</u>           | <u>0</u>                 |
| <br>                                    |                          |                          |                          |                          |
| Fund balance at end of year             | <u><u>\$ 420,433</u></u> | <u><u>\$ 420,433</u></u> | <u><u>\$ 542,176</u></u> | <u><u>\$ 121,743</u></u> |

CITY OF CLEVELAND, TENNESSEE  
LIBRARY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|   | Budgeted Amounts         |                          | Actual                   | Variance                |
|---|--------------------------|--------------------------|--------------------------|-------------------------|
|   | Original                 | Final                    |                          | Positive<br>(Negative)  |
| Revenues:   |                          |                          |                          |                         |
| Intergovernmental:                                |                          |                          |                          |                         |
| Library archive grant                             | \$ 0                     | \$ 0                     | \$ 435                   | \$ 435                  |
| State technology grant                            | 0                        | 2,600                    | 2,576                    | (24)                    |
| Bradley County                                    | 568,000                  | 568,000                  | 567,933                  | (67)                    |
| Charges for services                              | 76,600                   | 76,600                   | 70,428                   | (6,172)                 |
| Interest  | 100                      | 100                      | 2,293                    | 2,193                   |
| Miscellaneous:                                    |                          |                          |                          |                         |
| Gifts   | 70,000                   | 70,000                   | 34,297                   | (35,703)                |
| Private grants                                    | 0                        | 5,000                    | 5,000                    | 0                       |
| Total revenues                                    | <u>\$ 714,700</u>        | <u>\$ 722,300</u>        | <u>\$ 682,962</u>        | <u>\$ (39,338)</u>      |
| Expenditures:                                     |                          |                          |                          |                         |
| Current:  |                          |                          |                          |                         |
| Culture and recreation:                           |                          |                          |                          |                         |
| Salaries  | \$ 693,100               | \$ 693,100               | \$ 666,529               | \$ 26,571               |
| Employee benefits                                 | 204,800                  | 202,300                  | 185,020                  | 17,280                  |
| Supplies  | 63,800                   | 67,000                   | 61,680                   | 5,320                   |
| Books   | 127,200                  | 126,500                  | 127,509                  | (1,009)                 |
| Utilities   | 84,000                   | 84,000                   | 65,018                   | 18,982                  |
| Equipment repair/replacement                      | 15,300                   | 15,300                   | 20,797                   | (5,497)                 |
| Building maintenance                              | 5,000                    | 5,000                    | 8,023                    | (3,023)                 |
| Insurance   | 18,000                   | 18,000                   | 18,876                   | (876)                   |
| Gift and memorial expenditures                    | 70,000                   | 90,000                   | 39,696                   | 50,304                  |
| Grant expenditures                                | 0                        | 8,900                    | 8,317                    | 583                     |
| Capital Outlay:                                   |                          |                          |                          |                         |
| Lot paving  | 0                        | 0                        | 1,930                    |                         |
| Technology equipment                              | 0                        | 0                        | 193                      | (193)                   |
| Furniture   | 1,500                    | 1,500                    | 1,032                    | 468                     |
| Total expenditures                                | <u>\$ 1,282,700</u>      | <u>\$ 1,311,600</u>      | <u>\$ 1,204,620</u>      | <u>\$ 108,910</u>       |
| Excess (deficiency) of revenues over expenditures | <u>\$ (568,000)</u>      | <u>\$ (589,300)</u>      | <u>\$ (521,658)</u>      | <u>\$ 69,572</u>        |
| Other financing sources:                          |                          |                          |                          |                         |
| Transfers in                                      | <u>\$ 568,000</u>        | <u>\$ 568,000</u>        | <u>\$ 567,933</u>        | <u>\$ (67)</u>          |
| Total other financing sources                     | <u>\$ 568,000</u>        | <u>\$ 568,000</u>        | <u>\$ 567,933</u>        | <u>\$ (67)</u>          |
| Net change in fund balances                       | \$ 0                     | \$ (21,300)              | \$ 46,275                | \$ 69,505               |
| Fund balance at beginning of year                 | <u>547,617</u>           | <u>547,617</u>           | <u>547,617</u>           | <u>0</u>                |
| Fund balance at end of year                       | <u><u>\$ 547,617</u></u> | <u><u>\$ 526,317</u></u> | <u><u>\$ 593,892</u></u> | <u><u>\$ 69,505</u></u> |

CITY OF CLEVELAND, TENNESSEE  
 DRUG ENFORCEMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts        |                         | Actual                  | Variance<br>Positive<br>(Negative) |
|--|-------------------------|-------------------------|-------------------------|------------------------------------|
|  | Original                | Final                   |                         |                                    |
| Revenues:  |                         |                         |                         |                                    |
| Fines and forfeitures                                | \$ 40,000               | \$ 15,000               | \$ 14,025               | \$ (975)                           |
| Interest   | 0                       | 0                       | 227                     | 227                                |
| Miscellaneous:                                       |                         |                         |                         |                                    |
| Sale of vehicles                                     | 0                       | 16,000                  | 16,149                  | 149                                |
| Other miscellaneous                                  | 0                       | 0                       | 500                     | 500                                |
| Total revenues                                       | <u>\$ 40,000</u>        | <u>\$ 31,000</u>        | <u>\$ 30,901</u>        | <u>\$ (99)</u>                     |
| Expenditures:  |                         |                         |                         |                                    |
| Current:   |                         |                         |                         |                                    |
| Public safety:                                       |                         |                         |                         |                                    |
| Part-time wages                                      | \$ 7,400                | \$ 0                    | \$ 0                    | \$ 0                               |
| Social security                                      | 600                     | 0                       | 0                       | 0                                  |
| Seized vehicles                                      | 2,500                   | 2,500                   | 3,008                   | (508)                              |
| Subscriptions and memberships                        | 900                     | 900                     | 900                     | 0                                  |
| Investigative funds                                  | 41,000                  | 41,000                  | 41,000                  | 0                                  |
| Telephone  | 2,700                   | 3,900                   | 3,277                   | 623                                |
| Vehicle maintenance                                  | 12,000                  | 12,000                  | 2,894                   | 9,106                              |
| Travel and training                                  | 10,000                  | 7,900                   | 2,537                   | 5,363                              |
| Equipment maintenance                                | 4,000                   | 4,000                   | 0                       | 4,000                              |
| Batteries  | 600                     | 0                       | 0                       | 0                                  |
| Audio/video tapes                                    | 500                     | 0                       | 0                       | 0                                  |
| Detective supplies                                   | 1,000                   | 1,000                   | 506                     | 494                                |
| Office supplies                                      | 1,500                   | 500                     | 15                      | 485                                |
| OSHA safety supplies                                 | 500                     | 0                       | 0                       | 0                                  |
| Uniforms   | 1,400                   | 1,400                   | 1,400                   | 0                                  |
| Drug education                                       | 2,500                   | 2,500                   | 2,500                   | 0                                  |
| Gasoline   | 8,700                   | 8,700                   | 6,586                   | 2,114                              |
| Canine supplies                                      | 2,500                   | 0                       | 0                       | 0                                  |
| Miscellaneous  | 500                     | 500                     | 105                     | 395                                |
| Equipment  | 10,000                  | 20,000                  | 1,649                   | 18,351                             |
| Total expenditures                                   | <u>\$ 110,800</u>       | <u>\$ 106,800</u>       | <u>\$ 66,377</u>        | <u>\$ 40,423</u>                   |
| Excess (deficiency) of revenues<br>over expenditures | <u>\$ (70,800)</u>      | <u>\$ (75,800)</u>      | <u>\$ (35,476)</u>      | <u>\$ 40,324</u>                   |
| Fund balance at beginning of year                    | <u>108,108</u>          | <u>108,108</u>          | <u>108,108</u>          | <u>0</u>                           |
| Fund balance at end of year                          | <u><u>\$ 37,308</u></u> | <u><u>\$ 32,308</u></u> | <u><u>\$ 72,632</u></u> | <u><u>\$ 40,324</u></u>            |

CITY OF CLEVELAND, TENNESSEE  
METROPOLITAN TRANSPORTATION PLANNING ORGANIZATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts        |                         | Actual                  | Variance<br>Positive<br>(Negative) |
|--|-------------------------|-------------------------|-------------------------|------------------------------------|
|  | Original                | Final                   |                         |                                    |
| Revenues:  |                         |                         |                         |                                    |
| Intergovernmental:                                   |                         |                         |                         |                                    |
| Federal grant  | \$ 200,000              | \$ 200,000              | \$ 94,372               | \$ (105,628)                       |
| Total revenues                                       | <u>\$ 200,000</u>       | <u>\$ 200,000</u>       | <u>\$ 94,372</u>        | <u>\$ (105,628)</u>                |
| Expenditures:  |                         |                         |                         |                                    |
| Current:   |                         |                         |                         |                                    |
| General government:                                  |                         |                         |                         |                                    |
| MPO Plan #55   |                         |                         |                         |                                    |
| Salaries   | \$ 52,000               | \$ 52,000               | \$ 25,685               | \$ 26,315                          |
| Consultant services                                  | 150,000                 | 150,000                 | 66,710                  | 83,290                             |
| Benefits   | 17,900                  | 17,900                  | 8,793                   | 9,107                              |
| Postage and shipping                                 | 1,000                   | 1,000                   | 5                       | 995                                |
| Printing and publications                            | 4,500                   | 4,500                   | 2,298                   | 2,202                              |
| Telephone  | 1,700                   | 1,700                   | 1,611                   | 89                                 |
| Travel and meeting                                   | 2,800                   | 3,400                   | 3,330                   | 70                                 |
| Supplies   | 5,600                   | 5,000                   | 1,741                   | 3,259                              |
| Capital purchase                                     | 4,500                   | 4,500                   | 2,050                   | 2,450                              |
| Total expenditures                                   | <u>\$ 240,000</u>       | <u>\$ 240,000</u>       | <u>\$ 112,223</u>       | <u>\$ 127,777</u>                  |
| Excess (deficiency) of<br>revenues over expenditures | <u>\$ (40,000)</u>      | <u>\$ (40,000)</u>      | <u>\$ (17,851)</u>      | <u>\$ 22,149</u>                   |
| Other financing sources:                             |                         |                         |                         |                                    |
| Transfers in   | <u>\$ 40,000</u>        | <u>\$ 40,000</u>        | <u>\$ 40,000</u>        | <u>\$ 0</u>                        |
| Total other financing sources                        | <u>\$ 40,000</u>        | <u>\$ 40,000</u>        | <u>\$ 40,000</u>        | <u>\$ 0</u>                        |
| Net change in fund balances                          | \$ 0                    | \$ 0                    | \$ 22,149               | \$ 22,149                          |
| Fund balance at beginning of year                    | <u>28,246</u>           | <u>28,246</u>           | <u>28,246</u>           | <u>0</u>                           |
| Fund balance at end of year                          | <u><u>\$ 28,246</u></u> | <u><u>\$ 28,246</u></u> | <u><u>\$ 50,395</u></u> | <u><u>\$ 22,149</u></u>            |

CITY OF CLEVELAND, TENNESSEE  
COMMUNITY DEVELOPMENT BLOCK GRANT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts  |                   | Actual            | Variance               |
|--|-------------------|-------------------|-------------------|------------------------|
|  | Original          | Final             |                   | Positive<br>(Negative) |
| <b>Revenues:</b>                       |                   |                   |                   |                        |
| Intergovernmental:                     |                   |                   |                   |                        |
| Community Development Block Grant-2011 | \$ 0              | \$ 122,110        | \$ 132,748        | \$ 10,638              |
| Community Development Block Grant-2012 | 333,000           | 332,936           | 207,941           | (124,995)              |
| THDA Emergency Shelter Grant 2011      | 68,000            | 75,000            | 57,974            | (17,026)               |
| THDA Emergency Shelter Grant 2012      | 0                 | 107,456           | 47,021            | (60,435)               |
| Total revenues                         | <u>\$ 401,000</u> | <u>\$ 637,502</u> | <u>\$ 445,684</u> | <u>\$ (191,818)</u>    |
| <b>Expenditures:</b>                   |                   |                   |                   |                        |
| Current:                               |                   |                   |                   |                        |
| Community development:                 |                   |                   |                   |                        |
| Administration:                        |                   |                   |                   |                        |
| Salaries                               | \$ 51,200         | \$ 52,401         | \$ 52,393         | \$ 8                   |
| Longevity                              | 350               | 350               | 350               | 0                      |
| Christmas bonus                        | 100               | 550               | 530               | 20                     |
| Dental insurance                       | 600               | 600               | 534               | 66                     |
| Social security                        | 4,000             | 4,100             | 3,758             | 342                    |
| Health insurance                       | 8,800             | 9,800             | 10,049            | (249)                  |
| Retirement                             | 8,700             | 8,900             | 8,854             | 46                     |
| Life insurance and disability          | 700               | 700               | 659               | 41                     |
| Printing                               | 400               | 400               | 312               | 88                     |
| Advertising                            | 800               | 500               | 354               | 146                    |
| Telephone                              | 1,450             | 1,450             | 696               | 754                    |
| Travel and training                    | 1,200             | 850               | 204               | 646                    |
| Office supplies                        | 1,200             | 1,000             | 0                 | 1,000                  |
| Gasoline                               | 1,000             | 1,000             | 224               | 776                    |
| Miscellaneous                          | 1,000             | 100               | 23                | 77                     |
| Codes Enforcement:                     |                   |                   |                   |                        |
| Salaries                               | 35,200            | 35,900            | 35,892            | 8                      |
| Longevity                              | 350               | 350               | 350               | 0                      |
| Christmas bonus                        | 100               | 550               | 530               | 20                     |
| Dental insurance                       | 300               | 300               | 290               | 10                     |
| Social security tax                    | 2,800             | 2,800             | 2,851             | (51)                   |
| Health insurance                       | 4,800             | 5,300             | 5,234             | 66                     |
| Retirement                             | 6,000             | 6,100             | 6,112             | (12)                   |
| Life insurance                         | 450               | 450               | 448               | 2                      |
| Laundry and dry cleaning               | 600               | 100               | 0                 | 100                    |
| Printing                               | 400               | 100               | 0                 | 100                    |
| Advertising                            | 100               | 100               | 37                | 63                     |
| Telephone                              | 1,500             | 1,500             | 734               | 766                    |
| Legal services                         | 300               | 200               | 0                 | 200                    |
| Vehicle maintenance                    | 1,500             | 1,500             | 1,216             | 284                    |
| Travel and training                    | 500               | 150               | 100               | 50                     |
| Office supplies                        | 300               | 300               | 130               | 170                    |
| Clothing allowance                     | 400               | 400               | 130               | 270                    |
| Gasoline                               | 1,500             | 2,000             | 1,873             | 127                    |

CITY OF CLEVELAND, TENNESSEE  
COMMUNITY DEVELOPMENT BLOCK GRANT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|  | Budgeted Amounts        |                         | Actual                  | Variance<br>Positive<br>(Negative) |
|--|-------------------------|-------------------------|-------------------------|------------------------------------|
|  | Original                | Final                   |                         |                                    |
| Expenditures - (Continued):                          |                         |                         |                         |                                    |
| Current - (Continued):                               |                         |                         |                         |                                    |
| Community development - (Continued):                 |                         |                         |                         |                                    |
| Codes Enforcement - (Continued):                     |                         |                         |                         |                                    |
| Insurance - vehicles                                 | \$ 500                  | \$ 300                  | \$ 260                  | \$ 40                              |
| Miscellaneous  | 400                     | 400                     | 0                       | 400                                |
| Emergency shelter:                                   |                         |                         |                         |                                    |
| Shelter operations 2011                              | 65,000                  | 71,625                  | 57,974                  | 13,651                             |
| Administrative costs 2011                            | 3,000                   | 3,375                   | 0                       | 3,375                              |
| Shelter operations 2012                              | 0                       | 102,620                 | 47,022                  | 55,598                             |
| Administrative costs 2012                            | 0                       | 4,836                   | 0                       | 4,836                              |
| Capital outlay:                                      |                         |                         |                         |                                    |
| Land acquisition - College Hill recreation           | 0                       | 45,602                  | 45,602                  | 0                                  |
| Community Center                                     | 0                       | 87,363                  | 87,363                  | 0                                  |
| Mosby Park pool                                      | 119,436                 | 112,540                 | 0                       | 112,540                            |
| Downpayment assistance                               | 24,064                  | 24,000                  | 24,000                  | 0                                  |
| Acquisition of property - housing                    | 65,000                  | 61,040                  | 61,037                  | 3                                  |
| Total Expenditures                                   | <u>\$ 416,000</u>       | <u>\$ 654,502</u>       | <u>\$ 458,125</u>       | <u>\$ 196,377</u>                  |
| Excess (deficiency) of<br>revenues over expenditures | <u>\$ (15,000)</u>      | <u>\$ (17,000)</u>      | <u>\$ (12,441)</u>      | <u>\$ 4,559</u>                    |
| Other financing sources:                             |                         |                         |                         |                                    |
| Transfers in   | <u>\$ 15,000</u>        | <u>\$ 38,199</u>        | <u>\$ 38,199</u>        | <u>\$ 0</u>                        |
| Total other financing sources                        | <u>\$ 15,000</u>        | <u>\$ 38,199</u>        | <u>\$ 38,199</u>        | <u>\$ 0</u>                        |
| Net change in fund balance                           | \$ 0                    | \$ 21,199               | \$ 25,758               | \$ 4,559                           |
| Fund balance at beginning of year                    | <u>27,393</u>           | <u>27,393</u>           | <u>27,393</u>           | <u>0</u>                           |
| Fund balance at end of year                          | <u><u>\$ 27,393</u></u> | <u><u>\$ 48,592</u></u> | <u><u>\$ 53,151</u></u> | <u><u>\$ 4,559</u></u>             |

CITY OF CLEVELAND, TENNESSEE  
DEPARTMENT OF JUSTICE ASSET FORFEITURE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts |             | Actual      | Variance<br>Positive<br>(Negative) |
|--|------------------|-------------|-------------|------------------------------------|
|  | Original         | Final       |             |                                    |
| Expenditures:  |                  |             |             |                                    |
| Current:   |                  |             |             |                                    |
| Public safety:                                       |                  |             |             |                                    |
| Equipment  | \$ 0             | \$ 1,311    | \$ 1,311    | \$ 0                               |
| Total expenditures                                   | \$ 0             | \$ 1,311    | \$ 1,311    | \$ 0                               |
| Excess (deficiency) of<br>revenues over expenditures | \$ 0             | \$ (1,311)  | \$ (1,311)  | \$ 0                               |
| Fund balance at beginning of year                    | 0                | 1,311       | 1,311       | 0                                  |
| Fund balance at end of year                          | <u>\$ 0</u>      | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u>                        |

CITY OF CLEVELAND, TENNESSEE  
COPS HIRING RECOVERY GRANT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts   |                    | Actual             | Variance<br>Positive<br>(Negative) |
|--|--------------------|--------------------|--------------------|------------------------------------|
|  | Original           | Final              |                    |                                    |
| Revenues:  |                    |                    |                    |                                    |
| Intergovernmental:                                   |                    |                    |                    |                                    |
| Federal government                                   | \$ 135,000         | \$ 149,414         | \$ 149,415         | \$ 1                               |
| Total Revenues                                       | <u>\$ 135,000</u>  | <u>\$ 149,414</u>  | <u>\$ 149,415</u>  | <u>\$ 1</u>                        |
| Expenditures:  |                    |                    |                    |                                    |
| Current:   |                    |                    |                    |                                    |
| Public safety:                                       |                    |                    |                    |                                    |
| Salaries   | \$ 85,000          | \$ 93,000          | \$ 98,750          | \$ (5,750)                         |
| Christmas bonus                                      | 500                | 1,590              | 1,590              | 0                                  |
| Dental insurance                                     | 700                | 824                | 650                | 174                                |
| Social security                                      | 8,000              | 8,200              | 7,680              | 520                                |
| Health insurance                                     | 16,000             | 15,900             | 11,774             | 4,126                              |
| Retirement   | 17,000             | 24,000             | 23,200             | 800                                |
| Life & Disability insurance                          | 800                | 1,100              | 985                | 115                                |
| Worker's compensation                                | 7,000              | 4,800              | 4,786              | 14                                 |
| Total expenditures                                   | <u>\$ 135,000</u>  | <u>\$ 149,414</u>  | <u>\$ 149,415</u>  | <u>\$ (1)</u>                      |
| Excess (deficiency) of revenues<br>over expenditures | \$ 0               | \$ 0               | \$ 0               | \$ 0                               |
| Fund balance at beginning of year                    | <u>0</u>           | <u>0</u>           | <u>0</u>           | <u>0</u>                           |
| Fund balance at end of year                          | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u>                 |

CITY OF CLEVELAND, TENNESSEE  
 2011 BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts   |                    | Actual             | Variance<br>Positive<br>(Negative) |
|--|--------------------|--------------------|--------------------|------------------------------------|
|  | Original           | Final              |                    |                                    |
| Revenues:  |                    |                    |                    |                                    |
| Intergovernmental:                                   |                    |                    |                    |                                    |
| Federal grant  | \$ 0               | \$ 0               | \$ 0               | \$ 0                               |
| Total revenues                                       | <u>\$ 0</u>        | <u>\$ 0</u>        | <u>\$ 0</u>        | <u>\$ 0</u>                        |
| Expenditures:  |                    |                    |                    |                                    |
| Current:   |                    |                    |                    |                                    |
| Public safety:                                       |                    |                    |                    |                                    |
| In-car Cameras/Server                                | \$ 0               | \$ 3,729           | \$ 3,729           | \$ 0                               |
| Total expenditures                                   | <u>\$ 0</u>        | <u>\$ 3,729</u>    | <u>\$ 3,729</u>    | <u>\$ 0</u>                        |
| Excess (deficiency) of<br>revenues over expenditures | \$ 0               | \$ (3,729)         | \$ (3,729)         | \$ 0                               |
| Fund balance at beginning of year                    | <u>0</u>           | <u>3,729</u>       | <u>3,729</u>       | <u>0</u>                           |
| Fund balance at end of year                          | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u>                 |

CITY OF CLEVELAND, TENNESSEE  
 2012 BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts   |                    | Actual             | Variance<br>Positive<br>(Negative) |
|--|--------------------|--------------------|--------------------|------------------------------------|
|  | Original           | Final              |                    |                                    |
| Revenues:  |                    |                    |                    |                                    |
| Intergovernmental:                                   |                    |                    |                    |                                    |
| Federal grant  | \$ 0               | \$ 28,237          | \$ 28,237          | \$ 0                               |
| Total revenues                                       | <u>\$ 0</u>        | <u>\$ 28,237</u>   | <u>\$ 28,237</u>   | <u>\$ 0</u>                        |
| Expenditures:  |                    |                    |                    |                                    |
| Current:   |                    |                    |                    |                                    |
| Public safety:                                       |                    |                    |                    |                                    |
| In-car Cameras/Server                                | \$ 0               | \$ 28,237          | \$ 28,237          | \$ 0                               |
| Total expenditures                                   | <u>\$ 0</u>        | <u>\$ 28,237</u>   | <u>\$ 28,237</u>   | <u>\$ 0</u>                        |
| Excess (deficiency) of<br>revenues over expenditures | \$ 0               | \$ 0               | \$ 0               | \$ 0                               |
| Fund balance at beginning of year                    | <u>0</u>           | <u>0</u>           | <u>0</u>           | <u>0</u>                           |
| Fund balance at end of year                          | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u>                 |

CITY OF CLEVELAND, TENNESSEE  
 THDA NEIGHBORHOOD STABILIZATION PROGRAM FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts |             | Actual      | Variance<br>Positive<br>(Negative) |
|--|------------------|-------------|-------------|------------------------------------|
|  | Original         | Final       |             |                                    |
| Revenues:  |                  |             |             |                                    |
| Intergovernmental:                                   |                  |             |             |                                    |
| THDA Stabilization grant                             | \$ 0             | \$ 21,228   | \$ 21,228   | \$ 0                               |
| Total Revenues                                       | \$ 0             | \$ 21,228   | \$ 21,228   | \$ 0                               |
| Expenditures:  |                  |             |             |                                    |
| Capital outlay:                                      |                  |             |             |                                    |
| Administration fee                                   | \$ 0             | \$ 29       | \$ 29       | \$ 0                               |
| Total expenditures                                   | \$ 0             | \$ 29       | \$ 29       | \$ 0                               |
| Excess (deficiency) of revenues<br>over expenditures | \$ 0             | \$ 21,199   | \$ 21,199   | \$ 0                               |
| Other financing sources (uses):                      |                  |             |             |                                    |
| Transfers out  | \$ 0             | \$ (21,199) | \$ (21,199) | \$ 0                               |
| Total other financing uses                           | \$ 0             | \$ (21,199) | \$ (21,199) | \$ 0                               |
| Net change in fund balance                           | \$ 0             | \$ 0        | \$ 0        | \$ 0                               |
| Fund balance at beginning of year                    | 0                | 0           | 0           | 0                                  |
| Fund balance at end of year                          | \$ 0             | \$ 0        | \$ 0        | \$ 0                               |

CITY OF CLEVELAND, TENNESSEE  
 TARGETED CRIME REDUCTION PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2013

|   | Budgeted Amounts   |                    | Actual             | Variance<br>Positive<br>(Negative) |
|---|--------------------|--------------------|--------------------|------------------------------------|
|   | Original           | Final              |                    |                                    |
| <b>Revenues:</b>                        |                    |                    |                    |                                    |
| Intergovernmental:                      |                    |                    |                    |                                    |
| Federal grant                           | \$ 350,000         | \$ 350,000         | \$ 304,703         | \$ (45,297)                        |
| Total revenues                          | <u>\$ 350,000</u>  | <u>\$ 350,000</u>  | <u>\$ 304,703</u>  | <u>\$ (45,297)</u>                 |
| <b>Expenditures:</b>                    |                    |                    |                    |                                    |
| Current:                                |                    |                    |                    |                                    |
| Public safety:                          |                    |                    |                    |                                    |
| Salaries                                | \$ 67,600          | \$ 67,600          | \$ 74,983          | \$ (7,383)                         |
| Dental insurance                        | 1,500              | 1,500              | 738                | 762                                |
| Social security                         | 5,200              | 5,200              | 5,544              | (344)                              |
| Health insurance                        | 18,000             | 18,000             | 9,254              | 8,746                              |
| Retirement                              | 14,000             | 14,000             | 15,092             | (1,092)                            |
| Life and disability insurance           | 400                | 400                | 863                | (463)                              |
| Postage                                 | 700                | 700                | 0                  | 700                                |
| Printing                                | 1,600              | 1,600              | 42                 | 1,558                              |
| Travel and training                     | 2,800              | 2,800              | 148                | 2,652                              |
| Neighborhood watch signs                | 800                | 800                | 0                  | 800                                |
| Uniforms                                | 700                | 700                | 0                  | 700                                |
| Gasoline                                | 1,500              | 1,500              | 0                  | 1,500                              |
| Positive action - Boys & Girls Club     | 87,600             | 87,600             | 84,379             | 3,221                              |
| RPT Program - Juvenile Court            | 60,100             | 60,100             | 36,333             | 23,767                             |
| Grant Evaluator                         | 19,000             | 19,000             | 18,000             | 1,000                              |
| Project Liaison                         | 11,500             | 11,500             | 12,400             | (900)                              |
| Behavioral research                     | 57,000             | 57,000             | 46,927             | 10,073                             |
| Total expenditures                      | <u>\$ 350,000</u>  | <u>\$ 350,000</u>  | <u>\$ 304,703</u>  | <u>\$ 45,297</u>                   |
| Excess of revenues<br>over expenditures | \$ 0               | \$ 0               | \$ 0               | \$ 0                               |
| Fund balance at beginning of year       | <u>0</u>           | <u>0</u>           | <u>0</u>           | <u>0</u>                           |
| Fund balance at end of year             | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u>                 |

CITY OF CLEVELAND, TENNESSEE  
 RECYCLING GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2013

|   | Budgeted Amounts |            | Actual   | Variance<br>Positive<br>(Negative) |
|---|------------------|------------|----------|------------------------------------|
|   | Original         | Final      |          |                                    |
| Revenues:                               |                  |            |          |                                    |
| Intergovernmental:                      |                  |            |          |                                    |
| State Recycling Grant                   | \$ 0             | \$ 12,000  | \$ 926   | \$ (11,074)                        |
| Total revenues                          | \$ 0             | \$ 12,000  | \$ 926   | \$ (11,074)                        |
| Expenditures:                           |                  |            |          |                                    |
| Current:                                |                  |            |          |                                    |
| Public works:                           |                  |            |          |                                    |
| Litter grant expenditures               | \$ 0             | \$ 15,500  | \$ 926   | \$ 14,574                          |
| Training and travel                     | 0                | 500        | 0        | 500                                |
| Total expenditures                      | \$ 0             | \$ 16,000  | \$ 926   | \$ 15,074                          |
| Excess of revenues<br>over expenditures | \$ 0             | \$ (4,000) | \$ 0     | \$ 4,000                           |
| Other financing sources (uses):         |                  |            |          |                                    |
| Transfers in                            | \$ 0             | \$ 4,000   | \$ 4,000 | \$ 0                               |
| Total other financing sources (uses)    | \$ 0             | \$ 4,000   | \$ 4,000 | \$ 0                               |
| Net change in fund balances             | \$ 0             | \$ 0       | \$ 4,000 | \$ 4,000                           |
| Fund balance at beginning of year       | 0                | 0          | 0        | 0                                  |
| Fund balance at end of year             | \$ 0             | \$ 0       | \$ 4,000 | \$ 4,000                           |

CITY OF CLEVELAND, TENNESSEE  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts           |                            | Actual                     | Variance                 |
|--|----------------------------|----------------------------|----------------------------|--------------------------|
|  | Original                   | Final                      |                            | Positive<br>(Negative)   |
| Revenues:  |                            |                            |                            |                          |
| Intergovernmental:                                   |                            |                            |                            |                          |
| Bradley County                                       | \$ 146,500                 | \$ 146,500                 | \$ 79,284                  | \$ (67,216)              |
| Interest   | 2,900                      | 2,900                      | 7,179                      | 4,279                    |
| Miscellaneous:                                       |                            |                            |                            |                          |
| Other  | 83,500                     | 83,500                     | 83,500                     | 0                        |
| Total revenues                                       | <u>\$ 232,900</u>          | <u>\$ 232,900</u>          | <u>\$ 169,963</u>          | <u>\$ (62,937)</u>       |
| Expenditures:  |                            |                            |                            |                          |
| Debt service:  |                            |                            |                            |                          |
| Principal retirement                                 | \$ 2,260,000               | \$ 2,260,000               | \$ 2,197,000               | \$ 63,000                |
| Interest and fiscal charges                          | 2,937,000                  | 2,937,000                  | 2,696,605                  | 240,395                  |
| Total expenditures                                   | <u>\$ 5,197,000</u>        | <u>\$ 5,197,000</u>        | <u>\$ 4,893,605</u>        | <u>\$ 303,395</u>        |
| Excess (deficiency) of<br>revenues over expenditures | <u>\$ (4,964,100)</u>      | <u>\$ (4,964,100)</u>      | <u>\$ (4,723,642)</u>      | <u>\$ 240,458</u>        |
| Other financing sources (uses):                      |                            |                            |                            |                          |
| Transfers in   | \$ 4,964,100               | \$ 4,964,100               | \$ 4,856,600               | \$ (107,500)             |
| Total other financing sources                        | <u>\$ 4,964,100</u>        | <u>\$ 4,964,100</u>        | <u>\$ 4,856,600</u>        | <u>\$ (107,500)</u>      |
| Net change in fund balances                          | \$ 0                       | \$ 0                       | \$ 132,958                 | \$ 132,958               |
| Fund balance at beginning of year                    | <u>2,548,507</u>           | <u>2,548,507</u>           | <u>2,548,507</u>           | <u>0</u>                 |
| Fund balance at end of year                          | <u><u>\$ 2,548,507</u></u> | <u><u>\$ 2,548,507</u></u> | <u><u>\$ 2,681,465</u></u> | <u><u>\$ 132,958</u></u> |

CITY OF CLEVELAND, TENNESSEE  
 CAPITAL IMPROVEMENT PROGRAM FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts |                     | Actual              | Variance<br>Positive<br>(Negative) |
|--|------------------|---------------------|---------------------|------------------------------------|
|  | Original         | Final               |                     |                                    |
| <b>Revenues:</b>                         |                  |                     |                     |                                    |
| Intergovernmental                        |                  |                     |                     |                                    |
| Federal grant - Economic Development     | \$ 0             | \$ 53,425           | \$ 42,774           | \$ (10,651)                        |
| State grant - Local Interstate Connector | 0                | 2,302,128           | 1,380,200           | (921,928)                          |
| State grant - Roadscapes phase II        | 0                | 119,200             | 0                   | (119,200)                          |
| State grant - Roadscapes phase III       | 0                | 117,850             | 0                   | (117,850)                          |
| Bradley County - LIC                     | 0                | 1,110,669           | 649,820             | (460,849)                          |
| Bradley County - comprehensive plan      | 0                | 24,212              | 24,212              | 0                                  |
| Charleston - comprehensive plan          | 0                | 5,000               | 5,000               | 0                                  |
| Interest                                 | 0                | 2,050               | 2,772               | 722                                |
| Miscellaneous:                           |                  |                     |                     |                                    |
| Sale of assets                           | 0                | 4,160               | 4,160               | 0                                  |
| Insurance reimbursement - vehicle        | 0                | 0                   | 4,655               | 4,655                              |
| Insurance reimbursement - equipment      | 0                | 0                   | 10,750              | 10,750                             |
| Veterans Park donations                  | 0                | 0                   | 10,750              | 10,750                             |
| Sundry income                            | 0                | 5,628               | 13,340              | 7,712                              |
| <b>Total revenues</b>                    | <b>\$ 0</b>      | <b>\$ 3,744,322</b> | <b>\$ 2,148,433</b> | <b>\$ (1,595,889)</b>              |
| <b>Expenditures:</b>                     |                  |                     |                     |                                    |
| Capital outlay:                          |                  |                     |                     |                                    |
| Legislative and judicial:                |                  |                     |                     |                                    |
| Veterans Park trees                      | \$ 0             | \$ 0                | \$ 292              | \$ (292)                           |
| Contingency                              | 0                | 127,400             | 0                   | 127,400                            |
| Administration and Finance:              |                  |                     |                     |                                    |
| Office furniture and chairs              | 0                | 1,850               | 1,925               | (75)                               |
| Planning and inspection:                 |                  |                     |                     |                                    |
| Comprehensive plan                       | 0                | 95,081              | 77,767              | 17,314                             |
| City-wide computer information systems:  |                  |                     |                     |                                    |
| Software maintenance                     | 0                | 198,586             | 143,299             | 55,287                             |
| Travel and training                      | 0                | 10,200              | 6,076               | 4,124                              |
| Miscellaneous                            | 0                | 100                 | 55                  | 45                                 |
| Hardware                                 | 0                | 0                   | 71                  | (71)                               |
| Police department:                       |                  |                     |                     |                                    |
| TML vehicle hail damage                  | 0                | 26,170              | 14,212              | 11,958                             |
| Drug canine                              | 0                | 15,000              | 0                   | 15,000                             |
| HVAC equipment                           | 0                | 10,750              | 11,250              | (500)                              |
| Fire department:                         |                  |                     |                     |                                    |
| Fire truck equipment                     | 0                | 4,000               | 3,513               | 487                                |
| Bunker gear equipment                    | 0                | 160,000             | 0                   | 160,000                            |
| Public works - street department         |                  |                     |                     |                                    |
| Street paving                            | 0                | 420,568             | 420,568             | 0                                  |
| Roadscapes grant match I                 | 0                | 51                  | 51                  | 0                                  |
| City-wide ITS system                     | 0                | 936                 | 936                 | 0                                  |
| LIC on APD 40                            | 0                | 1,869,683           | 169,694             | 1,699,989                          |
| Roadscapes grant match II                | 0                | 149,000             | 0                   | 149,000                            |
| Roadscapes grant match III               | 0                | 58,032              | 0                   | 58,032                             |
| LIC on Stone Lake Road                   | 0                | 2,653,783           | 2,579,976           | 73,807                             |

CITY OF CLEVELAND, TENNESSEE  
 CAPITAL IMPROVEMENT PROGRAM FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2013

(Continued)

|   | Budgeted Amounts   |                          | Actual                     | Variance                   |
|---|--------------------|--------------------------|----------------------------|----------------------------|
|   | Original           | Final                    |                            | Positive<br>(Negative)     |
| Expenditures - (Continued)                        |                    |                          |                            |                            |
| Capital outlay - (Continued)                      |                    |                          |                            |                            |
| Public works - street department - (Continued)    |                    |                          |                            |                            |
| Dalton Pike                                       | \$ 0               | \$ 41,500                | \$ 0                       | \$ 41,500                  |
| Durkee Road project                               | 0                  | 842,068                  | 610,671                    | 231,397                    |
| Public works - state street aid:                  |                    |                          |                            |                            |
| ITS - Apd 40                                      | 0                  | 50,000                   | 0                          | 50,000                     |
| 25th Street & Peerless                            | 0                  | 40,000                   | 0                          | 40,000                     |
| Parks and recreation:                             |                    |                          |                            |                            |
| Used greens mower                                 | 0                  | 11,864                   | 9,986                      | 1,878                      |
| Trencher and equipment                            | 0                  | 13,000                   | 13,000                     | 0                          |
| Pool at Community Center                          | 0                  | 65,070                   | 65,260                     | (190)                      |
| Splash Park at Community Center                   | 0                  | 59,946                   | 59,946                     | 0                          |
| ATV's   | 0                  | 5,830                    | 0                          | 5,830                      |
| Dalton Pike widening                              | 0                  | 16,736                   | 8,465                      | 8,271                      |
| Lightning damage repairs                          | 0                  | 3,747                    | 0                          | 3,747                      |
| Roof repairs                                      | 0                  | 1,428                    | 572                        | 856                        |
| Total expenditures                                | <u>\$ 0</u>        | <u>\$ 6,952,379</u>      | <u>\$ 4,197,585</u>        | <u>\$ 2,754,794</u>        |
| Excess (deficiency) of revenues over expenditures | <u>\$ 0</u>        | <u>\$ (3,208,057)</u>    | <u>\$ (2,049,152)</u>      | <u>\$ 1,158,905</u>        |
| Other financing sources (uses):                   |                    |                          |                            |                            |
| Transfers in                                      | <u>\$ 0</u>        | <u>\$ 631,500</u>        | <u>\$ 809,069</u>          | <u>\$ 177,569</u>          |
| Total other financing sources (uses)              | <u>\$ 0</u>        | <u>\$ 631,500</u>        | <u>\$ 809,069</u>          | <u>\$ 177,569</u>          |
| Net change in fund balances                       | <u>\$ 0</u>        | <u>\$ (2,576,557)</u>    | <u>\$ (1,240,083)</u>      | <u>\$ 1,336,474</u>        |
| Fund balance at beginning of year                 | <u>0</u>           | <u>2,992,459</u>         | <u>2,992,459</u>           | <u>0</u>                   |
| Fund balance at end of year                       | <u><u>\$ 0</u></u> | <u><u>\$ 415,902</u></u> | <u><u>\$ 1,752,376</u></u> | <u><u>\$ 1,336,474</u></u> |

CITY OF CLEVELAND, TENNESSEE  
GREENWAY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts   |                    | Actual                  | Variance<br>Positive<br>(Negative) |
|--|--------------------|--------------------|-------------------------|------------------------------------|
|  | Original           | Final              |                         |                                    |
| Revenues:  |                    |                    |                         |                                    |
| Intergovernmental:                                   |                    |                    |                         |                                    |
| Federal grant  | \$ 0               | \$ 13,120          | \$ 13,586               | \$ 466                             |
| Interest   | 0                  | 0                  | 56                      | 56                                 |
| Miscellaneous  | 0                  | 22,600             | 25,450                  | 2,850                              |
| Total revenues                                       | <u>\$ 0</u>        | <u>\$ 35,720</u>   | <u>\$ 39,092</u>        | <u>\$ 3,372</u>                    |
| Expenditures:  |                    |                    |                         |                                    |
| Current:   |                    |                    |                         |                                    |
| Culture and recreation:                              |                    |                    |                         |                                    |
| Dues   | \$ 0               | \$ 950             | \$ 0                    | \$ 950                             |
| Capital outlay:                                      |                    |                    |                         |                                    |
| Donation PCL restroom                                | 0                  | 1,000              | 0                       | 1,000                              |
| Phase IV - Raider to Tinsley                         | 0                  | 16,772             | 16,772                  | 0                                  |
| Greenway benches and banners                         | 0                  | 20,130             | 9,663                   | 10,467                             |
| Total expenditures                                   | <u>\$ 0</u>        | <u>\$ 38,852</u>   | <u>\$ 26,435</u>        | <u>\$ 12,417</u>                   |
| Excess (deficiency) of revenues<br>over expenditures | \$ 0               | \$ (3,132)         | \$ 12,657               | \$ 15,789                          |
| Fund balance at beginning of year                    | <u>0</u>           | <u>3,132</u>       | <u>3,132</u>            | <u>0</u>                           |
| Fund balance at end of year                          | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 15,789</u></u> | <u><u>\$ 15,789</u></u>            |

CITY OF CLEVELAND, TENNESSEE  
 FLETCHER PARK TRUST FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts |            | Actual   | Variance<br>Positive<br>(Negative) |
|--|------------------|------------|----------|------------------------------------|
|  | Original         | Final      |          |                                    |
| Expenditures:  |                  |            |          |                                    |
| Capital Outlay:                                      |                  |            |          |                                    |
| Fletcher Park expenditures                           | \$ 0             | \$ 5,403   | \$ 0     | \$ 5,403                           |
| Total expenditures                                   | \$ 0             | \$ 5,403   | \$ 0     | \$ 5,403                           |
| Excess (deficiency) of revenues<br>over expenditures | \$ 0             | \$ (5,403) | \$ 0     | \$ 5,403                           |
| Fund balance at beginning of year                    | 0                | 5,403      | 5,403    | 0                                  |
| Fund balance at end of year                          | \$ 0             | \$ 0       | \$ 5,403 | \$ 5,403                           |

CITY OF CLEVELAND, TENNESSEE  
 SALES TAX CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2013

|   | Budgeted Amounts    |                     | Actual              | Variance               |
|---|---------------------|---------------------|---------------------|------------------------|
|   | Original            | Final               |                     | Positive<br>(Negative) |
| <b>Revenues:</b>                        |                     |                     |                     |                        |
| <b>Taxes:</b>                           |                     |                     |                     |                        |
| Local 1/2 sales tax                     | \$ 1,850,000        | \$ 2,214,000        | \$ 2,168,337        | \$ (45,663)            |
| School 1/2 cent sales tax               | 925,000             | 925,000             | 943,706             | 18,706                 |
| Lawsuit - City's share                  | 0                   | 1,610,625           | 1,667,314           | 56,689                 |
| Lawsuit - School's share                | 0                   | 150,725             | 188,882             | 38,157                 |
| Interest                                | 0                   | 19,000              | 28,145              | 9,145                  |
| <b>Total revenues</b>                   | <b>\$ 2,775,000</b> | <b>\$ 4,919,350</b> | <b>\$ 4,996,384</b> | <b>\$ 77,034</b>       |
| <b>Expenditures:</b>                    |                     |                     |                     |                        |
| <b>Capital outlay:</b>                  |                     |                     |                     |                        |
| School land purchase                    | \$ 0                | \$ 420,568          | \$ 410,103          | \$ 10,465              |
| City capital projects                   | 117,611             | 0                   | 0                   | 0                      |
| EMA cell tower                          | 50,000              | 41,000              | 0                   | 41,000                 |
| Street paving                           | 1,635,000           | 1,062,882           | 1,062,882           | 0                      |
| Police vehicles                         | 225,000             | 420,404             | 368,527             | 51,877                 |
| 20th/Dalton Pike design                 | 0                   | 36,060              | 0                   | 36,060                 |
| Firehall #6 survey and design           | 0                   | 9,500               | 0                   | 9,500                  |
| Fire training tower survey and design   | 0                   | 2,000               | 50                  | 1,950                  |
| Guthrie Drive Drainage Project          | 0                   | 30,800              | 28,720              | 2,080                  |
| Comprehensive Plan - City Share         | 0                   | 2,500               | 0                   | 2,500                  |
| Electronic Document Management          | 251,139             | 41,738              | 34,738              | 7,000                  |
| Hardware                                | 0                   | 105,000             | 83,528              | 21,472                 |
| GIS program                             | 0                   | 78,000              | 67,274              | 10,726                 |
| License fees                            | 0                   | 25,000              | 0                   | 25,000                 |
| GIS flyover                             | 0                   | 5,000               | 0                   | 5,000                  |
| GIS Rover                               | 0                   | 5,000               | 0                   | 5,000                  |
| Opticom Signal Equipment                | 16,250              | 16,250              | 15,000              | 1,250                  |
| MPO paving match                        | 43,000              | 0                   | 0                   | 0                      |
| Georgetown and 25th Street Intersection | 0                   | 5,795               | 6,145               | (350)                  |
| Stormwater mapping                      | 0                   | 300,000             | 150,000             | 150,000                |
| Drainage projects                       | 120,000             | 111,315             | 98,646              | 12,669                 |
| Sidewalk projects                       | 30,000              | 24,403              | 20,182              | 4,221                  |
| MPO - Ocoee/25th Row                    | 74,000              | 0                   | 0                   | 0                      |
| 8th/Bowman/Cent/Ocoee Drainage          | 58,000              | 58,000              | 7,390               | 50,610                 |
| MPO - Bike Plan                         | 30,000              | 0                   | 0                   | 0                      |
| Street sweeper                          | 180,000             | 180,000             | 180,000             | 0                      |
| MPO 17th Street 3R project              | 0                   | 127,643             | 0                   | 127,643                |
| Tinsley Park tennis lights              | 0                   | 27,289              | 7,645               | 19,644                 |
| Tinsley Park Playground match           | 0                   | 0                   | 95                  | (95)                   |
| Greenway - Willow to Inman survey       | 20,000              | 20,000              | 0                   | 20,000                 |
| Waterville improvements                 | 0                   | 173,000             | 125,235             | 47,765                 |
| Tinsley Park renovation                 | 0                   | 92,900              | 83,760              | 9,140                  |
| Greenway - Mohawk extension             | 0                   | 60,000              | 0                   | 60,000                 |
| School land purchase                    | 0                   | 0                   | 723,077             | (723,077)              |
| School capital projects                 | 620,000             | 2,153,868           | 1,217,544           | 936,324                |

CITY OF CLEVELAND, TENNESSEE  
 SALES TAX CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2013

(Continued)

|   | Budgeted Amounts           |                            | Actual                     | Variance                   |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
|   | Original                   | Final                      |                            | Positive<br>(Negative)     |
| Expenditures - (Continued)                        |                            |                            |                            |                            |
| Debt service:                                     |                            |                            |                            |                            |
| QSCB principal                                    | \$ 238,000                 | \$ 260,000                 | \$ 259,577                 | \$ 423                     |
| QSCB interest                                     | 63,000                     | 63,100                     | 63,024                     | 76                         |
| QSCB fiscal charges                               | 4,000                      | 4,200                      | 4,160                      | 40                         |
| Arnold School Renovation - principal              | 0                          | 105,400                    | 67,200                     | 38,200                     |
| Arnold School Renovation - interest               | 0                          | 0                          | 37,803                     | (37,803)                   |
| Total expenditures                                | <u>\$ 3,775,000</u>        | <u>\$ 6,068,615</u>        | <u>\$ 5,122,305</u>        | <u>\$ 946,310</u>          |
| Excess (deficiency) of revenues over expenditures | <u>\$ (1,000,000)</u>      | <u>\$ (1,149,265)</u>      | <u>\$ (125,921)</u>        | <u>\$ 1,023,344</u>        |
| Other financing sources:                          |                            |                            |                            |                            |
| Transfers in                                      | <u>\$ 1,000,000</u>        | <u>\$ 0</u>                | <u>\$ 0</u>                | <u>\$ 0</u>                |
| Total other financing sources                     | <u>\$ 1,000,000</u>        | <u>\$ 0</u>                | <u>\$ 0</u>                | <u>\$ 0</u>                |
| Net change in fund balance                        | \$ 0                       | \$ (1,149,265)             | \$ (125,921)               | \$ 1,023,344               |
| Fund balance at beginning of year                 | <u>2,169,042</u>           | <u>2,169,042</u>           | <u>2,169,042</u>           | <u>0</u>                   |
| Fund balance at end of year                       | <u><u>\$ 2,169,042</u></u> | <u><u>\$ 1,019,777</u></u> | <u><u>\$ 2,043,121</u></u> | <u><u>\$ 1,023,344</u></u> |

CITY OF CLEVELAND, TENNESSEE  
ARRA GRANTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts   |                    | Actual             | Variance<br>Positive<br>(Negative) |
|--|--------------------|--------------------|--------------------|------------------------------------|
|  | Original           | Final              |                    |                                    |
| Revenues:  |                    |                    |                    |                                    |
| Intergovernmental:                                   |                    |                    |                    |                                    |
| SETHRA reimbursement                                 | \$ 0               | \$ 35,540          | \$ 423             | \$ (35,117)                        |
| Total Revenues                                       | <u>\$ 0</u>        | <u>\$ 35,540</u>   | <u>\$ 423</u>      | <u>\$ (35,117)</u>                 |
| Expenditures:  |                    |                    |                    |                                    |
| Capital outlay:                                      |                    |                    |                    |                                    |
| Train Depot  | \$ 0               | \$ 35,540          | \$ 423             | \$ 35,117                          |
| Total expenditures                                   | <u>\$ 0</u>        | <u>\$ 35,540</u>   | <u>\$ 423</u>      | <u>\$ 35,117</u>                   |
| Excess (deficiency) of revenues<br>over expenditures | \$ 0               | \$ 0               | \$ 0               | \$ 0                               |
| Fund balance at beginning of year                    | <u>0</u>           | <u>0</u>           | <u>0</u>           | <u>0</u>                           |
| Fund balance at end of year                          | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u>                 |

CITY OF CLEVELAND, TENNESSEE  
 SPRING BRANCH INDUSTRIAL PARK FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2013

|  | Budgeted Amounts |                | Actual         | Variance<br>Positive<br>(Negative) |
|--|------------------|----------------|----------------|------------------------------------|
|  | Original         | Final          |                |                                    |
| Revenues:  |                  |                |                |                                    |
| Interest   | \$ 0             | \$ 0           | \$ 10,522      | \$ 10,522                          |
| Total revenues                                       | \$ 0             | \$ 0           | \$ 10,522      | \$ 10,522                          |
| Expenditures:  |                  |                |                |                                    |
| Capital outlay:                                      |                  |                |                |                                    |
| Industrial Park land purchase                        | \$ 0             | \$ 4,918,228   | \$ 3,181,536   | \$ 1,736,692                       |
| Environmental costs                                  | 0                | 255,810        | 255,810        | 0                                  |
| Development costs                                    | 0                | 400,000        | 0              | 400,000                            |
| Debt service:  |                  |                |                |                                    |
| Debt issuance costs                                  | 0                | 36,000         | 36,000         | 0                                  |
| Total expenditures                                   | \$ 0             | \$ 5,610,038   | \$ 3,473,346   | \$ 2,136,692                       |
| Excess (deficiency) of<br>revenues over expenditures | \$ 0             | \$ (5,610,038) | \$ (3,462,824) | \$ 2,147,214                       |
| Other financing sources (uses):                      |                  |                |                |                                    |
| Notes issued   | \$ 0             | \$ 5,610,075   | \$ 5,260,075   | \$ (350,000)                       |
| Total other financing sources (uses)                 | \$ 0             | \$ 5,610,075   | \$ 5,260,075   | \$ (350,000)                       |
| Net change in fund balances                          | \$ 0             | \$ 37          | \$ 1,797,251   | \$ 1,797,214                       |
| Fund balance at beginning of year                    | 0                | 0              | 0              | 0                                  |
| Fund balance at end of year                          | \$ 0             | \$ 37          | \$ 1,797,251   | \$ 1,797,214                       |

CITY OF CLEVELAND, TENNESSEE  
 MEILER ESTATE ANIMAL SHELTER TRUST FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2013

|   | Budgeted Amounts         |                          | Actual                   | Variance<br>Positive<br>(Negative) |
|---|--------------------------|--------------------------|--------------------------|------------------------------------|
|   | Original                 | Final                    |                          |                                    |
| Revenues:                               |                          |                          |                          |                                    |
| Interest                                | \$ 1,000                 | \$ 1,000                 | \$ 4,254                 | \$ 3,254                           |
| Total revenues                          | <u>\$ 1,000</u>          | <u>\$ 1,000</u>          | <u>\$ 4,254</u>          | <u>\$ 3,254</u>                    |
| Excess of revenues<br>over expenditures | \$ 1,000                 | \$ 1,000                 | \$ 4,254                 | \$ 3,254                           |
| Fund balance at beginning of year       | <u>459,952</u>           | <u>459,952</u>           | <u>459,952</u>           | <u>0</u>                           |
| Fund balance at end of year             | <u><u>\$ 460,952</u></u> | <u><u>\$ 460,952</u></u> | <u><u>\$ 464,206</u></u> | <u><u>\$ 3,254</u></u>             |

This page left blank intentionally.

## **INTERNAL SERVICE FUND**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

**Fleet Management Fund:** This fund is used to account for the maintenance of all vehicles owned by the City of Cleveland. The City also maintains vehicles for other governmental agencies.

CITY OF CLEVELAND, TENNESSEE  
INTERNAL SERVICE FUND - FLEET MANAGEMENT FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

|   | Budgeted Amounts  |                   | Actual            | Variance               |
|---|-------------------|-------------------|-------------------|------------------------|
|   | Original          | Final             |                   | Positive<br>(Negative) |
| <b>Operating Revenues:</b>                |                   |                   |                   |                        |
| Charges for services                      | \$ 740,000        | \$ 740,000        | \$ 624,283        | \$ (115,717)           |
| Other operating revenue                   | 200               | 200               | 0                 | (200)                  |
| Total operating revenues                  | <u>\$ 740,200</u> | <u>\$ 740,200</u> | <u>\$ 624,283</u> | <u>\$ (115,917)</u>    |
| <b>Operating Expenses:</b>                |                   |                   |                   |                        |
| General and administrative:               |                   |                   |                   |                        |
| Salaries                                  | \$ 346,200        | \$ 339,800        | \$ 332,700        | \$ 7,100               |
| Overtime                                  | 5,000             | 5,000             | 3,220             | 1,780                  |
| Longevity                                 | 2,900             | 2,900             | 2,850             | 50                     |
| Sold vacation                             | 2,700             | 2,700             | 1,775             | 925                    |
| Christmas bonus                           | 900               | 4,300             | 4,239             | 61                     |
| Dental insurance                          | 3,800             | 3,800             | 3,348             | 452                    |
| Social security                           | 26,900            | 27,400            | 25,100            | 2,300                  |
| Health insurance                          | 60,000            | 60,600            | 54,794            | 5,806                  |
| Retirement                                | 58,700            | 61,100            | 57,600            | 3,500                  |
| Life and disability insurance             | 4,400             | 4,400             | 4,061             | 339                    |
| Worker's compensation claims              | 500               | 500               | 0                 | 500                    |
| Postage                                   | 600               | 600               | 470               | 130                    |
| Printing                                  | 200               | 200               | 0                 | 200                    |
| Advertising                               | 100               | 100               | 0                 | 100                    |
| Membership dues                           | 1,000             | 2,200             | 2,167             | 33                     |
| Utilities                                 | 23,400            | 21,000            | 20,047            | 953                    |
| Telephone                                 | 8,500             | 9,300             | 9,116             | 184                    |
| Vehicle maintenance                       | 5,500             | 9,900             | 9,870             | 30                     |
| Contracted services - vehicle maintenance | 110,000           | 110,000           | 87,452            | 22,548                 |
| Building maintenance                      | 5,500             | 6,500             | 3,717             | 2,783                  |
| Central fuel maintenance and supplies     | 8,000             | 13,000            | 8,831             | 4,169                  |
| Travel and training                       | 1,000             | 1,000             | 129               | 871                    |
| Pest control                              | 300               | 300               | 272               | 28                     |
| Office expense                            | 3,500             | 4,100             | 4,069             | 31                     |
| Waste disposal services                   | 4,000             | 4,000             | 2,252             | 1,748                  |
| Janitorial supplies                       | 4,400             | 2,500             | 1,342             | 1,158                  |
| Uniforms                                  | 3,800             | 2,400             | 2,356             | 44                     |
| Gasoline and oil                          | 6,800             | 5,900             | 5,897             | 3                      |
| Insurance - building and contents         | 2,200             | 2,200             | 2,045             | 155                    |
| Insurance - vehicles                      | 600               | 700               | 651               | 49                     |
| Insurance - general liability             | 1,800             | 2,200             | 2,161             | 39                     |
| Insurance - worker's compensation         | 9,800             | 10,700            | 10,693            | 7                      |
| Depreciation                              | 32,000            | 33,100            | 32,931            | 169                    |

CITY OF CLEVELAND, TENNESSEE  
INTERNAL SERVICE FUND - FLEET MANAGEMENT FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

(Continued)

|   | Budgeted Amounts           |                            | Actual                     | Variance<br>Positive<br>(Negative) |
|---|----------------------------|----------------------------|----------------------------|------------------------------------|
|   | Original                   | Final                      |                            |                                    |
| Operating Expenses (Continued):                     |                            |                            |                            |                                    |
| Computer software maintenance                       | \$ 11,200                  | \$ 11,200                  | \$ 11,070                  | \$ 130                             |
| Miscellaneous                                       | 500                        | 500                        | 51                         | 449                                |
| Equipment and tools                                 | 5,900                      | 3,400                      | 1,432                      | 1,968                              |
| Computer equipment                                  | 1,200                      | 200                        | 0                          | 200                                |
| Total operating expenses                            | <u>\$ 763,800</u>          | <u>\$ 769,700</u>          | <u>\$ 708,708</u>          | <u>\$ 60,992</u>                   |
| Operating income                                    | <u>\$ (23,600)</u>         | <u>\$ (29,500)</u>         | <u>\$ (84,425)</u>         | <u>\$ (54,925)</u>                 |
| Non Operating Revenues (Expenses):                  |                            |                            |                            |                                    |
| Interest income                                     | \$ 500                     | \$ 500                     | \$ 263                     | \$ (237)                           |
| Total non operating revenues (expenses)             | <u>\$ 500</u>              | <u>\$ 500</u>              | <u>\$ 263</u>              | <u>\$ (237)</u>                    |
| Income (loss) before contributions<br>and transfers | \$ (23,100)                | \$ (29,000)                | \$ (84,162)                | \$ (55,162)                        |
| Capital contributions                               | 0                          | 0                          | 0                          | 0                                  |
| Change in net position                              | <u>\$ (23,100)</u>         | <u>\$ (29,000)</u>         | <u>\$ (84,162)</u>         | <u>\$ (55,162)</u>                 |
| Total net position - beginning                      | <u>1,458,872</u>           | <u>1,458,872</u>           | <u>1,458,872</u>           | <u>0</u>                           |
| Total net position - ending                         | <u><u>\$ 1,435,772</u></u> | <u><u>\$ 1,429,872</u></u> | <u><u>\$ 1,374,710</u></u> | <u><u>\$ (55,162)</u></u>          |

This page left blank intentionally.

## **CAPITAL ASSETS**

CITY OF CLEVELAND, TENNESSEE  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULE BY SOURCE(1)  
 June 30, 2013 and 2012

|  | 2013           | 2012           |
|--|----------------|----------------|
| Governmental funds capital assets:                   |                |                |
| Land   | \$ 10,276,779  | \$ 9,108,679   |
| Buildings  | 103,448,596    | 102,770,320    |
| Public improvements other than buildings             | 8,831,753      | 7,010,575      |
| Infrastructure                                       | 54,438,245     | 52,612,083     |
| Furniture, fixtures, equipment and vehicles          | 28,607,081     | 27,812,591     |
| Total governmental funds capital assets              | \$ 205,602,454 | \$ 199,314,248 |
| <br>Investment in governmental funds capital assets: |                |                |
| Total governmental funds capital assets              | \$ 205,602,454 | \$ 199,314,248 |

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF CLEVELAND, TENNESSEE  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY(1)

June 30, 2013

| Function and Activity             | Total<br>Capital<br>Assets | Land                | Buildings           | Other<br>Improve-<br>ments | Infrastructure       | Equipment           |
|-----------------------------------|----------------------------|---------------------|---------------------|----------------------------|----------------------|---------------------|
| <b>General Government:</b>        |                            |                     |                     |                            |                      |                     |
| Administration and finance        | \$ 1,094,258               | \$ 1,800            | \$ 396,880          | \$ 174,681                 | \$ 0                 | \$ 520,897          |
| General government                | 781,975                    | 180,600             | 185,251             | 370,027                    | 0                    | 46,097              |
| Community development             | 519,175                    | 56,361              | 271,086             | 1,805                      | 0                    | 189,923             |
| Library                           | 8,026,587                  | 302,000             | 4,742,955           | 0                          | 0                    | 2,981,632           |
| <b>Total General Government</b>   | <b>\$ 10,421,995</b>       | <b>\$ 540,761</b>   | <b>\$ 5,596,172</b> | <b>\$ 546,513</b>          | <b>\$ 0</b>          | <b>\$ 3,738,549</b> |
| <b>Public Safety:</b>             |                            |                     |                     |                            |                      |                     |
| Police                            | \$ 10,266,870              | \$ 290,097          | \$ 5,179,696        | \$ 28,017                  | \$ 0                 | \$ 4,769,060        |
| Fire                              | 8,711,435                  | 461,500             | 3,078,947           | 170,228                    | 0                    | 5,000,760           |
| 911 Center                        | 867,618                    | 0                   | 867,618             | 0                          | 0                    | 0                   |
| <b>Total Public Safety</b>        | <b>\$ 19,845,923</b>       | <b>\$ 751,597</b>   | <b>\$ 9,126,261</b> | <b>\$ 198,245</b>          | <b>\$ 0</b>          | <b>\$ 9,769,820</b> |
| <b>Public Works:</b>              |                            |                     |                     |                            |                      |                     |
| Street Department                 | \$ 4,214,473               | \$ 249,715          | \$ 318,738          | \$ 90,681                  | \$ 0                 | \$ 3,555,339        |
| Engineering                       | 496,985                    | 45,385              | 146,579             | 35,130                     | 0                    | 269,891             |
| Old City Landfill                 | 92,500                     | 63,500              | 25,000              | 4,000                      | 0                    | 0                   |
| Primary Roads                     | 8,608,215                  | 67,965              | 0                   | 0                          | 8,540,250            | 0                   |
| Secondary Roads                   | 37,995,008                 | 378,887             | 0                   | 0                          | 37,616,121           | 0                   |
| Drainage                          | 3,983,945                  | 12,147              | 0                   | 0                          | 3,971,798            | 0                   |
| Detention Ponds                   | 3,613,911                  | 770,558             | 0                   | 0                          | 2,843,353            | 0                   |
| Sidewalks                         | 1,269,731                  | 0                   | 0                   | 0                          | 1,269,731            | 0                   |
| Bridges                           | 196,992                    | 0                   | 0                   | 0                          | 196,992              | 0                   |
| <b>Total Public Works</b>         | <b>\$ 60,471,760</b>       | <b>\$ 1,588,157</b> | <b>\$ 490,317</b>   | <b>\$ 129,811</b>          | <b>\$ 54,438,245</b> | <b>\$ 3,825,230</b> |
| <b>Parks and Recreation:</b>      |                            |                     |                     |                            |                      |                     |
| Recreation Office                 | \$ 918,333                 | \$ 0                | \$ 0                | \$ 70,585                  | \$ 0                 | \$ 847,748          |
| Tinsley Park                      | 2,039,202                  | 211,980             | 165,860             | 1,585,033                  | 0                    | 76,329              |
| Waterville Golf Course            | 2,483,359                  | 256,816             | 521,641             | 1,278,409                  | 0                    | 426,493             |
| College Hill Center               | 1,048,613                  | 76,890              | 231,658             | 641,524                    | 0                    | 98,541              |
| Cleveland Community Center        | 639,249                    | 47,000              | 376,318             | 122,138                    | 0                    | 93,793              |
| Johnston Park                     | 425,000                    | 175,000             | 0                   | 250,000                    | 0                    | 0                   |
| Deer Park                         | 265,740                    | 90,000              | 0                   | 175,740                    | 0                    | 0                   |
| Arnold Mini Park                  | 14,565                     | 0                   | 0                   | 14,565                     | 0                    | 0                   |
| Mayfield Mini Park                | 14,000                     | 0                   | 0                   | 14,000                     | 0                    | 0                   |
| Blythe Mini Park                  | 20,044                     | 9,874               | 0                   | 10,170                     | 0                    | 0                   |
| Bower Mini Park                   | 61,975                     | 0                   | 14,800              | 47,175                     | 0                    | 0                   |
| Stuart Mini Park                  | 9,531                      | 0                   | 0                   | 9,531                      | 0                    | 0                   |
| E.L. Ross Craigmile Park          | 9,880                      | 0                   | 0                   | 9,880                      | 0                    | 0                   |
| East Cleveland Neighborhood       | 83,698                     | 10,000              | 3,577               | 70,121                     | 0                    | 0                   |
| Greenway Project                  | 2,586,723                  | 0                   | 66,802              | 2,391,434                  | 0                    | 128,487             |
| Fletcher Park                     | 661,326                    | 64,373              | 118,973             | 477,980                    | 0                    | 0                   |
| 1st Street Square Park            | 535,363                    | 174,595             | 0                   | 360,768                    | 0                    | 0                   |
| Soccer Complex                    | 390,562                    | 50,000              | 0                   | 340,562                    | 0                    | 0                   |
| <b>Total Parks and Recreation</b> | <b>\$ 12,207,163</b>       | <b>\$ 1,166,528</b> | <b>\$ 1,499,629</b> | <b>\$ 7,869,615</b>        | <b>\$ 0</b>          | <b>\$ 1,671,391</b> |

CITY OF CLEVELAND, TENNESSEE  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY(1)

(Continued)

June 30, 2013

| Function and Activity                 | Total<br>Capital<br>Assets | Land                 | Buildings             | Other<br>Improve-<br>ments | Infrastructure       | Equipment            |
|---------------------------------------|----------------------------|----------------------|-----------------------|----------------------------|----------------------|----------------------|
| <b>Miscellaneous Properties:</b>      |                            |                      |                       |                            |                      |                      |
| Central and Church parking lot        | \$ 101,000                 | \$ 101,000           | \$ 0                  | \$ 0                       | \$ 0                 | \$ 0                 |
| Fourth Street parking lot             | 45,500                     | 45,500               | 0                     | 0                          | 0                    | 0                    |
| Worth and Central parking lot         | 45,000                     | 45,000               | 0                     | 0                          | 0                    | 0                    |
| Inman Street parking lot              | 32,500                     | 32,500               | 0                     | 0                          | 0                    | 0                    |
| Second - Central parking lot          | 53,000                     | 53,000               | 0                     | 0                          | 0                    | 0                    |
| Blythe Day Care                       | 35,136                     | 15,000               | 11,336                | 8,800                      | 0                    | 0                    |
| Animal Control                        | 323,706                    | 0                    | 95,301                | 60,347                     | 0                    | 168,058              |
| Kaufman - Second Street parking lot   | 33,000                     | 27,500               | 0                     | 5,500                      | 0                    | 0                    |
| Hargis - First Street parking lot     | 33,000                     | 27,500               | 0                     | 5,500                      | 0                    | 0                    |
| Urban renewal lots                    | 87,330                     | 87,330               | 0                     | 0                          | 0                    | 0                    |
| Hill Street building                  | 1,074                      | 0                    | 1,074                 | 0                          | 0                    | 0                    |
| Seventh and Church Street parking lot | 21,202                     | 13,780               | 0                     | 7,422                      | 0                    | 0                    |
| <b>Total Miscellaneous Properties</b> | <b>\$ 811,448</b>          | <b>\$ 448,110</b>    | <b>\$ 107,711</b>     | <b>\$ 87,569</b>           | <b>\$ 0</b>          | <b>\$ 168,058</b>    |
| <b>Cleveland City Schools:</b>        |                            |                      |                       |                            |                      |                      |
| School Property                       | \$ 100,653,118             | \$ 5,781,626         | \$ 86,628,506         | \$ 0                       | \$ 0                 | \$ 8,242,986         |
| Food Service                          | 1,191,047                  | 0                    | 0                     | 0                          | 0                    | 1,191,047            |
| <b>Total City Schools</b>             | <b>\$ 101,844,165</b>      | <b>\$ 5,781,626</b>  | <b>\$ 86,628,506</b>  | <b>\$ 0</b>                | <b>\$ 0</b>          | <b>\$ 9,434,033</b>  |
| <b>Total Capital Assets</b>           | <b>\$ 205,602,454</b>      | <b>\$ 10,276,779</b> | <b>\$ 103,448,596</b> | <b>\$ 8,831,753</b>        | <b>\$ 54,438,245</b> | <b>\$ 28,607,081</b> |

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF CLEVELAND, TENNESSEE  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY(1)

For the Fiscal Year Ended June 30, 2013

| Function and Activity        | Beginning<br>Balance | Additions           | Deductions        | Ending<br>Balance    |
|------------------------------|----------------------|---------------------|-------------------|----------------------|
| <b>General Government:</b>   |                      |                     |                   |                      |
| Administration and finance   | \$ 1,042,431         | \$ 51,827           | \$ 0              | \$ 1,094,258         |
| General government           | 776,692              | 5,283               | 0                 | 781,975              |
| Community development        | 533,734              | 1,339               | 15,898            | 519,175              |
| Library                      | 7,855,955            | 175,788             | 5,156             | 8,026,587            |
| Total General Government     | <u>\$ 10,208,812</u> | <u>\$ 234,237</u>   | <u>\$ 21,054</u>  | <u>\$ 10,421,995</u> |
| <b>Public Safety:</b>        |                      |                     |                   |                      |
| Police                       | \$ 9,967,932         | \$ 459,393          | \$ 160,455        | \$ 10,266,870        |
| Fire                         | 8,686,725            | 28,539              | 3,829             | 8,711,435            |
| 911 Center                   | 867,618              | 0                   | 0                 | 867,618              |
| Total Public Safety          | <u>\$ 19,522,275</u> | <u>\$ 487,932</u>   | <u>\$ 164,284</u> | <u>\$ 19,845,923</u> |
| <b>Public Works:</b>         |                      |                     |                   |                      |
| Street Department            | \$ 4,001,966         | \$ 213,725          | \$ 1,218          | \$ 4,214,473         |
| Engineering                  | 472,620              | 45,385              | 21,020            | 496,985              |
| Old City Landfill            | 92,500               | 0                   | 0                 | 92,500               |
| Primary Roads                | 8,291,509            | 316,706             | 0                 | 8,608,215            |
| Secondary Roads              | 36,828,264           | 1,166,744           | 0                 | 37,995,008           |
| Drainage                     | 3,641,233            | 342,712             | 0                 | 3,983,945            |
| Detention Ponds              | 3,613,911            | 0                   | 0                 | 3,613,911            |
| Sidewalks                    | 1,269,731            | 0                   | 0                 | 1,269,731            |
| Bridges                      | 196,992              | 0                   | 0                 | 196,992              |
| Total Public Works           | <u>\$ 58,408,726</u> | <u>\$ 2,085,272</u> | <u>\$ 22,238</u>  | <u>\$ 60,471,760</u> |
| <b>Parks and Recreation:</b> |                      |                     |                   |                      |
| Recreation Office            | \$ 917,733           | \$ 600              | \$ 0              | \$ 918,333           |
| Tinsley Park                 | 1,865,856            | 173,346             | 0                 | 2,039,202            |
| Waterville Golf Course       | 1,426,432            | 1,056,927           | 0                 | 2,483,359            |
| College Hill Center          | 1,038,518            | 10,095              | 0                 | 1,048,613            |
| Cleveland Community Center   | 628,463              | 10,786              | 0                 | 639,249              |
| Johnston Park                | 425,000              | 0                   | 0                 | 425,000              |
| Deer Park                    | 265,740              | 0                   | 0                 | 265,740              |
| Arnold Mini Park             | 14,565               | 0                   | 0                 | 14,565               |
| Mayfield Mini Park           | 14,000               | 0                   | 0                 | 14,000               |
| Blythe Mini Park             | 20,044               | 0                   | 0                 | 20,044               |
| Bower Mini Park              | 61,975               | 0                   | 0                 | 61,975               |
| Stuart Mini Park             | 9,531                | 0                   | 0                 | 9,531                |
| E.L. Ross Craigmile Park     | 9,880                | 0                   | 0                 | 9,880                |
| East Cleveland Neighborhood  | 83,698               | 0                   | 0                 | 83,698               |
| Greenway Project             | 1,967,462            | 619,261             | 0                 | 2,586,723            |
| Fletcher Park                | 661,326              | 0                   | 0                 | 661,326              |
| 1st Street Square Park       | 535,363              | 0                   | 0                 | 535,363              |
| Soccer Complex               | 390,562              | 0                   | 0                 | 390,562              |
| Total Parks and Recreation   | <u>\$ 10,336,148</u> | <u>\$ 1,871,015</u> | <u>\$ 0</u>       | <u>\$ 12,207,163</u> |

CITY OF CLEVELAND, TENNESSEE  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS (Continued)  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY(1)  
 For the Fiscal Year Ended June 30, 2013

| <u>Function and Activity</u>          | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Deductions</u> | <u>Ending<br/>Balance</u> |
|---------------------------------------|------------------------------|---------------------|-------------------|---------------------------|
| <b>Miscellaneous Properties:</b>      |                              |                     |                   |                           |
| Central and Church parking lot        | \$ 101,000                   | \$ 0                | \$ 0              | \$ 101,000                |
| Fourth Street parking lot             | 45,500                       | 0                   | 0                 | 45,500                    |
| Worth and Central parking lot         | 45,000                       | 0                   | 0                 | 45,000                    |
| Inman Street parking lot              | 32,500                       | 0                   | 0                 | 32,500                    |
| Second - Central parking lot          | 53,000                       | 0                   | 0                 | 53,000                    |
| Blythe Day Care                       | 35,136                       | 0                   | 0                 | 35,136                    |
| Animal Control                        | 320,831                      | 2,875               | 0                 | 323,706                   |
| Kaufman - Second Street parking lot   | 33,000                       | 0                   | 0                 | 33,000                    |
| Hargis - First Street parking lot     | 33,000                       | 0                   | 0                 | 33,000                    |
| Urban renewal lots                    | 87,330                       | 0                   | 0                 | 87,330                    |
| Hill Street building                  | 1,074                        | 0                   | 0                 | 1,074                     |
| Seventh and Church Street parking lot | 21,202                       | 0                   | 0                 | 21,202                    |
| <b>Total Miscellaneous Properties</b> | <b>\$ 808,573</b>            | <b>\$ 2,875</b>     | <b>\$ 0</b>       | <b>\$ 811,448</b>         |
| <b>Cleveland City Schools:</b>        |                              |                     |                   |                           |
| School Property                       | \$ 98,862,075                | \$ 2,356,558        | \$ 565,515        | \$ 100,653,118            |
| Food Service                          | 1,167,639                    | 26,235              | 2,827             | 1,191,047                 |
| <b>Total City Schools</b>             | <b>\$ 100,029,714</b>        | <b>\$ 2,382,793</b> | <b>\$ 568,342</b> | <b>\$ 101,844,165</b>     |
| <b>Total Capital Assets</b>           | <b>\$ 199,314,248</b>        | <b>\$ 7,064,124</b> | <b>\$ 775,918</b> | <b>\$ 205,602,454</b>     |

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statements of net assets.

This page left blank intentionally.

## STATISTICAL SECTION

This part of the City of Cleveland, Tennessee’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| <b>Financial Trends</b><br>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.   | 132         |
| <b>Revenue Capacity</b><br>These schedules contain information to help the reader assess the government’s most significant local revenue sources, the property tax and the local sales tax.  | 142         |
| <b>Debt Capacity</b><br>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.                            | 154         |
| <b>Demographic and Economic Information</b><br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.  | 161         |
| <b>Operating Information</b><br>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs. | 165         |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF CLEVELAND, TENNESSEE  
NET ASSETS BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

|  | <u>2004</u>           | <u>2005</u>           | <u>2006</u>           | <u>2007</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities                            |                       |                       |                       |                       |
| Invested in capital assets,<br>net of related debt | \$ 52,526,979         | \$ 51,571,926         | \$ 48,522,525         | \$ 54,639,891         |
| Restricted   | 459,646               | 459,646               | 459,646               | 459,740               |
| Unrestricted                                       | <u>14,385,306</u>     | <u>17,119,787</u>     | <u>22,366,833</u>     | <u>22,488,017</u>     |
| Total governmental activities net assets           | <u>\$ 67,371,931</u>  | <u>\$ 69,151,359</u>  | <u>\$ 71,349,004</u>  | <u>\$ 77,587,648</u>  |
| Business-type activities                           |                       |                       |                       |                       |
| Invested in capital assets,<br>net of related debt | \$ 89,150,550         | \$ 92,033,295         | \$ 92,062,798         | \$ 98,773,538         |
| Unrestricted                                       | <u>13,550,964</u>     | <u>13,421,845</u>     | <u>16,935,342</u>     | <u>14,329,076</u>     |
| Total business-type activities                     | <u>\$ 102,701,514</u> | <u>\$ 105,455,140</u> | <u>\$ 108,998,140</u> | <u>\$ 113,102,614</u> |
| Primary government                                 |                       |                       |                       |                       |
| Invested in capital assets,<br>net of related debt | \$ 141,677,529        | \$ 143,605,221        | \$ 140,585,323        | \$ 153,413,429        |
| Restricted   | 459,646               | 459,646               | 459,646               | 459,740               |
| Unrestricted                                       | <u>27,936,270</u>     | <u>30,541,632</u>     | <u>39,302,175</u>     | <u>36,817,093</u>     |
| Total primary government net assets                | <u>\$ 170,073,445</u> | <u>\$ 174,606,499</u> | <u>\$ 180,347,144</u> | <u>\$ 190,690,262</u> |

Source: Official record of Office of City Clerk.

| <u>2008</u>           | <u>2009</u>           | <u>2010</u>           | <u>2011</u>           | <u>2012</u>           | <u>2013</u>           |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 58,694,649         | \$ 59,721,184         | \$ 57,893,731         | \$ 66,391,099         | \$ 66,979,125         | \$ 68,705,499         |
| 459,740               | 459,740               | 473,440               | 2,926,017             | 6,449,583             | 4,903,327             |
| <u>16,590,395</u>     | <u>15,821,883</u>     | <u>17,372,612</u>     | <u>12,436,686</u>     | <u>14,134,054</u>     | <u>13,058,791</u>     |
| <u>\$ 75,744,784</u>  | <u>\$ 76,002,807</u>  | <u>\$ 75,739,783</u>  | <u>\$ 81,753,802</u>  | <u>\$ 87,562,762</u>  | <u>\$ 86,667,617</u>  |
| <br>                  |                       |                       |                       |                       |                       |
| \$ 100,513,728        | \$ 112,581,181        | \$ 120,603,787        | \$ 132,342,820        | \$ 143,097,174        | \$ 161,335,056        |
| <u>22,347,483</u>     | <u>15,355,800</u>     | <u>12,830,051</u>     | <u>13,179,002</u>     | <u>10,789,348</u>     | <u>3,654,232</u>      |
| <u>\$ 122,861,211</u> | <u>\$ 127,936,981</u> | <u>\$ 133,433,838</u> | <u>\$ 145,521,822</u> | <u>\$ 153,886,522</u> | <u>\$ 164,989,288</u> |
| <br>                  |                       |                       |                       |                       |                       |
| \$ 159,208,377        | \$ 172,302,365        | \$ 178,497,518        | \$ 198,733,919        | \$ 210,076,299        | \$ 230,040,555        |
| 459,740               | 459,740               | 473,440               | 2,926,017             | 6,449,583             | 4,903,327             |
| <u>38,937,878</u>     | <u>31,177,683</u>     | <u>30,202,663</u>     | <u>25,615,688</u>     | <u>24,923,402</u>     | <u>16,713,023</u>     |
| <u>\$ 198,605,995</u> | <u>\$ 203,939,788</u> | <u>\$ 209,173,621</u> | <u>\$ 227,275,624</u> | <u>\$ 241,449,284</u> | <u>\$ 251,656,905</u> |

CITY OF CLEVELAND, TENNESSEE  
CHANGE IN NET POSITION  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

|   | 2004                   | 2005                   | 2006                   |
|---|------------------------|------------------------|------------------------|
| <b>EXPENSES</b>   |                        |                        |                        |
| Governmental activities:                                  |                        |                        |                        |
| General government  | \$ 3,325,573           | \$ 2,391,498           | \$ 2,693,884           |
| Community development                                     | 539,414                | 622,028                | 1,054,852              |
| Public safety   | 12,683,638             | 14,180,863             | 15,151,467             |
| Public works  | 8,138,030              | 8,429,567              | 9,265,703              |
| Health and welfare  | 500,734                | 538,263                | 552,573                |
| Culture and recreation                                    | 2,559,373              | 2,952,398              | 2,962,458              |
| Education   | 31,429,169             | 35,475,697             | 37,495,574             |
| Interest on long-term debt                                | 2,094,798              | 1,992,504              | 2,297,623              |
| Total governmental activities                             | <u>\$ 61,270,729</u>   | <u>\$ 66,582,818</u>   | <u>\$ 71,474,134</u>   |
| Business-type activities:                                 |                        |                        |                        |
| Water and sewer   | \$ 15,037,429          | \$ 16,105,695          | \$ 17,588,719          |
| Electric  | 62,524,728             | 62,737,439             | 71,747,592             |
| Brush Chipping  | 134,631                | 140,635                | 197,614                |
| Airport   | 0                      | 0                      | 0                      |
| Total business-type activities expenses                   | <u>\$ 77,696,788</u>   | <u>\$ 78,983,769</u>   | <u>\$ 89,533,925</u>   |
| Total primary government expenses                         | <u>\$ 138,967,517</u>  | <u>\$ 145,566,587</u>  | <u>\$ 161,008,059</u>  |
| <b>PROGRAM REVENUES</b>                                   |                        |                        |                        |
| Governmental activities:                                  |                        |                        |                        |
| Charges for services                                      | \$ 7,127,661           | \$ 7,706,701           | \$ 8,200,575           |
| Operating grants and contributions                        | 27,093,926             | 29,500,770             | 31,417,297             |
| Capital grants and contributions                          | 765,700                | 2,342,151              | 1,770,080              |
| Total governmental activities program revenues            | <u>\$ 34,987,287</u>   | <u>\$ 39,549,622</u>   | <u>\$ 41,387,952</u>   |
| Business-type activities:                                 |                        |                        |                        |
| Charges for services:                                     |                        |                        |                        |
| Water and sewer   | \$ 16,152,299          | \$ 16,437,866          | \$ 17,957,369          |
| Electric  | 65,987,477             | 65,541,717             | 74,832,241             |
| Brush Chipping  | 87,075                 | 202,790                | 197,167                |
| Airport   | 0                      | 0                      | 0                      |
| Operating grants and contributions                        | 0                      | 0                      | 0                      |
| Capital grants and contributions                          | 1,448,663              | 708,439                | 1,121,813              |
| Total business-type activities program revenues           | <u>\$ 83,675,514</u>   | <u>\$ 82,890,812</u>   | <u>\$ 94,108,590</u>   |
| Total primary government program revenues                 | <u>\$ 118,662,801</u>  | <u>\$ 122,440,434</u>  | <u>\$ 135,496,542</u>  |
| Net (Expense) Revenue                                     |                        |                        |                        |
| Governmental activities                                   | \$ (26,283,442)        | \$ (27,033,196)        | \$ (30,086,182)        |
| Business-type activities                                  | 5,978,726              | 3,907,043              | 4,574,665              |
| Total primary government net expense                      | <u>\$ (20,304,716)</u> | <u>\$ (23,126,153)</u> | <u>\$ (25,511,517)</u> |
| <b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b> |                        |                        |                        |
| Governmental activities:                                  |                        |                        |                        |
| Property taxes  | \$ 8,508,570           | \$ 8,967,774           | \$ 14,798,767          |
| Property taxes - fire                                     | 3,805,969              | 4,019,302              | 0                      |
| Interest and penalty on taxes                             | 110,668                | 119,841                | 133,275                |
| In lieu of taxes  | 26,977                 | 19,411                 | 19,829                 |
| Local sales tax   | 6,912,834              | 7,186,302              | 7,601,091              |
| Wholesale beer tax  | 1,054,330              | 1,088,535              | 1,131,612              |
| Gross receipts tax  | 823,885                | 943,128                | 821,430                |
| Franchise tax   | 494,096                | 716,475                | 1,142,767              |
| State sales tax   | 2,221,608              | 2,273,609              | 2,517,380              |
| Other state taxes   | 1,736,563              | 919,876                | 1,075,526              |
| Grants and contributions not restricted                   | 344,205                | 442,832                | 481,343                |
| Unrestricted investment earnings                          | 137,287                | 621,856                | 960,778                |
| Gain on sale of capital assets                            | 0                      | 0                      | 0                      |
| Transfers   | 1,469,381              | 1,493,683              | 1,600,029              |
| Total governmental activities                             | <u>\$ 27,646,373</u>   | <u>\$ 28,812,624</u>   | <u>\$ 32,283,827</u>   |
| Business-type activities:                                 |                        |                        |                        |
| Unrestricted investment earnings                          | \$ 206,307             | \$ 340,266             | \$ 568,364             |
| Transfers   | (1,469,381)            | (1,493,683)            | (1,600,029)            |
| Total business-type activities                            | <u>\$ (1,263,074)</u>  | <u>\$ (1,153,417)</u>  | <u>\$ (1,031,665)</u>  |
| Total primary government                                  | <u>\$ 26,383,299</u>   | <u>\$ 27,659,207</u>   | <u>\$ 31,252,162</u>   |
| <b>CHANGE IN NET POSITION</b>                             |                        |                        |                        |
| Governmental activities                                   | \$ 1,362,931           | \$ 1,779,428           | \$ 2,197,645           |
| Business-type activities                                  | 4,715,652              | 2,753,626              | 3,543,000              |
| Total primary government                                  | <u>\$ 6,078,583</u>    | <u>\$ 4,533,054</u>    | <u>\$ 5,740,645</u>    |

Source: Official record of Office of City Clerk.

| 2007                   | 2008                   | 2009                   | 2010                   | 2011                   | 2012                   | 2013                   |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$ 2,674,062           | \$ 3,045,455           | \$ 3,125,773           | \$ 4,294,917           | \$ 3,396,302           | \$ 3,463,066           | \$ 6,338,456           |
| 882,244                | 1,071,399              | 1,052,676              | 867,709                | 1,373,602              | 1,481,745              | 1,140,908              |
| 15,897,312             | 18,599,983             | 19,173,722             | 18,190,814             | 18,488,592             | 18,523,073             | 18,702,183             |
| 9,080,972              | 9,076,371              | 9,442,505              | 9,913,297              | 9,725,715              | 10,047,079             | 9,539,339              |
| 607,956                | 659,474                | 665,951                | 680,086                | 699,095                | 725,353                | 829,343                |
| 3,451,275              | 4,387,539              | 3,807,169              | 4,014,995              | 3,864,303              | 4,638,754              | 4,734,464              |
| 39,363,223             | 39,878,902             | 41,239,156             | 42,725,119             | 46,137,209             | 46,792,601             | 46,972,946             |
| 2,637,740              | 3,152,029              | 2,923,763              | 2,298,214              | 2,814,385              | 2,822,451              | 2,878,690              |
| <u>\$ 74,594,784</u>   | <u>\$ 79,871,152</u>   | <u>\$ 81,430,715</u>   | <u>\$ 82,985,151</u>   | <u>\$ 86,499,203</u>   | <u>\$ 88,494,122</u>   | <u>\$ 91,136,329</u>   |
| \$ 18,626,226          | \$ 20,426,089          | \$ 20,856,642          | \$ 20,890,587          | \$ 21,254,266          | \$ 21,547,173          | \$ 22,183,642          |
| 75,438,689             | 79,179,669             | 91,699,799             | 83,803,232             | 92,666,017             | 91,125,591             | 93,526,162             |
| 221,463                | 176,191                | 144,655                | 159,000                | 0                      | 0                      | 0                      |
| 0                      | 206,011                | 52,591                 | 263,379                | 62,617                 | 51,203                 | 573,288                |
| <u>\$ 94,286,378</u>   | <u>\$ 99,987,960</u>   | <u>\$ 112,753,687</u>  | <u>\$ 105,116,198</u>  | <u>\$ 113,982,900</u>  | <u>\$ 112,723,967</u>  | <u>\$ 116,283,092</u>  |
| <u>\$ 168,881,162</u>  | <u>\$ 179,859,112</u>  | <u>\$ 194,184,402</u>  | <u>\$ 188,101,349</u>  | <u>\$ 200,482,103</u>  | <u>\$ 201,218,089</u>  | <u>\$ 207,419,421</u>  |
| \$ 7,540,322           | \$ 7,837,356           | \$ 7,644,180           | \$ 7,331,254           | \$ 7,618,007           | \$ 7,308,364           | \$ 6,394,007           |
| 31,719,118             | 34,905,174             | 35,612,093             | 37,462,812             | 42,206,859             | 42,136,892             | 42,650,493             |
| 5,605,567              | 2,767,768              | 1,914,789              | 2,302,461              | 5,806,175              | 2,823,302              | 1,622,538              |
| <u>\$ 44,865,007</u>   | <u>\$ 45,510,298</u>   | <u>\$ 45,171,062</u>   | <u>\$ 47,096,527</u>   | <u>\$ 55,631,041</u>   | <u>\$ 52,268,558</u>   | <u>\$ 50,667,038</u>   |
| \$ 19,411,182          | \$ 20,208,450          | \$ 20,724,856          | \$ 20,356,004          | \$ 21,846,514          | \$ 23,391,403          | \$ 23,006,832          |
| 77,279,666             | 80,786,137             | 94,209,090             | 86,785,472             | 96,353,160             | 94,456,322             | 96,146,039             |
| 234,142                | 187,296                | 130,710                | 0                      | 0                      | 0                      | 0                      |
| 0                      | 12,781                 | 17,484                 | 16,775                 | 11,645                 | 15,719                 | 123,841                |
| 90,324                 | 40,523                 | 270,000                | 3,549                  | 5,569                  | 174,663                | 45,097                 |
| 2,282,693              | 8,879,491              | 3,685,707              | 4,882,848              | 9,401,737              | 4,800,720              | 9,622,580              |
| <u>\$ 99,298,007</u>   | <u>\$ 110,114,678</u>  | <u>\$ 119,037,847</u>  | <u>\$ 112,044,648</u>  | <u>\$ 127,618,625</u>  | <u>\$ 122,838,827</u>  | <u>\$ 128,944,389</u>  |
| <u>\$ 144,163,014</u>  | <u>\$ 155,624,976</u>  | <u>\$ 164,208,909</u>  | <u>\$ 159,141,175</u>  | <u>\$ 183,249,666</u>  | <u>\$ 175,107,385</u>  | <u>\$ 179,611,427</u>  |
| \$ (29,729,777)        | \$ (34,360,854)        | \$ (36,259,653)        | \$ (35,888,624)        | \$ (30,868,162)        | \$ (36,225,564)        | \$ (40,469,291)        |
| 5,011,629              | 10,126,718             | 6,284,160              | 6,928,450              | 13,635,725             | 10,114,860             | 12,661,297             |
| <u>\$ (24,718,148)</u> | <u>\$ (24,234,136)</u> | <u>\$ (29,975,493)</u> | <u>\$ (28,960,174)</u> | <u>\$ (17,232,437)</u> | <u>\$ (26,110,704)</u> | <u>\$ (27,807,994)</u> |
| \$ 15,480,244          | \$ 15,497,594          | \$ 15,848,544          | \$ 16,465,931          | \$ 16,629,270          | \$ 16,497,090          | \$ 16,598,001          |
| 0                      | 0                      | 0                      | 0                      | 0                      | 0                      | 0                      |
| 150,071                | 156,498                | 131,485                | 194,301                | 275,607                | 270,429                | 232,829                |
| 30,136                 | 19,208                 | 22,112                 | 90,822                 | 77,898                 | 281,289                | 247,400                |
| 8,018,692              | 7,929,077              | 8,389,829              | 9,840,465              | 10,173,414             | 11,726,645             | 11,842,883             |
| 1,162,392              | 1,206,434              | 1,239,216              | 1,245,869              | 1,303,212              | 1,490,010              | 1,514,062              |
| 857,958                | 883,959                | 939,795                | 913,170                | 962,609                | 1,103,755              | 1,139,178              |
| 1,041,053              | 992,888                | 929,622                | 953,496                | 843,753                | 790,234                | 874,574                |
| 2,702,704              | 2,685,932              | 2,454,675              | 2,397,165              | 2,505,215              | 2,803,138              | 2,857,391              |
| 1,800,451              | 2,116,359              | 2,513,984              | 1,298,234              | 1,685,668              | 2,046,650              | 1,955,994              |
| 633,364                | 738,101                | 455,312                | 536,334                | 605,104                | 708,181                | 566,435                |
| 1,203,574              | 527,603                | 80,157                 | 27,007                 | 50,070                 | 58,173                 | 79,556                 |
| 0                      | 0                      | 1,893,766              | (59,455)               | (22,362)               | 4,085                  | 49,317                 |
| 1,688,551              | 1,526,951              | 1,619,179              | 1,722,261              | 1,792,723              | 1,893,518              | 1,616,526              |
| <u>\$ 34,769,190</u>   | <u>\$ 34,280,604</u>   | <u>\$ 36,517,676</u>   | <u>\$ 35,625,600</u>   | <u>\$ 36,882,181</u>   | <u>\$ 39,673,197</u>   | <u>\$ 39,574,146</u>   |
| \$ 781,396             | \$ 595,448             | \$ 410,789             | \$ 290,668             | \$ 244,982             | \$ 143,358             | \$ 55,945              |
| (1,688,551)            | (1,526,951)            | (1,619,179)            | (1,722,261)            | (1,792,723)            | (1,893,518)            | (1,616,526)            |
| <u>\$ (907,155)</u>    | <u>\$ (931,503)</u>    | <u>\$ (1,208,390)</u>  | <u>\$ (1,431,593)</u>  | <u>\$ (1,547,741)</u>  | <u>\$ (1,750,160)</u>  | <u>\$ (1,560,581)</u>  |
| <u>\$ 33,862,035</u>   | <u>\$ 33,349,101</u>   | <u>\$ 35,309,286</u>   | <u>\$ 34,194,007</u>   | <u>\$ 35,334,440</u>   | <u>\$ 37,923,037</u>   | <u>\$ 38,013,565</u>   |
| \$ 5,039,413           | \$ (80,250)            | \$ 258,023             | \$ (263,024)           | \$ 6,014,019           | \$ 3,447,633           | \$ (895,145)           |
| 4,104,474              | 9,195,215              | 5,075,770              | 5,496,857              | 12,087,984             | 8,364,700              | 11,100,716             |
| <u>\$ 9,143,887</u>    | <u>\$ 9,114,965</u>    | <u>\$ 5,333,793</u>    | <u>\$ 5,233,833</u>    | <u>\$ 18,102,003</u>   | <u>\$ 11,812,333</u>   | <u>\$ 10,205,571</u>   |

CITY OF CLEVELAND, TENNESSEE  
PROGRAM REVENUE BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
*(accrual basis of accounting)*

| Function/Program                         | <u>2004</u>           | <u>2005</u>           | <u>2006</u>           | <u>2007</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Governmental activities:</b>          |                       |                       |                       |                       |
| General government                       | \$ 117,132            | \$ 141,362            | \$ 144,712            | \$ 94,478             |
| Community development                    | 569,681               | 599,802               | 845,564               | 942,799               |
| Public safety                            | 3,130,973             | 4,046,913             | 4,037,012             | 3,280,867             |
| Public works                             | 3,880,121             | 3,861,476             | 3,740,271             | 3,394,983             |
| Health and welfare                       | 253,654               | 265,624               | 223,382               | 272,474               |
| Culture and recreation                   | 848,808               | 1,407,893             | 1,011,707             | 1,124,039             |
| Education                                | <u>26,186,918</u>     | <u>29,226,552</u>     | <u>31,385,304</u>     | <u>35,755,367</u>     |
| <b>Subtotal governmental activities</b>  | <u>\$ 34,987,287</u>  | <u>\$ 39,549,622</u>  | <u>\$ 41,387,952</u>  | <u>\$ 44,865,007</u>  |
| <b>Business-type activities</b>          |                       |                       |                       |                       |
| Water and sewer                          | \$ 17,600,962         | \$ 17,146,305         | \$ 19,079,182         | \$ 21,784,199         |
| Electric                                 | 65,987,477            | 65,541,717            | 74,832,241            | 77,279,666            |
| Brush Chipping                           | 87,075                | 202,790               | 197,167               | 234,142               |
| Airport                                  | <u>0</u>              | <u>0</u>              | <u>0</u>              | <u>0</u>              |
| <b>Subtotal business-type activities</b> | <u>\$ 83,675,514</u>  | <u>\$ 82,890,812</u>  | <u>\$ 94,108,590</u>  | <u>\$ 99,298,007</u>  |
| <b>Total primary government</b>          | <u>\$ 118,662,801</u> | <u>\$ 122,440,434</u> | <u>\$ 135,496,542</u> | <u>\$ 144,163,014</u> |

Source: Official record of Office of City Clerk.

| <u>2008</u>           | <u>2009</u>           | <u>2010</u>           | <u>2011</u>           | <u>2012</u>           | <u>2013</u>           |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 135,035            | \$ 92,145             | \$ 379,084            | \$ 234,666            | \$ 116,736            | \$ 134,104            |
| 925,752               | 554,623               | 656,137               | 1,472,042             | 1,548,127             | 1,509,789             |
| 3,593,229             | 3,500,312             | 3,780,466             | 3,488,411             | 3,516,915             | 2,526,039             |
| 5,130,737             | 4,609,105             | 3,556,569             | 5,889,898             | 5,431,881             | 4,909,092             |
| 327,852               | 358,574               | 376,131               | 356,526               | 353,828               | 428,573               |
| 1,497,747             | 1,533,839             | 1,349,080             | 948,610               | 1,041,708             | 933,323               |
| <u>33,899,946</u>     | <u>34,522,464</u>     | <u>36,999,060</u>     | <u>43,240,888</u>     | <u>40,259,363</u>     | <u>40,226,118</u>     |
| <u>\$ 45,510,298</u>  | <u>\$ 45,171,062</u>  | <u>\$ 47,096,527</u>  | <u>\$ 55,631,041</u>  | <u>\$ 52,268,558</u>  | <u>\$ 50,667,038</u>  |
| \$ 21,065,966         | \$ 23,133,452         | \$ 21,801,228         | \$ 22,650,899         | \$ 24,677,843         | \$ 23,149,324         |
| 80,826,660            | 94,209,090            | 86,785,871            | 96,353,979            | 94,477,235            | 96,521,141            |
| 187,296               | 130,710               | 0                     | 0                     | 0                     | 0                     |
| <u>8,034,756</u>      | <u>1,564,595</u>      | <u>3,457,549</u>      | <u>8,613,747</u>      | <u>3,683,749</u>      | <u>9,273,924</u>      |
| <u>\$ 110,114,678</u> | <u>\$ 119,037,847</u> | <u>\$ 112,044,648</u> | <u>\$ 127,618,625</u> | <u>\$ 122,838,827</u> | <u>\$ 128,944,389</u> |
| <u>\$ 155,624,976</u> | <u>\$ 164,208,909</u> | <u>\$ 159,141,175</u> | <u>\$ 183,249,666</u> | <u>\$ 175,107,385</u> | <u>\$ 179,611,427</u> |

CITY OF CLEVELAND, TENNESSEE  
 FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS

*(modified accrual basis of accounting)*

|                                    | <u>2004</u>         | <u>2005</u>         | <u>2006</u>          | <u>2007</u>          |
|------------------------------------|---------------------|---------------------|----------------------|----------------------|
| General Fund                       |                     |                     |                      |                      |
| Nonspendable                       | \$ 0                | \$ 0                | \$ 0                 | \$ 0                 |
| Unassigned                         | 0                   | 0                   | 0                    | 0                    |
| Unreserved                         | <u>5,771,581</u>    | <u>6,667,277</u>    | <u>7,861,168</u>     | <u>8,642,201</u>     |
| Total general fund                 | <u>\$ 5,771,581</u> | <u>\$ 6,667,277</u> | <u>\$ 7,861,168</u>  | <u>\$ 8,642,201</u>  |
| <br>                               |                     |                     |                      |                      |
| All Other Governmental Funds:      |                     |                     |                      |                      |
| Nonspendable                       | \$ 0                | \$ 0                | \$ 0                 | \$ 0                 |
| Restricted                         | 0                   | 0                   | 0                    | 0                    |
| Committed                          | 0                   | 0                   | 0                    | 0                    |
| Assigned                           | 0                   | 0                   | 0                    | 0                    |
| Unreserved, reported in:           |                     |                     |                      |                      |
| Special revenue funds              | 3,526,721           | 4,797,634           | 3,942,290            | 3,910,827            |
| Debt service funds                 | 1,467,483           | 1,647,744           | 2,602,622            | 3,146,620            |
| Capital projects funds             | 2,013,662           | 1,998,815           | 6,045,791            | 5,871,288            |
| Permanent funds                    | <u>2,148</u>        | <u>8,315</u>        | <u>21,825</u>        | <u>28,697</u>        |
| Total all other governmental funds | <u>\$ 7,010,014</u> | <u>\$ 8,452,508</u> | <u>\$ 12,612,528</u> | <u>\$ 12,957,432</u> |

Source: Official record of Office of City Clerk.

| 2008                | 2009                | 2010                | 2011                 | 2012                 | 2013                 |
|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| \$ 0                | \$ 0                | \$ 0                | \$ 4,067             | \$ 4,193             | \$ 4,079             |
| 0                   | 0                   | 0                   | 10,152,078           | 11,955,804           | 12,388,007           |
| <u>8,670,275</u>    | <u>8,771,673</u>    | <u>9,115,200</u>    | <u>0</u>             | <u>0</u>             | <u>0</u>             |
| <u>\$ 8,670,275</u> | <u>\$ 8,771,673</u> | <u>\$ 9,115,200</u> | <u>\$ 10,156,145</u> | <u>\$ 11,959,997</u> | <u>\$ 12,392,086</u> |
| \$ 0                | \$ 0                | \$ 0                | \$ 473,636           | \$ 473,636           | \$ 473,636           |
| 0                   | 0                   | 0                   | 2,452,381            | 3,068,100            | 3,101,853            |
| 0                   | 0                   | 0                   | 812,939              | 869,249              | 728,768              |
| 0                   | 0                   | 0                   | 7,165,754            | 9,287,308            | 10,357,450           |
| 3,803,130           | 2,868,027           | 3,542,121           | 0                    | 0                    | 0                    |
| 2,692,706           | 2,849,584           | 3,246,244           | 0                    | 0                    | 0                    |
| 2,086,748           | 1,957,547           | 3,133,624           | 0                    | 0                    | 0                    |
| <u>20,122</u>       | <u>6,647</u>        | <u>521</u>          | <u>0</u>             | <u>0</u>             | <u>0</u>             |
| <u>\$ 8,602,706</u> | <u>\$ 7,681,805</u> | <u>\$ 9,922,510</u> | <u>\$ 10,904,710</u> | <u>\$ 13,698,293</u> | <u>\$ 14,661,707</u> |

CITY OF CLEVELAND, TENNESSEE  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
*(modified accrual basis of accounting)*

|  | 2004                 | 2005                 | 2006                  | 2007                   |
|--|----------------------|----------------------|-----------------------|------------------------|
| <b>REVENUES</b>                                      |                      |                      |                       |                        |
| Taxes  | \$ 21,820,687        | \$ 23,050,456        | \$ 25,598,961         | \$ 26,692,073          |
| Licenses and permits                                 | 614,120              | 499,409              | 511,731               | 540,832                |
| Intergovernmental                                    | 32,780,677           | 36,107,621           | 36,272,316            | 41,769,671             |
| Fines and forfeitures                                | 897,881              | 1,135,822            | 1,863,507             | 1,179,606              |
| Charges for services                                 | 3,969,522            | 4,205,563            | 5,852,986             | 5,851,999              |
| Interest   | 137,286              | 621,858              | 960,812               | 1,203,574              |
| Miscellaneous  | 795,869              | 775,016              | 982,971               | 969,776                |
| <b>Total Revenues</b>                                | <b>\$ 61,016,042</b> | <b>\$ 66,395,745</b> | <b>\$ 72,043,284</b>  | <b>\$ 78,207,531</b>   |
| <b>EXPENDITURES</b>                                  |                      |                      |                       |                        |
| General government                                   | \$ 1,929,123         | \$ 2,035,118         | \$ 2,053,861          | \$ 2,266,987           |
| Community development                                | 446,997              | 563,108              | 961,245               | 770,395                |
| Public safety  | 12,010,132           | 13,133,222           | 13,692,605            | 14,622,596             |
| Public works   | 6,152,910            | 7,054,780            | 7,664,026             | 7,710,740              |
| Health and welfare                                   | 379,761              | 428,047              | 415,101               | 483,957                |
| Culture and recreation                               | 2,321,247            | 2,414,280            | 2,692,519             | 2,883,687              |
| Education  | 29,924,557           | 32,955,018           | 34,023,865            | 35,296,056             |
| Appropriations                                       | 856,465              | 858,485              | 996,770               | 1,061,885              |
| Capital outlay                                       | 2,970,045            | 4,316,712            | 12,123,365            | 24,865,184             |
| Debt service:  |                      |                      |                       |                        |
| Interest   | 2,112,091            | 2,087,467            | 1,380,000             | 1,495,000              |
| Principal  | 1,430,000            | 1,355,000            | 2,245,522             | 2,592,796              |
| <b>Total Expenditures</b>                            | <b>\$ 60,533,328</b> | <b>\$ 67,201,237</b> | <b>\$ 78,248,879</b>  | <b>\$ 94,049,283</b>   |
| <b>Excess of revenues over (under) expenditures</b>  | <b>\$ 482,714</b>    | <b>\$ (805,492)</b>  | <b>\$ (6,205,595)</b> | <b>\$ (15,841,752)</b> |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                      |                      |                       |                        |
| Transfers in   | \$ 12,908,687        | \$ 13,883,341        | \$ 17,533,104         | \$ 15,587,872          |
| Transfers out  | (11,439,306)         | (12,414,658)         | (15,933,075)          | (13,899,321)           |
| Notes issued   | 703,200              | 1,025,000            | 9,836,795             | 9,163,205              |
| Bonds issued   | 0                    | 0                    | 0                     | 6,100,000              |
| Capital leases issued                                | 0                    | 0                    | 0                     | 0                      |
| Refunding bonds issued                               | 0                    | 10,580,000           | 0                     | 0                      |
| Premium on bonds issued                              | 0                    | 0                    | 0                     | 0                      |
| Payment to refunding bond escrow agent               | 0                    | (10,483,075)         | 0                     | 0                      |
| <b>Total other financing sources (uses)</b>          | <b>\$ 2,172,581</b>  | <b>\$ 2,590,608</b>  | <b>\$ 11,436,824</b>  | <b>\$ 16,951,756</b>   |
| <b>Net change in fund balances</b>                   | <b>\$ 2,655,295</b>  | <b>\$ 1,785,116</b>  | <b>\$ 5,231,229</b>   | <b>\$ 1,110,004</b>    |
| Debt service as a percent of noncapital expenditures | 6.15%                | 5.47%                | 5.48%                 | 5.78%                  |

Source: Official record of Office of City Clerk.

| 2008                  | 2009                  | 2010                  | 2011                  | 2012                 | 2013                  |
|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| \$ 26,427,496         | \$ 27,162,225         | \$ 29,323,204         | \$ 30,419,645         | \$ 31,817,105        | \$ 34,059,819         |
| 568,441               | 341,384               | 377,132               | 584,538               | 427,088              | 432,178               |
| 41,534,518            | 41,359,146            | 43,498,396            | 51,877,725            | 49,795,300           | 49,121,532            |
| 990,387               | 884,237               | 958,249               | 872,680               | 716,361              | 548,657               |
| 6,162,803             | 6,317,883             | 6,010,112             | 6,160,788             | 6,164,915            | 5,412,247             |
| 527,698               | 80,159                | 27,007                | 50,905                | 58,173               | 79,614                |
| 2,066,056             | 3,134,650             | 1,236,941             | 833,158               | 689,868              | 748,627               |
| <u>\$ 78,277,399</u>  | <u>\$ 79,279,684</u>  | <u>\$ 81,431,041</u>  | <u>\$ 90,799,439</u>  | <u>\$ 89,668,810</u> | <u>\$ 90,402,674</u>  |
| \$ 2,260,515          | \$ 2,386,824          | \$ 2,429,060          | \$ 2,376,498          | \$ 2,243,393         | \$ 2,286,876          |
| 854,944               | 876,634               | 783,855               | 760,472               | 828,940              | 926,915               |
| 16,066,722            | 17,004,076            | 15,793,335            | 16,638,957            | 16,334,062           | 16,364,461            |
| 7,679,981             | 8,107,529             | 8,075,972             | 8,412,481             | 8,242,610            | 7,917,343             |
| 497,414               | 493,166               | 506,882               | 533,470               | 548,043              | 654,628               |
| 3,314,547             | 3,052,883             | 3,188,748             | 3,254,143             | 3,352,727            | 3,864,417             |
| 38,597,871            | 38,826,465            | 40,237,280            | 43,728,161            | 43,685,843           | 44,673,856            |
| 1,088,089             | 1,083,718             | 1,072,554             | 1,070,897             | 1,070,066            | 1,074,137             |
| 9,730,177             | 7,979,274             | 7,708,385             | 11,792,319            | 8,380,283            | 12,573,516            |
| 1,816,428             | 2,015,129             | 1,939,428             | 2,282,667             | 2,477,857            | 2,691,153             |
| 3,148,679             | 3,191,643             | 2,896,597             | 2,748,022             | 2,771,273            | 2,856,470             |
| <u>\$ 85,055,367</u>  | <u>\$ 85,017,341</u>  | <u>\$ 84,632,096</u>  | <u>\$ 93,598,087</u>  | <u>\$ 89,935,097</u> | <u>\$ 95,883,772</u>  |
| <u>\$ (6,777,968)</u> | <u>\$ (5,737,657)</u> | <u>\$ (3,201,055)</u> | <u>\$ (2,798,648)</u> | <u>\$ (266,287)</u>  | <u>\$ (5,481,098)</u> |
| \$ 14,898,717         | \$ 13,963,115         | \$ 13,766,312         | \$ 14,513,077         | \$ 14,792,877        | \$ 14,716,372         |
| (13,371,766)          | (12,343,936)          | (12,044,051)          | (12,720,354)          | (12,899,360)         | (13,099,846)          |
| 951,300               | 3,761,400             | 4,160,000             | 312,203               | 2,615,335            | 5,260,075             |
| 0                     | 0                     | 0                     | 0                     | 0                    | 0                     |
| 0                     | 0                     | 0                     | 394,272               | 354,870              | 0                     |
| 0                     | 25,525,000            | 24,960,000            | 0                     | 0                    | 0                     |
| 0                     | 19,831                | 265,800               | 0                     | 0                    | 0                     |
| 0                     | (25,337,924)          | (24,652,000)          | 0                     | 0                    | 0                     |
| <u>\$ 2,478,251</u>   | <u>\$ 5,587,486</u>   | <u>\$ 6,456,061</u>   | <u>\$ 2,499,198</u>   | <u>\$ 4,863,722</u>  | <u>\$ 6,876,601</u>   |
| <u>\$ (4,299,717)</u> | <u>\$ (150,171)</u>   | <u>\$ 3,255,006</u>   | <u>\$ (299,450)</u>   | <u>\$ 4,597,435</u>  | <u>\$ 1,395,503</u>   |
| 6.59%                 | 6.76%                 | 6.29%                 | 6.18%                 | 6.28%                | 6.43%                 |

CITY OF CLEVELAND, TENNESSEE  
 TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (modified accrual basis of accounting)

| Fiscal Year         | Property      | Interest & Penalty | In lieu   | Local Sales  | Wholesale Beer | Gross Receipts | Franchise  | Total         |
|---------------------|---------------|--------------------|-----------|--------------|----------------|----------------|------------|---------------|
| 2004                | \$ 12,397,898 | \$ 110,668         | \$ 26,977 | \$ 6,912,834 | \$ 1,054,330   | \$ 823,885     | \$ 494,095 | \$ 21,820,687 |
| 2005                | 12,976,764    | 119,841            | 19,411    | 7,186,302    | 1,088,535      | 943,128        | 716,475    | 23,050,456    |
| 2006                | 14,748,957    | 133,275            | 19,829    | 7,601,091    | 1,131,612      | 821,430        | 1,142,767  | 25,598,961    |
| 2007                | 15,431,771    | 150,071            | 30,136    | 8,018,692    | 1,162,392      | 857,958        | 1,041,053  | 26,692,073    |
| 2008                | 15,239,432    | 156,498            | 19,208    | 7,929,077    | 1,206,434      | 883,959        | 992,888    | 26,427,496    |
| 2009                | 15,510,166    | 131,485            | 22,112    | 8,389,829    | 1,239,216      | 939,795        | 929,622    | 27,162,225    |
| 2010                | 16,099,996    | 194,301            | 90,822    | 9,840,465    | 1,245,869      | 898,254        | 953,497    | 29,323,204    |
| 2011                | 16,783,152    | 275,607            | 77,898    | 10,173,414   | 1,303,212      | 962,609        | 843,753    | 30,419,645    |
| 2012                | 16,701,263    | 270,429            | 281,289   | 11,180,125   | 1,490,010      | 1,103,755      | 790,234    | 31,817,105    |
| 2013                | 16,628,885    | 232,828            | 247,400   | 13,422,892   | 1,514,062      | 1,139,178      | 874,574    | 34,059,819    |
| Change<br>2004-2013 | 34.1%         | 110.4%             | 817.1%    | 94.2%        | 43.6%          | 38.3%          | 77.0%      | 56.1%         |

Source: Official record of Office of City Clerk.

Note: The City sales tax rate was increased by a referendum of city voters in March 2009 and became effective May 1, 2009.

This page left blank intentionally.

CITY OF CLEVELAND, TENNESSEE  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF REAL TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

| Fiscal<br>Year | Residential<br>Property | Commercial<br>Industrial<br>Property | Personal<br>Property |
|----------------|-------------------------|--------------------------------------|----------------------|
| 2004           | \$ 286,348,893          | \$ 311,879,339                       | \$ 134,709,868       |
| 2005           | 291,220,041             | 336,880,151                          | 137,794,077          |
| 2006           | 327,728,811             | 390,439,469                          | 152,699,708          |
| 2007           | 340,457,413             | 411,504,084                          | 160,482,176          |
| 2008           | 348,565,598             | 423,629,888                          | 145,922,372          |
| 2009           | 356,217,401             | 435,670,644                          | 146,945,263          |
| 2010           | 407,963,297             | 504,682,708                          | 168,029,054          |
| 2011           | 408,183,737             | 512,067,105                          | 170,815,182          |
| 2012           | 413,982,981             | 509,365,475                          | 162,580,268          |
| 2013           | 410,787,511             | 522,433,859                          | 168,476,998          |

Source: Bradley County Assessor of Property.

- (1) The State of Tennessee, Division of Property Assessment has conducted a comprehensive reappraisal for tax year 1999, which is reflected in the FY 2000 financial statements. In tax year 2002, the State performed a current value update which is reflected in the FY 2003 financial statements. In tax year 2005, the State conducted a comprehensive reappraisal which is reflected in the FY 2006 financial statements. In tax year 2009, conducted a comprehensive reappraisal which is reflected in the FY 2010 financial statements. Public utility assessments increased in tax year 1999. A statewide court ruling awarded reduction in the assessment ration from 55% to 40% for specific public utilities. After several years of appeals BellSouth assessments were also reduced.
- (2) Property in Bradley County is reassessed once every four years on average. The county assesses property at approximately 40 percent of actual value for commercial and industrial property and 25 percent for residential property. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per \$100 of assessed value.

| Public Utilities | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Taxable Assessed Value as a Percentage of Actual Taxable Value |
|------------------|------------------------------|-----------------------|--------------------------------|--|
| \$ 22,495,636    | \$ 755,433,736               | \$ 1.65               | \$ 2,428,860,720               | 31.1 %   |
| 22,257,531       | 788,151,800                  | 1.65                  | 2,520,548,708                  | 31.3   |
| 24,725,621       | 895,593,609                  | 1.65                  | 2,856,172,605                  | 31.4   |
| 25,365,823       | 937,809,496                  | 1.65                  | 2,987,247,780                  | 31.4   |
| 22,151,480       | 934,734,388                  | 1.65                  | 2,972,811,888                  | 31.4   |
| 22,742,171       | 980,743,876                  | 1.65                  | 3,121,695,808                  | 31.4   |
| 24,313,598       | 1,105,399,124                | 1.4904                | 3,512,121,976                  | 31.5   |
| 23,460,241       | 1,114,657,624                | 1.4904                | 3,539,305,277                  | 31.5   |
| 22,703,062       | 1,093,599,102                | 1.4904                | 3,478,643,702                  | 31.4   |
| 23,526,358       | 1,120,733,942                | 1.4904                | 3,552,824,352                  | 31.5   |

CITY OF CLEVELAND, TENNESSEE  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 LAST TEN FISCAL YEARS

| Fiscal Year | City        |              | Overlapping Rates - Bradley County |           |                |              |  |
|-------------|-------------|--------------|------------------------------------|-----------|----------------|--------------|--|
|             | Direct Rate | General Fund | Public Library                     | Pike Road | County Schools | City Schools |  |
| 2004        | \$ 1.65     | \$ 0.5544    | \$ 0.0283                          | \$ 0.1430 | \$ 0.6972      | \$ 0.3331    |  |
| 2005        | 1.65        | 0.5544       | 0.0283                             | 0.1430    | 0.6989         | 0.3277       |  |
| 2006        | 1.65        | 0.5137       | 0.0262                             | 0.1325    | 0.6411         | 0.3101       |  |
| 2007        | 1.65        | 0.5147       | 0.0312                             | 0.1427    | 0.6529         | 0.2999       |  |
| 2008        | 1.65        | 0.5147       | 0.0312                             | 0.1427    | 0.6495         | 0.3014       |  |
| 2009        | 1.65        | 0.5147       | 0.0312                             | 0.1427    | 0.6503         | 0.3006       |  |
| 2010        | 1.4904      | 0.4570       | 0.0277                             | 0.1263    | 0.5740         | 0.2695       |  |
| 2011        | 1.4904      | 0.4570       | 0.0277                             | 0.1263    | 0.5740         | 0.2695       |  |
| 2012        | 1.4904      | 0.4570       | 0.0277                             | 0.1263    | 0.5740         | 0.2695       |  |
| 2013        | 1.4904      | 0.4570       | 0.0277                             | 0.1263    | 0.5740         | 0.2695       |  |

Source: Bradley County Assessor of Property and Office of the City Clerk.

Note: The City's basic property tax rate may be increased only by a majority vote of the Cleveland City Council.

\*Overlapping rates are those of local and county governments that apply to property owners within the City of Cleveland. The combined tax rate is charged to all Cleveland property owners.

## Overlapping Rates - Bradley County - Continued

| Debt Service | Capital Projects | Education Capital Projects | Community Development | Total Bradley County | Total Direct and Overlapping Rate |
|--------------|------------------|----------------------------|-----------------------|----------------------|-----------------------------------|
| \$ 0.4240    | \$ -             | \$ -                       | \$ -                  | \$ 2.18              | \$ 3.83                           |
| 0.4240       | -                | -                          | -                     | 2.18                 | 3.83                              |
| 0.3929       | -                | -                          | -                     | 2.02                 | 3.67                              |
| 0.2786       | 0.1000           | -                          | -                     | 2.02                 | 3.67                              |
| 0.2760       | 0.1000           | 0.0019                     | -                     | 2.02                 | 3.67                              |
| 0.2786       | 0.1000           | 0.0019                     | -                     | 2.02                 | 3.67                              |
| 0.2355       | -                | 0.0017                     | 0.1003                | 1.79                 | 3.2824                            |
| 0.2355       | -                | 0.0017                     | 0.1003                | 1.79                 | 3.2824                            |
| 0.2355       | -                | 0.0017                     | 0.1003                | 1.79                 | 3.2824                            |
| 0.2355       | -                | 0.0017                     | 0.1003                | 1.79                 | 3.2824                            |

CITY OF CLEVELAND, TENNESSEE  
 PRINCIPAL PROPERTY TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO

Schedule 9

| <u>Taxpayer</u>              | <u>2012</u>                   |             |   | <u>2003</u>                   |             |   |
|------------------------------|-------------------------------|-------------|---|-------------------------------|-------------|---|
|                              | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total Assessed Valuation</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total Assessed Valuation</u> |
| Mars Chocolate               |                               |             |   |                               |             |   |
| (Masterfoods USA)            | \$ 41,478,778                 | 1           | 3.76%   | \$ 22,831,496                 | 3           | 3.12%   |
| Ocoee Health Corporation     | 37,786,424                    | 2           | 3.43  | -                             | -           | -   |
| Duracell Company             | 20,304,312                    | 3           | 1.84  | 26,806,917                    | 2           | 3.66  |
| Life Care Centers of America | 16,595,126                    | 4           | 1.51  | 8,498,542                     | 5           | 1.16  |
| Merck (Schering-Plough)      | 13,449,705                    | 5           | 1.22  | -                             | -           | -   |
| Peyton's Southeastern        | 10,466,632                    | 6           | 0.95  | 6,339,221                     | 8           | 0.87  |
| Walmart                      | 9,771,458                     | 7           | 0.89  | -                             | -           | -   |
| Southeastern Container       | 8,931,135                     | 8           | 0.81  | -                             | -           | -   |
| Johnston Coca-Cola           | 8,389,446                     | 9           | 0.76  | 6,452,554                     | 7           | 0.88  |
| Bellsouth                    | 7,645,558                     | 10          | 0.69  | 12,044,376                    | 4           | 1.65  |
| Whirlpool                    | -                             | -           | -   | 29,465,085                    | 1           | 4.02  |
| Bradley Square Mall          | -                             | -           | -   | 8,102,202                     | 6           | 1.11  |
| Honeywell International      | -                             | -           | -   | 5,408,391                     | 9           | 0.74  |
| Fairfield Development        | -                             | -           | -   | 4,593,850                     | 10          | 0.63  |
| Totals                       | <u>\$ 174,818,574</u>         |             | <u>15.86%</u>                                 | <u>\$ 130,542,634</u>         |             | <u>17.84%</u>                                 |

Source: Bradley County Assessor of Property and Office of the City Clerk.

CITY OF CLEVELAND, TENNESSEE  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Schedule 10

| Fiscal<br>Year<br>Ended<br>June 30, | Taxes Levied<br>for the<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy |                       | Collections<br>in Subsequent<br>Years | Total Collections to Date |                       |
|-------------------------------------|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
|                                     |  | Amount  | Percentage<br>of Levy |                                       | Amount                    | Percentage<br>of Levy |
| 2004                                | \$ 12,464,657                          | \$ 11,671,276                                   | 93.6 %                | \$ 777,929                            | \$ 12,449,205             | 99.9 %                |
| 2005                                | 13,004,505                             | 12,257,261                                      | 94.3                  | 731,385                               | 12,988,646                | 99.9                  |
| 2006                                | 14,777,295                             | 13,963,167                                      | 94.5                  | 807,540                               | 14,770,707                | 99.9                  |
| 2007                                | 15,473,857                             | 14,486,289                                      | 93.6                  | 969,356                               | 15,455,645                | 99.9                  |
| 2008                                | 15,514,444                             | 14,406,638                                      | 92.9                  | 1,076,191                             | 15,482,829                | 99.8                  |
| 2009                                | 15,869,700                             | 14,659,032                                      | 92.4                  | 1,151,906                             | 15,810,938                | 99.6                  |
| 2010                                | 16,491,558                             | 14,982,438                                      | 90.8                  | 1,399,447                             | 16,381,885                | 99.3                  |
| 2011                                | 16,608,494                             | 15,383,696                                      | 92.6                  | 1,047,759                             | 16,431,455                | 98.9                  |
| 2012                                | 16,294,716                             | 15,299,096                                      | 93.9                  | 686,001                               | 15,985,097                | 98.1                  |
| 2013                                | 16,699,031                             | 15,612,473                                      | 93.5                  | 0                                     | 15,612,473                | 93.5                  |

Source: Official records of Office of City Clerk.

CITY OF CLEVELAND, TENNESSEE  
 LOCAL TAXABLE SALES BY CATEGORY  
 LAST TEN CALENDAR YEARS

|                                 | <u>2003</u>           | <u>2004</u>           | <u>2005</u>           | <u>2006</u>           |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Apparel Stores                  | \$ 20,067,489         | \$ 20,838,181         | \$ 22,977,123         | \$ 24,118,354         |
| General Merchandise Stores      | 156,574,634           | 185,089,441           | 186,651,791           | 194,129,215           |
| Food Stores                     | 88,428,286            | 82,104,833            | 80,325,692            | 80,846,489            |
| Eating and Drinking Places      | 89,273,487            | 98,404,213            | 102,259,368           | 107,408,150           |
| Furniture Stores                | 26,189,600            | 27,948,716            | 28,225,563            | 29,458,464            |
| Building Materials              | 61,524,532            | 71,604,267            | 81,440,562            | 92,086,623            |
| MV Dealers and Service Stations | 34,550,414            | 42,391,937            | 48,059,604            | 49,518,509            |
| Other Retail                    | 49,907,813            | 52,947,959            | 56,146,560            | 56,400,083            |
| All Other Outlets               | <u>106,722,004</u>    | <u>114,746,617</u>    | <u>121,559,017</u>    | <u>128,462,703</u>    |
| Total                           | <u>\$ 633,238,259</u> | <u>\$ 696,076,164</u> | <u>\$ 727,645,280</u> | <u>\$ 762,428,590</u> |
| City direct sales tax rate      | 2.25%                 | 2.25%                 | 2.25%                 | 2.25%                 |

Source: Tennessee Department of Revenue, Research Division.

Note: Figures subject to revision due to amended taxpayer returns.

| <u>2007</u>           | <u>2008</u>           | <u>2009</u>           | <u>2010</u>           | <u>2011</u>           | <u>2012</u>           |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 24,557,551         | \$ 23,889,508         | \$ 23,196,641         | \$ 22,968,582         | \$ 23,696,309         | \$ 24,874,164         |
| 198,812,878           | 217,069,065           | 211,669,093           | 212,408,304           | 218,850,296           | 220,486,064           |
| 81,744,415            | 85,451,136            | 83,313,624            | 81,734,875            | 89,648,300            | 93,245,397            |
| 110,229,805           | 114,031,347           | 113,360,467           | 115,354,893           | 125,492,706           | 136,648,212           |
| 25,419,561            | 29,137,587            | 20,378,691            | 18,206,730            | 24,584,741            | 17,588,750            |
| 86,587,221            | 77,945,342            | 64,311,183            | 64,449,914            | 72,925,808            | 78,397,949            |
| 54,702,390            | 57,305,039            | 58,349,439            | 63,719,429            | 69,025,064            | 71,337,280            |
| 54,205,683            | 53,159,542            | 54,525,312            | 56,470,758            | 59,093,623            | 61,405,593            |
| <u>125,169,940</u>    | <u>128,726,025</u>    | <u>114,423,011</u>    | <u>114,343,520</u>    | <u>126,459,065</u>    | <u>139,311,618</u>    |
| <u>\$ 761,429,444</u> | <u>\$ 786,714,591</u> | <u>\$ 743,527,461</u> | <u>\$ 749,657,005</u> | <u>\$ 809,775,912</u> | <u>\$ 843,295,027</u> |
| 2.25%                 | 2.25%                 | 2.25%/2.75%           | 2.75%                 | 2.75%                 | 2.75%                 |

CITY OF CLEVELAND, TENNESSEE  
DIRECT AND OVERLAPPING SALES TAX RATES  
LAST TEN FISCAL YEARS

Schedule 12

| <u>Fiscal<br/>Year</u> | <u>City of<br/>Cleveland<br/>and Bradley<br/>County Rate</u> |
|------------------------|--|
| 2004                   | 2.25 %   |
| 2005                   | 2.25   |
| 2006                   | 2.25   |
| 2007                   | 2.25   |
| 2008                   | 2.25   |
| 2009                   | 2.25/2.75  |
| 2010                   | 2.75   |
| 2011                   | 2.75   |
| 2012                   | 2.75   |
| 2013                   | 2.75   |

Source: Official records of Office of City Clerk.

Note: The maximum local sales tax rate allowed by Tennessee State law is 2.75%.

The City sales tax rate was increased by a referendum of city voters in March 2009 and became effective May 1, 2009. Bradley County had a subsequent referendum in May 2009 which became effective July 1, 2009.

This page left blank intentionally.

CITY OF CLEVELAND, TENNESSEE  
 LOCAL SALES TAX REVENUE BY INDUSTRY  
 FISCAL YEARS 2004 AND 2013

|                                 | Fiscal Year 2004    |                        |                      |                        |
|---------------------------------|---------------------|------------------------|----------------------|------------------------|
|                                 | Number<br>of Filers | Percentage<br>of Total | Tax<br>Liability     | Percentage<br>of Total |
| 1 Retail Trade                  | 810                 | 58.91 %                | \$ 12,418,941        | 83.23 %                |
| 2 Services                      | 336                 | 24.44                  | 1,057,954            | 7.09                   |
| 3 Manufacturing                 | 87                  | 6.33                   | 611,413              | 4.10                   |
| 4 Wholesale Trade               | 79                  | 5.75                   | 610,632              | 4.09                   |
| 5 Construction                  | 18                  | 1.31                   | 30,815               | 0.21                   |
| 6 Finance Insurance Real Estate | 19                  | 1.38                   | 14,986               | 0.10                   |
| 7 Transportation and Utilities  | 8                   | 0.58                   | 91,169               | 0.61                   |
| 8 Agriculture                   | 5                   | 0.36                   | 4,999                | 0.03                   |
| Other, Non Classified           | 13                  | 0.95                   | 80,756               | 0.54                   |
| <b>Total</b>                    | <b>1,375</b>        | <b>100.00 %</b>        | <b>\$ 14,921,665</b> | <b>100.00 %</b>        |

Source: Tennessee Department of Revenue, Research Division.

Notes:

1. Figures subject to revision due to amended taxpayer returns.
2. Figures represent local sales tax collected by merchants during the period, not disbursements from the Department of Revenue. Thus, amounts presented above do not match to amounts reflected within the financial report.
3. Changes in local telecommunications sourcing rules in 2003 reduced the number of taxpayers reporting in the Transportation and Utilities sector.
4. Does not include Cleveland's share of county clerk or out-of-state taxpayer amounts.

| Fiscal Year 2013    |                        |                      |                        |
|---------------------|------------------------|----------------------|------------------------|
| Number<br>of Filers | Percentage<br>of Total | Tax<br>Liability     | Percentage<br>of Total |
| 836                 | 58.14 %                | \$ 19,313,334        | 83.26 %                |
| 335                 | 23.30                  | 1,836,775            | 7.92                   |
| 89                  | 6.19                   | 611,183              | 2.63                   |
| 77                  | 5.35                   | 801,320              | 3.45                   |
| 11                  | 0.76                   | 11,415               | 0.05                   |
| 26                  | 1.81                   | 38,392               | 0.17                   |
| 10                  | 0.70                   | 149,713              | 0.65                   |
| 10                  | 0.70                   | 10,276               | 0.04                   |
| 44                  | 3.06                   | 422,724              | 1.82                   |
| <u>1,438</u>        | <u>100.00 %</u>        | <u>\$ 23,195,132</u> | <u>100.00 %</u>        |

CITY OF CLEVELAND, TENNESSEE  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

| Fiscal<br>Year | Governmental Activities        |   |               |                   |
|----------------|--------------------------------|---|---------------|-------------------|
|                | General<br>Obligation<br>Bonds | General<br>Obligation<br>Refunding<br>Bonds | Notes         | Capital<br>Leases |
| 2004           | \$ 11,290,000                  | \$ 8,070,000                                | \$ 24,715,000 | \$ 0              |
| 2005           | 1,225,000                      | 17,095,188                                  | 25,535,000    | 0                 |
| 2006           | 1,025,000                      | 16,187,020                                  | 43,795,000    | 0                 |
| 2007           | 6,850,000                      | 15,248,852                                  | 44,045,000    | 0                 |
| 2008           | 6,370,000                      | 14,275,685                                  | 44,664,872    | 0                 |
| 2009           | 5,885,000                      | 13,313,207                                  | 48,095,182    | 0                 |
| 2010           | 5,735,000                      | 36,888,110                                  | 27,456,503    | 0                 |
| 2011           | 5,580,000                      | 35,194,326                                  | 27,361,943    | 375,238           |
| 2012           | 5,420,000                      | 33,505,542                                  | 29,393,873    | 692,527           |
| 2013           | 5,250,000                      | 31,737,203                                  | 33,953,841    | 653,351           |

Source: Official record of Office of City Clerk.

Source: Percentage of Personal Income and Per Capita data from Schedule 19.

Business-type Activities

| Revenue<br>Bonds | Notes         | Total<br>Primary<br>Government | Percentage<br>of Personal<br>Income | Per<br>Capita |
|------------------|---------------|--------------------------------|-------------------------------------|---------------|
| \$ 26,279,883    | \$ 18,531,307 | \$ 88,886,190                  | 2.58 %                              | \$ 2,427      |
| 24,805,694       | 19,650,000    | 88,310,882                     | 2.77                                | 2,404         |
| 23,305,462       | 25,755,000    | 110,067,482                    | 2.33                                | 2,939         |
| 30,483,212       | 24,565,000    | 121,192,064                    | 2.15                                | 3,190         |
| 28,867,336       | 33,845,000    | 128,022,893                    | 2.47                                | 3,268         |
| 27,018,821       | 32,030,000    | 126,342,210                    | 2.62                                | 3,181         |
| 56,064,782       | 606,994       | 126,751,389                    | 2.32                                | 3,102         |
| 61,674,516       | 792,000       | 130,978,023                    | 2.40                                | 3,168         |
| 57,968,972       | 877,265       | 127,858,179                    | 2.66                                | 3,043         |
| 54,251,865       | 4,903,981     | 130,750,241                    | N/A                                 | N/A           |

CITY OF CLEVELAND, TENNESSEE  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

Schedule 15

| Fiscal<br>Year | General<br>Obligation<br>Bonds<br>Outstanding | Actual<br>Taxable Value<br>of Property | Population | Percentage of<br>Actual taxable<br>Value of<br>Property | Debt<br>Per<br>Capita |
|----------------|---|--|------------|---|-----------------------|
| 2004           | \$ 19,360,000                                 | \$ 2,428,860,720                       | 37,521     | 0.8 %   | \$ 516                |
| 2005           | 18,320,188                                    | 2,520,548,708                          | 37,914     | 0.7   | 483                   |
| 2006           | 17,212,020                                    | 2,856,172,605                          | 38,263     | 0.6   | 450                   |
| 2007           | 22,098,852                                    | 2,987,247,780                          | 38,627     | 0.7   | 572                   |
| 2008           | 20,645,685                                    | 2,972,811,888                          | 39,333     | 0.7   | 525                   |
| 2009           | 19,198,207                                    | 3,121,695,808                          | 39,753     | 0.6   | 483                   |
| 2010           | 42,623,110                                    | 3,512,121,976                          | 40,261     | 1.2   | 1,059                 |
| 2011           | 40,774,326                                    | 3,539,305,277                          | 41,285     | 1.2   | 988                   |
| 2012           | 38,925,542                                    | 3,478,643,702                          | 41,723     | 1.1   | 933                   |
| 2012           | 36,987,203                                    | 3,552,824,352                          | 42,386     | 1.0   | 873                   |

Source: Official records of Office of City Clerk.

Note - Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF CLEVELAND, TENNESSEE  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 June 30, 2013

Schedule 16

|                                   | <u>Net Debt<br/>Outstanding</u> | <u>Percentage<br/>of Debt<br/>Applicable<br/>to the City</u> | <u>City's<br/>Share<br/>of Debt</u> |
|-----------------------------------|---------------------------------|--|-------------------------------------|
| City of Cleveland direct debt     | \$ 71,594,395                   | 100.00%  | \$ 71,594,395                       |
| Bradley County, Tennessee         | <u>73,664,265</u>               | 54.41%   | <u>40,080,727</u>                   |
| Total direct and overlapping debt | <u>\$ 145,258,660</u>           |  | <u>\$ 111,675,122</u>               |

Source: Official records of Office of City Clerk and Bradley County Assessor of Property.

Note - Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Cleveland. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF CLEVELAND, TENNESSEE  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS

|   | <u>2004</u>          | <u>2005</u>          | <u>2006</u>          | <u>2007</u>          |
|---|----------------------|----------------------|----------------------|----------------------|
| Debt limit  | \$ 75,543,374        | \$ 78,815,180        | \$ 89,559,361        | \$ 93,780,950        |
| Total net debt applicable to limit                                  | <u>42,607,517</u>    | <u>42,812,256</u>    | <u>58,977,378</u>    | <u>63,538,380</u>    |
| Legal debt margin   | <u>\$ 32,935,857</u> | <u>\$ 36,002,924</u> | <u>\$ 30,581,983</u> | <u>\$ 30,242,570</u> |
| Total net debt applicable to limit<br>as a percentage of debt limit | 56.40%               | 54.32%               | 65.85%               | 67.75%               |

Note - Under Tennessee State law, the City's outstanding general obligation debt is not limited. However, the City has established a financial policy limit of no more than 10 percent of assessed property value.

Source: Official record of Office of City Clerk.

| <u>2008</u>          | <u>2009</u>          | <u>2010</u>          | <u>2011</u>          | <u>2012</u>          | <u>2013</u>          |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 93,473,439        | \$ 98,074,388        | \$ 110,539,912       | \$ 111,465,762       | \$ 109,359,910       | \$ 112,073,394       |
| <u>63,127,166</u>    | <u>64,921,560</u>    | <u>67,053,472</u>    | <u>65,804,739</u>    | <u>66,667,364</u>    | <u>69,103,328</u>    |
| <u>\$ 30,346,273</u> | <u>\$ 33,152,828</u> | <u>\$ 43,486,440</u> | <u>\$ 45,661,023</u> | <u>\$ 42,692,546</u> | <u>\$ 42,970,066</u> |
| 67.53%               | 66.20%               | 60.66%               | 59.04%               | 60.96%               | 61.66%               |

#### Legal Debt Margin Calculation for Fiscal Year 2013

|   |                  |                         |
|---|------------------|-------------------------|
| Total assessed value  |                  | <u>\$ 1,120,733,942</u> |
| Legal debt margin:  |                  |                         |
| Debt limitation - 10% of total assessed value<br>as adopted by resolution |                  | \$ 112,073,394          |
| Debt applicable to limit:   |                  |                         |
| Total bonded debt   | \$ 131,743,774   |                         |
| Less: Revenue bonds   | 59,958,981       |                         |
| Amount available for repayment<br>of general obligation bonds             | <u>2,681,465</u> |                         |
| Total debt applicable to limit  |                  | <u>69,103,328</u>       |
| Legal debt margin   |                  | <u>\$ 42,970,066</u>    |

CITY OF CLEVELAND, TENNESSEE  
REVENUE BOND COVERAGE  
WATER AND WASTEWATER BONDS  
LAST TEN FISCAL YEARS

Schedule 18

| Fiscal<br>Year | Gross<br>(1) Revenue | Direct<br>Operating<br>(2) Expenses | Net Revenue<br>Available<br>for Debt<br>Service | Debt Service Requirements |              |              | Coverage |
|----------------|----------------------|-------------------------------------|---|---------------------------|--------------|--------------|----------|
|                |                      |                                     |   | Principal                 | (3) Interest | Total        |          |
| 2004           | \$ 16,152,299        | \$ 10,030,334                       | \$ 6,121,965                                    | \$ 1,875,000              | \$ 1,547,125 | \$ 3,422,125 | 1.79     |
| 2005           | 16,437,866           | 11,001,573                          | 5,436,293                                       | 2,145,000                 | 1,545,770    | 3,690,770    | 1.47     |
| 2006           | 17,992,739           | 12,061,012                          | 5,931,727                                       | 2,315,000                 | 1,703,232    | 4,018,232    | 1.48     |
| 2007           | 19,411,182           | 12,603,637                          | 6,807,545                                       | 2,560,000                 | 1,971,336    | 4,531,336    | 1.50     |
| 2008           | 20,208,450           | 13,823,995                          | 6,384,455                                       | 2,615,000                 | 2,136,772    | 4,751,772    | 1.34     |
| 2009           | 20,994,856           | 14,279,638                          | 6,715,218                                       | 3,275,000                 | 1,930,027    | 5,205,027    | 1.29     |
| 2010           | 20,359,154           | 14,338,730                          | 6,020,424                                       | 3,535,000                 | 1,939,915    | 5,474,915    | 1.10     |
| 2011           | 21,846,514           | 14,496,608                          | 7,349,906                                       | 2,605,000                 | 1,942,720    | 4,547,720    | 1.62     |
| 2012           | 23,545,153           | 14,742,103                          | 8,803,050                                       | 2,928,418                 | 1,888,023    | 4,816,441    | 1.83     |
| 2013           | 23,545,153           | 15,292,780                          | 8,252,373                                       | 3,182,356                 | 1,720,182    | 4,902,538    | 1.83     |

Source: From official records of Office of City Clerk.

- (1) All revenues except interest income and gain on sale of assets
- (2) All expenses except depreciation, amortization and interest
- (3) Interest expense for year as reflected in audit report

This page left blank intentionally.

CITY OF CLEVELAND, TENNESSEE  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN CALENDAR YEARS

| Calendar<br>Year | Population | Personal<br>Income | Per<br>Capita<br>Personal<br>Income | Median<br>Age |
|------------------|------------|--------------------|-------------------------------------|---------------|
| 2003             | 37,368     | \$ 2,336,728       | \$ 25,955                           | 36            |
| 2004             | 37,691     | 2,510,307          | 27,572                              | 37            |
| 2005             | 38,186     | 2,616,694          | 28,400                              | 37            |
| 2006             | 38,627     | 2,650,669          | 28,280                              | 37            |
| 2007             | 39,333     | 2,729,670          | 28,600                              | 37            |
| 2008             | 39,753     | 3,210,000          | 29,207                              | 37            |
| 2009             | 40,261     | 3,367,000          | 29,704                              | 37            |
| 2010             | 41,285     | 2,964,034          | 30,335                              | 37            |
| 2011             | 41,723     | 3,170,403          | 31,687                              | 38            |
| 2012             | 42,386     | 3,434,502          | 33,960                              | 38            |

Sources: Population and educational attainment data from U.S. Census.  
 Median age calculated by Cleveland Community Development Department from U.S. Census data.  
 Personal income and Per Capita income from U.S. Bureau of Economic Analysis.  
 Unemployment data from U.S. Bureau of Labor Statistics.  
 School enrollment from Cleveland City Schools.  
 Personal income, per capita income, median age and unemployment rate data are for Bradley County.

| Percent<br>High School<br>graduate or<br>higher | Percent<br>Bachelor's<br>degree<br>or higher | School<br>Enrollment | Annual<br>Average<br>Adjusted<br>Unemployment<br>Rate (%) |
|---|--|----------------------|---|
| 73 %  | 16 %   | 4,317                | 5.1 %   |
| 73  | 16   | 4,454                | 5.1   |
| 76  | 18   | 4,456                | 5.3   |
| 76  | 22   | 4,503                | 6.7   |
| 76  | 22   | 4,632                | 7.0   |
| 76  | 22   | 4,849                | 6.4   |
| 76  | 22   | 4,869                | 9.9   |
| 82  | 25   | 4,965                | 9.3   |
| 83  | 24   | 5,009                | 9.0   |
| 83  | 24   | 5,423                | 7.7   |

CITY OF CLEVELAND, TENNESSEE  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO

| Employer                                   | 2013          |      |  |
|--|---------------|------|--|
|  | Employees     | Rank | Percentage of Total Labor Force Bradley County |
| Whirlpool/Maytag                           | 1,503         | 1    | 3.00 %   |
| City Government                            | 1,202         | 2    | 2.40   |
| Bradley County Schools                     | 1,200         | 3    | 2.40   |
| SkyRidge Medical Center (Bradley Memorial) | 1,147         | 4    | 2.29   |
| Peyton's Southeastern                      | 950           | 5    | 1.90   |
| Lee University                             | 815           | 6    | 1.63   |
| Wal-Mart                                   | 640           | 7    | 1.28   |
| Bradley County Government                  | 620           | 8    | 1.24   |
| Amazon                                     | 600           | 9    | 1.20   |
| Mars Chocolate (Mars Snackfood US)         | 577           | 10   | 1.15   |
| Merck (Schering Plough)                    | 537           | N/A  | 1.07   |
| Duracell                                   | 350           | N/A  | 0.70   |
| Jackson Furniture Industries               | -             | N/A  | -  |
| <b>Total</b>                               | <b>10,141</b> |      | <b>20.25 %</b>                                 |

Source: Cleveland/Bradley Chamber of Commerce and Tennessee Department of Labor & Workforce Development

This schedule should include the ten largest employers, unless fewer are required to reach 50% of total employment.

| 2004         |      |  |
|--------------|------|--|
| Employees    | Rank | Percentage of<br>Total Labor Force<br>Bradley County |
| 2,200        | 1    | 4.78 %   |
| 1,087        | 4    | 2.36   |
| 800          | 5    | 1.74   |
| 1,200        | 3    | 2.61   |
| 1,200        | 2    | 2.61   |
| N/A          | N/A  | N/A  |
| N/A          | N/A  | N/A  |
| 400          | 10   | 0.87   |
| N/A          | N/A  | N/A  |
| 775          | 6    | 1.68   |
| 475          | 9    | 1.03   |
| 475          | 8    | 1.03   |
| 525          | 7    | 1.14   |
| <u>9,137</u> |      | <u>19.85 %</u>                                       |

CITY OF CLEVELAND, TENNESSEE  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS

Schedule 21

| <u>Function/Program</u>           | Full-time Equivalent Employees as of June 30 |              |              |              |              |              |              |              |              |              |
|-----------------------------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                   | <u>2004</u>                                  | <u>2005</u>  | <u>2006</u>  | <u>2007</u>  | <u>2008</u>  | <u>2009</u>  | <u>2010</u>  | <u>2011</u>  | <u>2012</u>  | <u>2013</u>  |
| <b>General government</b>         |  |              |              |              |              |              |              |              |              |              |
| City Council and legislative      | 1  | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 1            |
| Administration and finance        | 16   | 16           | 16           | 16           | 16           | 16           | 16           | 15           | 14           | 14           |
| Community development             | 7  | 8            | 9            | 10           | 10           | 10           | 8            | 8            | 8            | 8            |
| Cleveland Regional Jetport        | 0  | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| <b>Police</b>                     |  |              |              |              |              |              |              |              |              |              |
| Officers                          | 91   | 90           | 90           | 90           | 92           | 92           | 88           | 94           | 95           | 85           |
| Civilians                         | 11   | 11           | 12           | 12           | 12           | 12           | 11           | 12           | 12           | 11           |
| <b>Fire</b>                       |  |              |              |              |              |              |              |              |              |              |
| Firefighters and officers         | 79   | 79           | 82           | 88           | 91           | 97           | 94           | 94           | 94           | 89           |
| Civilians                         | 1  | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 1            |
| <b>Public works</b>               |  |              |              |              |              |              |              |              |              |              |
| Operations                        | 18   | 19           | 23           | 26           | 26           | 26           | 25           | 26           | 26           | 20           |
| Engineering                       | 9  | 9            | 9            | 7            | 7            | 7            | 7            | 7            | 5            | 4            |
| Landscaping maintenance           | 7  | 7            | 8            | 8            | 8            | 8            | 10           | 0            | 0            | 0            |
| Solid waste management            | 13   | 13           | 13           | 13           | 13           | 13           | 14           | 14           | 14           | 13           |
| Stormwater management fund        | 0  | 1            | 1            | 2            | 2            | 2            | 2            | 2            | 2            | 2            |
| State street aid                  | 13   | 12           | 11           | 11           | 11           | 11           | 11           | 11           | 11           | 10           |
| Fleet management                  | 9  | 9            | 8            | 8            | 8            | 8            | 8            | 8            | 8            | 8            |
| Brush chipping                    | 1  | 1            | 1            | 1            | 1            | 1            | 0            | 0            | 0            | 0            |
| <b>Parks and recreation</b>       |  |              |              |              |              |              |              |              |              |              |
| Administration and maintenance    | 8  | 8            | 8            | 8            | 9            | 9            | 9            | 9            | 9            | 9            |
| Landscaping maintenance           | 0  | 0            | 0            | 0            | 0            | 0            | 0            | 7            | 7            | 7            |
| College Hill Recreation Center    | 3  | 3            | 3            | 3            | 3            | 3            | 3            | 3            | 3            | 3            |
| Cleveland Community Center        | 4  | 4            | 4            | 4            | 4            | 4            | 4            | 4            | 4            | 4            |
| Waterville Golf Course            | 7  | 7            | 6            | 6            | 6            | 6            | 6            | 6            | 6            | 6            |
| <b>Animal control</b>             |  |              |              |              |              |              |              |              |              |              |
| Administration and operations     | 7  | 7            | 7            | 7            | 8            | 8            | 8            | 8            | 8            | 8            |
| Weed and seed program             | 2  | 2            | 3            | 3            | 0            | 0            | 0            | 0            | 0            | 0            |
| Community development block grant | 0  | 0            | 1            | 2            | 2            | 2            | 2            | 2            | 2            | 2            |
| <b>Subtotal</b>                   | <b>307</b>                                   | <b>308</b>   | <b>317</b>   | <b>327</b>   | <b>331</b>   | <b>337</b>   | <b>328</b>   | <b>332</b>   | <b>330</b>   | <b>305</b>   |
| <b>Cleveland Utilities</b>        |  |              |              |              |              |              |              |              |              |              |
| Electric division                 | 105  | 105          | 109          | 108          | 114          | 115          | 91           | 89           | 88           | 84           |
| Water/wastewater division         | 83   | 83           | 85           | 86           | 86           | 85           | 109          | 102          | 98           | 98           |
| <b>City schools</b>               |  |              |              |              |              |              |              |              |              |              |
| Certificated staff                | 357  | 357          | 359          | 364          | 370          | 379          | 383          | 387          | 397          | 407          |
| Non-certificated personnel        | 254  | 254          | 253          | 253          | 258          | 263          | 268          | 270          | 274          | 277          |
| Library                           | 11   | 11           | 10           | 10           | 10           | 10           | 10           | 10           | 11           | 11           |
| <b>Total</b>                      | <b>1,117</b>                                 | <b>1,118</b> | <b>1,133</b> | <b>1,148</b> | <b>1,169</b> | <b>1,189</b> | <b>1,189</b> | <b>1,190</b> | <b>1,198</b> | <b>1,182</b> |

Source: City Finance Department.

Note - A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave) except City School certified staff.

This page left blank intentionally.

CITY OF CLEVELAND, TENNESSEE  
 OPERATING INDICATORS BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS

| <u>Function/Program</u>  | <u>2004</u>   | <u>2005</u>   | <u>2006</u>   | <u>2007</u>   |
|--|---------------|---------------|---------------|---------------|
| General government   |               |               |               |               |
| Building permits issued  | 438           | 495           | 460           | 437           |
| Value of construction permitted                                      | \$110,607,005 | \$56,689,803  | \$75,980,803  | \$83,346,627  |
| Police   |               |               |               |               |
| Parking violations   | 1,245         | 1,425         | 1,625         | 1,716         |
| Traffic violations   | 6,180         | 9,609         | 12,143        | 11,472        |
| Fire   |               |               |               |               |
| Emergency responses (city only)                                      | 803           | 884           | 1,256         | 1,313         |
| Fires extinguished (city only)                                       | 138           | 252           | 182           | 140           |
| Fire inspections   | 450           | 450           | 846           | 2,522         |
| Public works   |               |               |               |               |
| Street resurfacing (tonnage)   | 434           | 22,940        | 32,863        | 12,334        |
| Utility cut permits (# Excavations)                                  | 310           | 346           | 319           | 422           |
| Drainage pipe installed (linear ft.)                                 | 8,085         | 7,280         | 7,644         | 4,953         |
| Tons of brush chipped  | 1,200         | 1,188         | 1,269         | 1,978         |
| Parks and recreation   |               |               |               |               |
| Softball league participants   | 1,450         | 1,400         | 1,477         | 1,350         |
| Basketball league participants                                       | 350           | 400           | 454           | 350           |
| Football league participants   | n/a           | n/a           | n/a           | n/a           |
| Soccer league participants   | 638           | 730           | 750           | 850           |
| Rounds of golf played  | 11,500        | 11,900        | 12,120        | 14,700        |
| Library  |               |               |               |               |
| Volumes in collection  | 124,572       | 128,491       | 131,099       | 135,000       |
| Circulation  | 290,461       | 293,402       | 326,927       | 348,159       |
| Attendants   | 215,543       | 223,546       | 239,067       | 245,146       |
| City Schools   |               |               |               |               |
| Average Daily Membership   |               |               |               |               |
| High School  | 1,109         | 1,152         | 1,385         | 1,203         |
| Middle School  | 1,050         | 1,069         | 1,187         | 1,053         |
| Elementary Schools   | 2,123         | 2,162         | 1,906         | 2,248         |
| Ungraded - Special Education   | 48            | 72            | 68            | 61            |
| ACT composite scores   | 21.2          | 20.9          | 21.3          | 21            |
| % of High School graduates   | n/a           | 75.4          | 84.9          | 83            |
| Electric   |               |               |               |               |
| Class of Service # of Customers                                      |               |               |               |               |
| Residential  | 23,813        | 24,031        | 24,315        | 24,541        |
| Small lighting and power   | 3,319         | 3,382         | 3,407         | 3,426         |
| Large lighting and power   | 587           | 593           | 649           | 620           |
| Street and outdoor lighting  | 135           | 128           | 129           | 119           |
| Kilowatt-hours purchased   | 1,130,449,913 | 1,115,957,513 | 1,150,136,397 | 1,146,736,443 |
| Kilowatt-hours sold  | 1,092,827,383 | 1,076,529,177 | 1,118,005,640 | 1,107,755,437 |
| Line losses and kilowatt-hours unaccounted for                       | 37,622,530    | 39,428,336    | 32,130,757    | 38,981,006    |
| Percentage of losses and unaccounted for kilowatt-hours to purchases | 3.33%         | 3.53%         | 2.79%         | 3.40%         |

| 2008          | 2009          | 2010          | 2011          | 2012          | 2013          |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 393           | 247           | 286           | 217           | 360           | 350           |
| \$107,879,191 | \$39,596,442  | \$41,805,750  | \$43,490,568  | \$63,587,030  | \$59,121,927  |
| 1,082         | 1,349         | 1,659         | 1,669         | 1,130         | 974           |
| 8,437         | 6,244         | 7,617         | 8,771         | 5,603         | 4,060         |
| 1,456         | 1,932         | 2,497         | 2,969         | 2,939         | 2,429         |
| 178           | 135           | 150           | 245           | 136           | 169           |
| 2,973         | 2,755         | 2,713         | 3,162         | 2,454         | 2,208         |
| 6,362         | 0             | 3,773         | 8,669         | 9,967         | 18,898        |
| 329           | 321           | 290           | 293           | 228           | 229           |
| 7,119         | 5,995         | 3,166         | 5,054         | 3,901         | 5,919         |
| 1,080         | 4,353         | 5,507         | 8,523         | 6,446         | 8,282         |
| 1,500         | 1,814         | 1,820         | 1,155         | 1,440         | 1,500         |
| 184           | 212           | 220           | 200           | 216           | 230           |
| n/a           | 90            | 258           | 150           | 74            | 80            |
| 875           | 920           | 950           | 950           | 950           | 1,000         |
| 12,400        | 10,000        | 9,600         | 3,500         | 4,000         | 5,000         |
| 144,202       | 149,970       | 149,867       | 152,407       | 156,934       | 161,836       |
| 356,498       | 356,050       | 361,590       | 389,603       | 421,792       | 409,206       |
| 251,246       | 254,440       | 261,118       | 269,262       | 307,291       | 270,860       |
| 1,274         | 1,246         | 1,224         | 1,254         | 1,297         | 1,339         |
| 1,035         | 1,207         | 1,117         | 1,124         | 1,147         | 1,200         |
| 2,241         | 2,315         | 2,380         | 2,514         | 2,567         | 2,884         |
| 82            | 81            | 81            | 81            | 81            | 81            |
| 21            | 22            | 20            | 21            | 20            | 20            |
| 82            | 89            | 88            | 81            | 82            | 86            |
| 24,672        | 24,539        | 24,720        | 25,003        | 25,170        | 25,420        |
| 3,627         | 3,616         | 3,652         | 3,669         | 3,706         | 3,720         |
| 647           | 619           | 624           | 647           | 609           | 608           |
| 113           | 115           | 110           | 108           | 188           | 189           |
| 1,136,162,043 | 1,095,830,882 | 1,112,981,850 | 1,118,790,042 | 1,090,315,133 | 1,103,372,115 |
| 1,102,780,890 | 1,060,994,420 | 1,078,380,377 | 1,095,719,182 | 1,051,139,979 | 1,072,904,012 |
| 33,381,153    | 34,836,462    | 34,601,473    | 23,070,860    | 39,175,154    | 30,468,103    |
| 2.94%         | 3.18%         | 3.11%         | 2.06%         | 3.59%         | 2.76%         |

CITY OF CLEVELAND, TENNESSEE  
 OPERATING INDICATORS BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS.

| <u>Function/Program</u>   | <u>2004</u>   | <u>2005</u>   | <u>2006</u>   | <u>2007</u>   |
|---|---------------|---------------|---------------|---------------|
| <b>Water</b>  |               |               |               |               |
| Class of Service # of Customers                                       |               |               |               |               |
| Residential   | 24,343        | 24,870        | 25,414        | 25,898        |
| Commercial & Industrial   | 3,091         | 3,139         | 3,220         | 3,054         |
| Gallons purchased   | 1,050,685,973 | 1,103,601,315 | 1,207,869,115 | 1,255,708,159 |
| Gallons pumped  | 2,599,175,514 | 2,569,476,656 | 2,736,379,124 | 2,791,321,111 |
| Gallons sold  | 2,799,868,500 | 2,779,692,000 | 2,895,225,000 | 3,016,467,750 |
| Line losses and gallons unaccounted for                               | 849,992,987   | 893,385,971   | 1,049,023,239 | 1,030,561,520 |
| Percentage of losses and unaccounted<br>for gallons to total provided | 23.29%        | 24.32%        | 26.60%        | 25.46%        |
| Average daily water consumption (gallons)                             | 7,670,873     | 7,615,595     | 7,932,123     | 8,264,295     |
| <b>Wastewater</b>   |               |               |               |               |
| Class of Service # of Customers                                       |               |               |               |               |
| Residential   | 13,688        | 13,903        | 14,255        | 14,356        |
| Commercial & Industrial   | 2,398         | 2,420         | 2,487         | 2,482         |
| Capacity daily (thousands of gallons)                                 | 21,600        | 21,600        | 21,600        | 21,600        |
| Treatment during fiscal year (gallons)                                | 3,514,220,000 | 3,778,740,000 | 2,927,060,000 | 2,824,970,000 |

Sources: Various city departments.

| 2008          | 2009          | 2010          | 2011          | 2012          | 2013          |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 26,322        | 26,286        | 26,465        | 26,096        | 26,327        | 26,496        |
| 3,056         | 3,017         | 3,034         | 3,611         | 3,639         | 3,671         |
| 1,411,079,914 | 1,648,632,220 | 1,827,886,130 | 1,860,475,140 | 1,845,875,000 | 1,759,640,000 |
| 2,526,119,809 | 2,107,995,107 | 1,664,898,520 | 1,785,496,000 | 1,874,042,670 | 1,789,485,000 |
| 3,040,388,250 | 2,861,916,000 | 2,668,847,250 | 2,937,399,663 | 2,959,307,166 | 2,814,193,000 |
| 896,811,473   | 894,711,327   | 823,937,400   | 708,571,477   | 760,610,504   | 709,217,000   |
| 22.78%        | 23.82%        | 23.59%        | 19.43%        | 20.45%        | 19.98%        |
| 8,329,831     | 7,840,866     | 7,311,910     | 8,047,670     | 7,904,814     | 7,710,118     |
| 14,663        | 14,629        | 14,792        | 14,989        | 15,156        | 15,267        |
| 2,534         | 2,502         | 2,517         | 2,543         | 2,553         | 2,592         |
| 21,600        | 21,600        | 21,600        | 21,600        | 21,600        | 21,600        |
| 3,098,910,000 | 3,482,470,000 | 3,955,870,000 | 3,499,120,000 | 3,615,480,000 | 3,995,860,000 |

CITY OF CLEVELAND, TENNESSEE  
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS

Schedule 23

| <u>Function/Program</u>                    | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Police</b>                              |             |             |             |             |             |             |             |             |             |             |
| Stations                                   | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Substations                                | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| Patrol units                               | 117         | 110         | 110         | 103         | 88          | 85          | 85          | 95          | 112         | 120         |
| <b>Fire</b>                                |             |             |             |             |             |             |             |             |             |             |
| Stations                                   | 4           | 4           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           |
| Fire Trucks (pumpers,<br>ladders & tankers | 10          | 10          | 15          | 15          | 16          | 16          | 16          | 14          | 14          | 14          |
| <b>Public works</b>                        |             |             |             |             |             |             |             |             |             |             |
| Street (miles)                             | 291         | 302         | 321         | 323         | 323         | 323         | 323         | 346         | 347         | 348         |
| Street lights                              | 5,594       | 5,738       | 5,873       | 6,047       | 6,020       | 6,307       | 5,714       | 5,734       | 5,844       | 5,801       |
| Traffic signals                            | 503         | 517         | 540         | 542         | 566         | 582         | 595         | 599         | 604         | 613         |
| Pedestrians signals                        | 96          | 88          | 88          | 54          | 56          | 64          | 70          | 70          | 70          | 72          |
| Knucklebooms                               | 5           | 6           | 6           | 6           | 6           | 5           | 6           | 6           | 6           | 6           |
| <b>Parks and recreation</b>                |             |             |             |             |             |             |             |             |             |             |
| Acreage                                    | 292         | 292         | 289         | 289         | 289         | 289         | 289         | 289         | 289         | 289         |
| Playgrounds                                | 9           | 9           | 8           | 8           | 8           | 8           | 8           | 8           | 8           | 8           |
| Softball fields                            | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           |
| Soccer fields                              | 15          | 15          | 15          | 15          | 16          | 16          | 16          | 16          | 16          | 16          |
| Tennis courts                              | 12          | 12          | 12          | 12          | 8           | 8           | 8           | 8           | 8           | 8           |
| Community centers                          | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Swimming pools                             | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           |
| Golf courses                               | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| <b>Schools</b>                             |             |             |             |             |             |             |             |             |             |             |
| Elementary schools                         | 7           | 7           | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           |
| Middle schools                             | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| High schools                               | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| <b>Library</b>                             |             |             |             |             |             |             |             |             |             |             |
| Bookmobiles                                | 0           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| <b>Electric</b>                            |             |             |             |             |             |             |             |             |             |             |
| Electric lines (miles)                     | 500         | 500         | 513         | 518         | 522         | 525         | 528         | 528         | 534         | 537         |
| Substations                                | 14          | 14          | 15          | 15          | 15          | 15          | 15          | 15          | 15          | 15          |
| <b>Water</b>                               |             |             |             |             |             |             |             |             |             |             |
| Water mains (miles)                        | 623         | 688         | 697         | 710         | 728         | 736         | 738         | 741         | 743         | 750         |
| Fire hydrants                              | 2,127       | 2,228       | 2,302       | 2,343       | 2,416       | 2,492       | 2,510       | 2,565       | 2,571       | 2,575       |
| Storage capacity<br>(thousands of gal)     | 14,300      | 14,300      | 14,300      | 14,300      | 15,300      | 15,300      | 15,300      | 15,300      | 15,300      | 15,300      |
| <b>Wastewater</b>                          |             |             |             |             |             |             |             |             |             |             |
| Sanitary sewers (miles)                    | 269         | 322         | 326         | 329         | 334         | 347         | 355         | 355         | 356         | 359         |
| Treatment capacity<br>(thousands of gal)   | 21,600      | 21,600      | 21,600      | 21,600      | 21,600      | 21,600      | 21,600      | 21,600      | 21,600      | 21,600      |

Sources: Various city departments and City of Cleveland Utilities Electric, Water and Sewer Divisions.

Notes: No capital asset indicators are available for the general government function.

This page left blank intentionally.

**OTHER**

## CITY OF CLEVELAND, TENNESSEE

Table 1

## INSURANCE IN FORCE

## ALL FUND TYPES EXCLUDING CLEVELAND UTILITIES

For the Fiscal Year Ended June 30, 2013

| <u>Type of Coverage and<br/>Name of Company</u>  | <u>Policy<br/>Number</u> | <u>Policy<br/>Period</u>    | <u>Details<br/>of Coverage</u>  | <u>Liability<br/>Limits</u>   | <u>Annual<br/>Premium</u> |
|--|--------------------------|-----------------------------|---|-------------------------------|---------------------------|
| Property Building and<br>Contents, Boiler and<br>Machinery, Commercial<br>Crime, Inland Marine.<br>TML Risk Management<br>Pool | TMP-8187                 | 9/1/2012<br>to<br>8/31/2013 | Buildings, contents,<br>boilers, fired vessels<br>electric steam generators.<br>Theft, disappearance and<br>destruction. Radio, video<br>equipment, mobile equip-<br>ment, police dogs. | \$ 56,400,422                 | \$ 72,817                 |
| Comprehensive<br>Liability<br>TML Risk Management<br>Pool  | TML-026R                 | 7/1/2012<br>to<br>6/30/2013 | General and public<br>officials liability, auto<br>liability, auto physical<br>damage, personal injury.<br>Excess auto physical<br>damage. Airport liability                            | As per<br>schedule            | \$ 353,138                |
| Worker's<br>Compensation<br>TML Risk Management<br>Pool  | TWC-0187                 | 7/1/2012<br>to<br>6/30/2013 | Job related injuries,<br>employees  | \$ 1,000,000<br>\$ 1,000 ded. | \$ 367,631                |
| Property (School<br>Buildings and Contents,<br>Boiler, Vehicles)<br>Tennessee Risk<br>Management Trust                         | TNRMT                    | 7/1/2012<br>to<br>7/1/2013  | Property<br>Equipment<br>Liability  | Various                       | \$ 287,815                |
| Worker's<br>Compensation<br>Tennessee Risk<br>Management Trust   | TNRMT                    | 7/1/2012<br>to<br>7/1/2013  | Job related<br>injuries,<br>employees   | \$ 1,000,000                  | \$ 188,021                |

CITY OF CLEVELAND, TENNESSEE  
INSURANCE IN FORCE  
CLEVELAND UTILITIES  
For the Fiscal Year Ended June 30, 2013

Table 2

Cleveland Utilities - Water and Electric Division

| <u>Insurer</u>                   | <u>Type of Coverage</u>               | <u>Amount<br/>of Coverage</u> |
|----------------------------------|---------------------------------------|-------------------------------|
| Distributors Self Insurance Fund | Worker's compensation                 | Statutory                     |
| Distributors Self Insurance Fund | Employer's liability                  | \$ 1,000,000                  |
| Affiliated FM                    | Real property                         | \$ 135,471,943                |
| Hartford                         | Machinery and equipment<br>breakdown  | \$ 10,000,000                 |
| Affiliated FM                    | Flood and earthquake                  | \$ 10,000,000                 |
| Chubb                            | General liability (excess)            | \$ 2,250,000 (1)              |
| Distributors Insurance Co.       | General liability (primary)           | \$ 750,000 (1)                |
| Chubb                            | Auto liability and<br>physical damage | \$ 1,000,000                  |
| Zurich-American                  | Public official and employees         | \$ 5,000,000                  |
| Travelers Casualty & Surety Co.  | Commercial crime                      | \$ 1,000,000                  |
| North River                      | Umbrella liability                    | \$ 15,000,000                 |
| Lloyd's                          | Corporate Identity                    | \$ 1,000,000                  |

- (1) The general liability insurance policies with Chubb and Distributors Insurance Co. are limited to \$750,000 and \$250,000, respectively, per occurrence.

CITY OF CLEVELAND, TENNESSEE  
 CHANGES IN PROPERTY TAXES RECEIVABLE  
 For the Year Ended June 30, 2013

Table 3

| <u>Property Taxes</u> | <u>Balance<br/>7/1/2012</u> | <u>Levies</u>        | <u>Collections &amp;<br/>Adjustments</u> | <u>Balance<br/>6/30/2013</u> |
|-----------------------|-----------------------------|----------------------|--|------------------------------|
| 2012                  | \$ 0                        | \$ 16,699,031        | \$ 15,612,473                            | \$ 1,086,558                 |
| 2011                  | 995,620                     | 0                    | 686,001                                  | 309,619                      |
| 2010                  | 404,443                     | 0                    | 227,404                                  | 177,039                      |
| 2009                  | 179,167                     | 0                    | 69,494                                   | 109,673                      |
| 2008                  | 94,119                      | 0                    | 35,357                                   | 58,762                       |
| 2007                  | 32,704                      | 0                    | 1,089                                    | 31,615                       |
| 2006                  | 24,207                      | 0                    | 5,995                                    | 18,212                       |
| 2005                  | 9,832                       | 0                    | 3,244                                    | 6,588                        |
| 2004                  | 16,293                      | 0                    | 434                                      | 15,859                       |
| 2003                  | 15,643                      | 0                    | 191                                      | 15,452                       |
| 2002                  | 22,227                      | 0                    | 22,227                                   | 0                            |
|                       | <u>\$ 1,794,255</u>         | <u>\$ 16,699,031</u> | <u>\$ 16,663,909</u>                     | <u>\$ 1,829,377</u>          |

Note - Property taxes receivable also include the 2013 levy reported as deferred revenue in the amount of \$18,781,000.

CITY OF CLEVELAND, TENNESSEE  
 CHANGES IN GENERAL  
 OBLIGATION BONDS PAYABLE  
 For the Year Ended June 30, 2013

Table 4

|                                     | Interest<br>Rates | Balance<br>07/01/12  | General Obligation  |                     | Balance<br>06/30/13  |
|-------------------------------------|-------------------|----------------------|---------------------|---------------------|----------------------|
|                                     |                   |                      | New Bonds<br>Issued | Bonds<br>Retired    |                      |
| General Improvement Refunding Bonds |                   |                      |                     |                     |                      |
| Series 2005                         |                   |                      |                     |                     |                      |
| Maturing 2024                       | 3.00-5.00%        | \$ 9,795,000         | \$ 0                | \$ 215,000          | \$ 9,580,000         |
| General Improvement Bonds           |                   |                      |                     |                     |                      |
| Series 2007A                        |                   |                      |                     |                     |                      |
| Maturing 2037                       | 4.00-5.00%        | 5,420,000            | 0                   | 170,000             | 5,250,000            |
| General Improvement Refunding Bonds |                   |                      |                     |                     |                      |
| Series 2009B                        |                   |                      |                     |                     |                      |
| Maturing 2012                       | 3.00%             | 685,000              | 0                   | 685,000             | 0                    |
| General Improvement Refunding Bonds |                   |                      |                     |                     |                      |
| Series 2009C                        |                   |                      |                     |                     |                      |
| Maturing 2031                       | 2.00-4.50%        | 15,335,000           | 0                   | 550,000             | 14,785,000           |
| General Improvement Refunding Bonds |                   |                      |                     |                     |                      |
| Series 2009D                        |                   |                      |                     |                     |                      |
| Maturing 2022                       | 2.00-4.00%        | <u>7,860,000</u>     | <u>0</u>            | <u>330,000</u>      | <u>7,530,000</u>     |
| Total General<br>Obligation Bonds   |                   | <u>\$ 39,095,000</u> | <u>\$ 0</u>         | <u>\$ 1,950,000</u> | <u>\$ 37,145,000</u> |

CITY OF CLEVELAND, TENNESSEE  
 CHANGES IN REVENUE BONDS PAYABLE  
 For the Year Ended June 30, 2013

Table 5

|   | Balance<br>07/01/12  | Revenue             |                     | Balance<br>06/30/13  |
|---|----------------------|---------------------|---------------------|----------------------|
|   |                      | New Bonds<br>Issued | Bonds<br>Retired    |                      |
| Water, sewer & electric revenue and tax<br>bonds, maturing through 2037 |                      |                     |                     |                      |
| Due September 2013 - 2.00% to 3.50%                                     | \$ 955,000           | \$ 0                | \$ 495,000          | \$ 460,000           |
| Due September 2028 - 2.00% to 4.375%                                    | 10,780,000           | 0                   | 975,000             | 9,805,000            |
| Due June 2037 - 4.00% to 5.00%  | 8,145,000            | 0                   | 165,000             | 7,980,000            |
| Due June 2015 - 2.00% to 3.00%  | 1,760,000            | 0                   | 780,000             | 980,000              |
| Due June 2028 - 2.00% to 4.375%   | 17,920,000           | 0                   | 525,000             | 17,395,000           |
| Due June 2028 - 2.50% to 4.25%  | 10,970,000           | 0                   | 475,000             | 10,495,000           |
| Due June 2031 - 1.00% to 5.75%  | 8,345,000            | 0                   | 405,000             | 7,940,000            |
| <b>Total Revenue Bonds</b>  | <b>\$ 58,875,000</b> | <b>\$ 0</b>         | <b>\$ 3,820,000</b> | <b>\$ 55,055,000</b> |

CITY OF CLEVELAND, TENNESSEE  
 CHANGES IN NOTES PAYABLE  
 For the Year Ended June 30, 2013

Table 6

|  | Maturity<br>Date | Interest<br>Rate     | Balance<br>06/30/12 | Additions | Retirements | Balance<br>06/30/13 |
|--|------------------|----------------------|---------------------|-----------|-------------|---------------------|
| Water Division:  |                  |                      |                     |           |             |                     |
| Note payable to the State of Tennessee revolving loan fund                     | 2031             | Variable             | \$ 640,220          | 0         | \$ 28,441   | \$ 611,779          |
| Water Division:  |                  |                      |                     |           |             |                     |
| Note payable to the State of Tennessee revolving loan fund - ARRA              | 2031             | Variable             | 128,045             | 0         | 5,689       | 122,356             |
| Water Division:  |                  |                      |                     |           |             |                     |
| Note payable to the TN Municipal Bond Fund Fund Series 2012                    | 2032             | Variable             | 0                   | 2,923,346 | 187,500     | 2,735,846           |
| Public Improvement Loans:  |                  |                      |                     |           |             |                     |
| Note payable to the Public Building Authority Clarksville, TN Series 2008 TMBF | 2028             | Variable             | 1,589,000           | 0         | 67,000      | 1,522,000           |
| Public Improvement Loans:  |                  |                      |                     |           |             |                     |
| Note payable to the Public Building Authority Clarksville, TN Series 2012      | 2032             | Fixed for<br>5 years | 1,710,200           | 0         | 67,200      | 1,643,000           |
| Public Improvement Loans:  |                  |                      |                     |           |             |                     |
| Note payable to the Public Building Authority Clarksville, TN Series 2012      | 2027             | Variable             | 905,135             | 0         | 50,000      | 855,135             |
| Public Improvement Loans:  |                  |                      |                     |           |             |                     |
| Note payable to the Public Building Authority Clarksville, TN Series 2012      | 2028             | Variable             | 0                   | 5,260,075 | 0           | 5,260,075           |
| Airport Improvement Loans:   |                  |                      |                     |           |             |                     |
| Note payable to the Public Building Authority Clarksville, TN Series 2012      | 2027             | Variable             | 109,000             | 1,400,000 | 75,000      | 1,434,000           |
| Refunding Debt:  |                  |                      |                     |           |             |                     |
| Note payable to the Public Building Authority Blount County, TN Series E-9-A   | 2028             | Variable             | 21,210,000          | 0         | 130,000     | 21,080,000          |
| Capital Outlay Notes   |                  |                      |                     |           |             |                     |
| Local Government Energy Loan: Local Government Energy Efficiency Loan Program  | 2013             | 0.00%                | 142,858             | 0         | 71,429      | 71,429              |

CITY OF CLEVELAND, TENNESSEE  
 CHANGES IN NOTES PAYABLE  
 For the Year Ended June 30, 2013

Table 6

|  | Maturity<br>Date | Interest<br>Rate | Balance<br>06/30/12  | Additions           | Retirements       | Balance<br>06/30/13  |
|--|------------------|------------------|----------------------|---------------------|-------------------|----------------------|
| School Construction Loan:  |                  |                  |                      |                     |                   |                      |
| Qualified School Construction Loan (QSCB)                        |                  |                  |                      |                     |                   |                      |
| Series 2009  | 2027             | 1.1515%          | \$ 3,662,476         | \$ 0                | \$ 259,577        | \$ 3,402,899         |
| School Energy Loan:  |                  |                  |                      |                     |                   |                      |
| Tennessee Energy Efficient School Initiative Program (EESI) Loan |                  |                  |                      |                     |                   |                      |
|  | 2016             | 3.00%            | 208,675              | 0                   | 56,771            | 151,904              |
| Totals   |                  |                  | <u>\$ 30,305,609</u> | <u>\$ 9,583,421</u> | <u>\$ 998,607</u> | <u>\$ 38,890,423</u> |

CITY OF CLEVELAND, TENNESSEE  
 UNCOLLECTED DELINQUENT PROPERTY TAXES FILED  
 June 30, 2013

Table 7

| <u>Tax<br/>Year</u> | <u>Original<br/>Amount<br/>Filed</u> | <u>Unpaid<br/>Balance</u> | <u>Percentage<br/>Collected</u> |
|---------------------|--------------------------------------|---------------------------|---------------------------------|
| 2003                | \$ 207,721                           | \$ 15,452                 | 92.6 %                          |
| 2004                | 232,661                              | 15,859                    | 93.2                            |
| 2005                | 203,051                              | 6,588                     | 96.8                            |
| 2006                | 305,663                              | 18,212                    | 94.0                            |
| 2007                | 452,759                              | 31,615                    | 93.0                            |
| 2008                | 501,311                              | 58,762                    | 88.3                            |
| 2009                | 614,201                              | 109,673                   | 82.1                            |
| 2010                | 501,912                              | 177,039                   | 64.7                            |
| 2011                | 371,448                              | 309,619                   | 16.6                            |

This page left blank intentionally.

CITY OF CLEVELAND, TENNESSEE  
 BOND PRINCIPAL AND INTEREST  
 REQUIREMENTS BY FISCAL YEAR FOR GENERAL OBLIGATION BONDS  
 June 30, 2013

| Fiscal<br>Year | 2005<br>Series      |                     | 2007<br>Series      |                     |
|----------------|---------------------|---------------------|---------------------|---------------------|
|                | Principal           | Interest            | Principal           | Interest            |
| 2014           | \$ 570,000          | \$ 404,087          | \$ 175,000          | \$ 226,713          |
| 2015           | 590,000             | 381,288             | 250,000             | 219,712             |
| 2016           | 610,000             | 351,787             | 265,000             | 209,713             |
| 2017           | 800,000             | 328,913             | 275,000             | 199,112             |
| 2018           | 870,000             | 298,912             | 285,000             | 188,113             |
| 2019           | 925,000             | 261,938             | 295,000             | 176,712             |
| 2020           | 960,000             | 222,625             | 305,000             | 164,913             |
| 2021           | 1,000,000           | 184,225             | 320,000             | 152,712             |
| 2022           | 1,050,000           | 139,225             | 335,000             | 139,513             |
| 2023           | 1,075,000           | 95,125              | 350,000             | 125,694             |
| 2024           | 1,130,000           | 49,438              | 360,000             | 111,256             |
| 2025           |                     |                     | 380,000             | 96,406              |
| 2026           |                     |                     | 390,000             | 77,406              |
| 2027           |                     |                     | 410,000             | 57,906              |
| 2028           |                     |                     | 70,000              | 37,406              |
| 2029           |                     |                     | 75,000              | 34,344              |
| 2030           |                     |                     | 75,000              | 31,063              |
| 2031           |                     |                     | 80,000              | 27,781              |
| 2032           |                     |                     | 85,000              | 24,281              |
| 2033           |                     |                     | 85,000              | 20,563              |
| 2034           |                     |                     | 90,000              | 16,844              |
| 2035           |                     |                     | 95,000              | 12,906              |
| 2036           |                     |                     | 100,000             | 8,750               |
| 2037           |                     |                     | 100,000             | 4,375               |
| <b>Total</b>   | <b>\$ 9,580,000</b> | <b>\$ 2,717,563</b> | <b>\$ 5,250,000</b> | <b>\$ 2,364,194</b> |

Table 8

| 2009C                |                     | 2009D               |                     | Total                |                      |
|----------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| Series               |                     | Series              |                     | Principal            | Interest             |
| Principal            | Interest            | Principal           | Interest            |                      |                      |
| \$ 550,000           | \$ 602,156          | \$ 365,000          | \$ 253,650          | \$ 1,660,000         | \$ 1,486,606         |
| 250,000              | 588,406             | 695,000             | 244,525             | 1,785,000            | 1,433,931            |
| 250,000              | 582,156             | 740,000             | 227,150             | 1,865,000            | 1,370,806            |
| 30,000               | 574,656             | 870,000             | 206,800             | 1,975,000            | 1,309,481            |
| 30,000               | 573,756             | 890,000             | 180,700             | 2,075,000            | 1,241,481            |
| 25,000               | 572,781             | 910,000             | 151,775             | 2,155,000            | 1,163,206            |
| 25,000               | 571,906             | 990,000             | 119,925             | 2,280,000            | 1,079,369            |
| 25,000               | 570,969             | 1,040,000           | 82,800              | 2,385,000            | 990,706              |
| 25,000               | 569,969             | 1,030,000           | 41,200              | 2,440,000            | 889,907              |
| 1,100,000            | 568,969             |                     |                     | 2,525,000            | 789,788              |
| 1,050,000            | 524,969             |                     |                     | 2,540,000            | 685,663              |
| 300,000              | 482,969             |                     |                     | 680,000              | 579,375              |
| 3,400,000            | 470,969             |                     |                     | 3,790,000            | 548,375              |
| 3,125,000            | 334,969             |                     |                     | 3,535,000            | 392,875              |
| 350,000              | 206,063             |                     |                     | 420,000              | 243,469              |
| 100,000              | 190,750             |                     |                     | 175,000              | 225,094              |
| 100,000              | 186,500             |                     |                     | 175,000              | 217,563              |
| 4,050,000            | 182,250             |                     |                     | 4,130,000            | 210,031              |
|                      |                     |                     |                     | 85,000               | 24,281               |
|                      |                     |                     |                     | 85,000               | 20,563               |
|                      |                     |                     |                     | 90,000               | 16,844               |
|                      |                     |                     |                     | 95,000               | 12,906               |
|                      |                     |                     |                     | 100,000              | 8,750                |
|                      |                     |                     |                     | 100,000              | 4,375                |
| <u>\$ 14,785,000</u> | <u>\$ 8,355,163</u> | <u>\$ 7,530,000</u> | <u>\$ 1,508,525</u> | <u>\$ 37,145,000</u> | <u>\$ 14,945,445</u> |

CITY OF CLEVELAND, TENNESSEE  
 NOTE PRINCIPAL AND INTEREST  
 REQUIREMENTS BY FISCAL YEAR EXCLUDING CLEVELAND UTILITIES & AIRPORT  
 June 30, 2013

| Fiscal Year | Note Payable - Public Building Authority of Clarksville TN 2008 TMBF Series |                   | Note Payable - Public Building Authority of Blount County TN E-9-A Series |                      | Note Payable - Energy Efficient Schools Initiative Loan EESI Loan Series |                 | Note Payable - Public Building Authority of Clarksville, TN 2012 Series (4) |                   |
|-------------|---|-------------------|---|----------------------|--|-----------------|---|-------------------|
|             | Principal   | Interest          | Principal   | Interest             | Principal  | Interest        | Principal   | Interest          |
|             | 2014  | \$ 70,000         | \$ 76,100   | \$ 515,000           | \$ 1,054,000   | \$ 63,816       | \$ 3,684  | \$ 52,000         |
| 2015        | 74,000  | 72,600            | 535,000   | 1,028,250            | 65,760   | 1,740           | 54,000  | 22,600            |
| 2016        | 78,000  | 68,900            | 580,000   | 1,001,500            | 22,328   | 150             | 57,000  | 21,250            |
| 2017        | 82,000  | 65,000            | 580,000   | 972,500              |  |                 | 59,000  | 19,825            |
| 2018        | 86,000  | 60,900            | 580,000   | 943,500              |  |                 | 61,000  | 18,350            |
| 2019        | 90,000  | 56,600            | 595,000   | 914,500              |  |                 | 64,000  | 16,825            |
| 2020        | 94,000  | 52,100            | 625,000   | 884,750              |  |                 | 66,000  | 15,225            |
| 2021        | 99,000  | 47,400            | 660,000   | 853,500              |  |                 | 69,000  | 13,575            |
| 2022        | 104,000   | 42,450            | 685,000   | 820,500              |  |                 | 72,000  | 11,850            |
| 2023        | 109,000   | 37,250            | 730,000   | 786,250              |  |                 | 74,000  | 10,050            |
| 2024        | 115,000   | 31,800            | 870,000   | 749,750              |  |                 | 77,000  | 8,200             |
| 2025        | 121,000   | 26,050            | 2,875,000   | 706,250              |  |                 | 80,000  | 6,275             |
| 2026        | 127,000   | 20,000            |   | 562,500              |  |                 | 84,000  | 4,275             |
| 2027        | 133,000   | 13,650            | 450,000   | 562,500              |  |                 | 87,000  | 2,175             |
| 2028        | 140,000   | 7,000             | 3,400,000   | 540,000              |  |                 |   |                   |
| 2029        |   |                   | 3,600,000   | 370,000              |  |                 |   |                   |
| 2030        |   |                   | 3,800,000   | 190,000              |  |                 |   |                   |
| 2031        |   |                   |   |                      |  |                 |   |                   |
| 2032        |   |                   |   |                      |  |                 |   |                   |
|             | <u>\$ 1,522,000</u>   | <u>\$ 677,800</u> | <u>\$ 21,080,000</u>  | <u>\$ 12,940,250</u> | <u>\$ 151,904</u>  | <u>\$ 5,574</u> | <u>\$ 956,000</u>   | <u>\$ 194,375</u> |

- (1) Variable rates of 4% have been assumed on loans through Blount Counties and Clarksville, TN.
- (2) Non-interest bearing loan from Tennessee Department of Economic and Community Development.
- (3) \$739,962 of loan proceeds have not been drawn down at June 30, 2013.
- (4) \$100,865 of loan proceeds have not been drawn down at June 30, 2013

| Note Payable - Public Building<br>Authority of Clarksville, TN<br>2012<br>Series |                   | Note Payable - Public Building<br>Authority of Clarksville, TN<br>2012<br>Series (3) |                     | 2009 QSCB<br>Series |                   | Local<br>Government<br>Energy Loan (2) | Total                |                      |
|--|-------------------|--|---------------------|---------------------|-------------------|--|----------------------|----------------------|
| Principal  | Interest          | Principal  | Interest            | Principal           | Interest          | Principal                              | Principal            | Interest (1)         |
| \$ 70,000  | \$ 38,118         | \$ 300,000   | \$ 240,000          | \$ 237,946          | \$ 67,184         | \$ 71,429                              | \$ 1,380,191         | \$ 1,502,986         |
| 71,000   | 36,494            | 312,000  | 228,000             | 259,577             | 67,184            |  | 1,371,337            | 1,456,868            |
| 73,000   | 34,846            | 324,000  | 215,520             | 259,578             | 67,184            |  | 1,393,906            | 1,409,350            |
| 75,000   | 33,153            | 337,000  | 202,560             | 259,577             | 67,184            |  | 1,392,577            | 1,360,222            |
| 77,000   | 31,413            | 351,000  | 189,080             | 259,577             | 67,184            |  | 1,414,577            | 1,310,427            |
| 78,000   | 29,626            | 365,000  | 175,040             | 259,577             | 67,184            |  | 1,451,577            | 1,259,775            |
| 80,000   | 27,817            | 379,000  | 160,440             | 259,578             | 67,184            |  | 1,503,578            | 1,207,516            |
| 82,000   | 25,961            | 394,000  | 145,280             | 259,577             | 67,184            |  | 1,563,577            | 1,152,900            |
| 84,000   | 24,058            | 410,000  | 129,520             | 259,577             | 67,184            |  | 1,614,577            | 1,095,562            |
| 86,000   | 22,110            | 426,000  | 113,120             | 259,577             | 67,184            |  | 1,684,577            | 1,035,964            |
| 88,000   | 20,114            | 443,000  | 96,080              | 259,578             | 67,184            |  | 1,852,578            | 973,128              |
| 90,000   | 18,073            | 461,000  | 78,360              | 259,578             | 67,184            |  | 3,886,578            | 902,192              |
| 92,000   | 15,985            | 480,000  | 59,920              | 285,130             | 67,184            |  | 1,068,130            | 729,864              |
| 94,000   | 13,850            | 499,000  | 40,720              | 24,472              | 6,292             |  | 1,287,472            | 639,187              |
| 96,000   | 11,670            | 519,000  | 20,760              |                     |                   |  | 4,155,000            | 579,430              |
| 98,000   | 9,442             |  |                     |                     |                   |  | 3,698,000            | 379,442              |
| 101,000  | 7,169             |  |                     |                     |                   |  | 3,901,000            | 197,169              |
| 103,000  | 4,825             |  |                     |                     |                   |  | 103,000              | 4,825                |
| 105,000  | 2,436             |  |                     |                     |                   |  | 105,000              | 2,436                |
| <u>\$ 1,643,000</u>  | <u>\$ 407,160</u> | <u>\$ 6,000,000</u>  | <u>\$ 2,094,400</u> | <u>\$ 3,402,899</u> | <u>\$ 879,684</u> | <u>\$ 71,429</u>                       | <u>\$ 34,827,232</u> | <u>\$ 17,199,243</u> |

CITY OF CLEVELAND, TENNESSEE  
 BOND PRINCIPAL AND INTEREST  
 REQUIREMENTS BY FISCAL YEAR FOR CLEVELAND UTILITIES  
 June 30, 2013

Electric, Water and Sewer Revenue and Tax Bonds

| Fiscal Year  | 2003 Series       |                 | 2004 Series         |                     | 2007 Series         |                     | 2009B Series      |                  |
|--------------|-------------------|-----------------|---------------------|---------------------|---------------------|---------------------|-------------------|------------------|
|              | Principal         | Interest        | Principal           | Interest            | Principal           | Interest            | Principal         | Interest         |
| 2014         | \$ 460,000        | \$ 8,050        | \$ 970,000          | \$ 385,896          | \$ 170,000          | \$ 346,212          | \$ 490,000        | \$ 22,050        |
| 2015         |                   |                 | 965,000             | 347,196             | 180,000             | 339,412             | 490,000           | 7,350            |
| 2016         |                   |                 | 955,000             | 308,796             | 190,000             | 332,212             |                   |                  |
| 2017         |                   |                 | 945,000             | 270,796             | 200,000             | 324,613             |                   |                  |
| 2018         |                   |                 | 710,000             | 233,697             | 210,000             | 316,612             |                   |                  |
| 2019         |                   |                 | 905,000             | 199,496             | 225,000             | 308,213             |                   |                  |
| 2020         |                   |                 | 540,000             | 174,596             | 330,000             | 299,212             |                   |                  |
| 2021         |                   |                 | 440,000             | 156,676             | 345,000             | 286,013             |                   |                  |
| 2022         |                   |                 | 435,000             | 138,141             | 360,000             | 271,781             |                   |                  |
| 2023         |                   |                 | 435,000             | 119,110             | 375,000             | 256,931             |                   |                  |
| 2024         |                   |                 | 430,000             | 100,187             | 390,000             | 241,463             |                   |                  |
| 2025         |                   |                 | 425,000             | 81,484              | 405,000             | 225,375             |                   |                  |
| 2026         |                   |                 | 420,000             | 63,000              | 305,000             | 205,125             |                   |                  |
| 2027         |                   |                 | 415,000             | 44,735              | 315,000             | 189,875             |                   |                  |
| 2028         |                   |                 | 410,000             | 26,687              | 330,000             | 174,125             |                   |                  |
| 2029         |                   |                 | 405,000             | 8,860               | 345,000             | 159,688             |                   |                  |
| 2030         |                   |                 |                     |                     | 355,000             | 144,594             |                   |                  |
| 2031         |                   |                 |                     |                     | 370,000             | 129,062             |                   |                  |
| 2032         |                   |                 |                     |                     | 390,000             | 112,875             |                   |                  |
| 2033         |                   |                 |                     |                     | 405,000             | 95,812              |                   |                  |
| 2034         |                   |                 |                     |                     | 420,000             | 78,094              |                   |                  |
| 2035         |                   |                 |                     |                     | 435,000             | 59,719              |                   |                  |
| 2036         |                   |                 |                     |                     | 455,000             | 40,687              |                   |                  |
| 2037         |                   |                 |                     |                     | 475,000             | 20,781              |                   |                  |
| <b>Total</b> | <b>\$ 460,000</b> | <b>\$ 8,050</b> | <b>\$ 9,805,000</b> | <b>\$ 2,659,353</b> | <b>\$ 7,980,000</b> | <b>\$ 4,958,486</b> | <b>\$ 980,000</b> | <b>\$ 29,400</b> |

Table 10

| 2009C               |                     | 2009D                |                     | 2010                |                     | Total                |                      |
|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| Series              |                     | Series               |                     | Series              |                     | Principal            | Interest             |
| Principal           | Interest            | Principal            | Interest            | Principal           | Interest            |                      |                      |
| \$ 860,000          | \$ 380,594          | \$ 540,000           | \$ 605,924          | \$ 410,000          | \$ 220,462          | \$ 3,900,000         | \$ 1,969,188         |
| 895,000             | 359,094             | 1,000,000            | 592,425             | 415,000             | 215,798             | 3,945,000            | 1,861,275            |
| 600,000             | 336,719             | 1,805,000            | 567,424             | 415,000             | 209,190             | 3,965,000            | 1,754,341            |
| 410,000             | 318,719             | 2,100,000            | 517,788             | 420,000             | 201,771             | 4,075,000            | 1,633,687            |
| 435,000             | 306,419             | 2,040,000            | 454,787             | 425,000             | 192,898             | 3,820,000            | 1,504,413            |
| 475,000             | 292,281             | 1,545,000            | 388,488             | 425,000             | 183,230             | 3,575,000            | 1,371,708            |
| 625,000             | 275,656             | 1,680,000            | 334,412             | 430,000             | 172,732             | 3,605,000            | 1,256,608            |
| 500,000             | 252,219             | 1,895,000            | 271,413             | 435,000             | 161,552             | 3,615,000            | 1,127,873            |
| 575,000             | 232,218             | 1,800,000            | 195,612             | 435,000             | 150,102             | 3,605,000            | 987,854              |
| 675,000             | 209,219             | 1,385,000            | 123,613             | 440,000             | 138,084             | 3,310,000            | 846,957              |
| 600,000             | 182,218             | 1,010,000            | 68,213              | 445,000             | 125,358             | 2,875,000            | 717,439              |
| 970,000             | 158,219             | 420,000              | 25,288              | 450,000             | 111,908             | 2,670,000            | 602,274              |
| 1,040,000           | 119,418             | 75,000               | 7,438               | 455,000             | 97,721              | 2,295,000            | 492,702              |
| 985,000             | 77,819              | 50,000               | 4,250               | 460,000             | 82,934              | 2,225,000            | 399,613              |
| 850,000             | 37,188              | 50,000               | 2,125               | 465,000             | 67,535              | 2,105,000            | 307,660              |
|                     |                     |                      |                     | 465,000             | 51,516              | 1,215,000            | 220,064              |
|                     |                     |                      |                     | 475,000             | 35,043              | 830,000              | 179,637              |
|                     |                     |                      |                     | 475,000             | 17,753              | 845,000              | 146,815              |
|                     |                     |                      |                     |                     |                     | 390,000              | 112,875              |
|                     |                     |                      |                     |                     |                     | 405,000              | 95,812               |
|                     |                     |                      |                     |                     |                     | 420,000              | 78,094               |
|                     |                     |                      |                     |                     |                     | 435,000              | 59,719               |
|                     |                     |                      |                     |                     |                     | 455,000              | 40,687               |
|                     |                     |                      |                     |                     |                     | 475,000              | 20,781               |
| <u>\$10,495,000</u> | <u>\$ 3,538,000</u> | <u>\$ 17,395,000</u> | <u>\$ 4,159,200</u> | <u>\$ 7,940,000</u> | <u>\$ 2,435,587</u> | <u>\$ 55,055,000</u> | <u>\$ 17,788,076</u> |

CITY OF CLEVELAND, TENNESSEE  
 NOTE PRINCIPAL AND INTEREST  
 REQUIREMENTS BY FISCAL YEAR FOR CLEVELAND UTILITIES  
 June 30, 2013

| Fiscal Year | TN Municipal Bond Fund (1) |                     | State of Tennessee Revolving Loan Fund |                   | Total               |                     |
|-------------|----------------------------|---------------------|--|-------------------|---------------------|---------------------|
|             | Principal                  | Interest            | Principal                              | Interest          | Principal           | Interest            |
| 2014        | \$ 187,500                 | 142,500             | \$ 34,856                              | \$ 15,155         | \$ 222,356          | \$ 157,655          |
| 2015        | 187,500                    | 135,000             | 35,599                                 | 14,412            | 223,099             | 149,412             |
| 2016        | 187,500                    | 127,500             | 36,358                                 | 13,654            | 223,858             | 141,154             |
| 2017        | 187,500                    | 120,000             | 37,133                                 | 12,878            | 224,633             | 132,878             |
| 2018        | 187,500                    | 112,500             | 37,924                                 | 12,088            | 225,424             | 124,588             |
| 2019        | 187,500                    | 105,000             | 38,731                                 | 11,280            | 226,231             | 116,280             |
| 2020        | 187,500                    | 97,500              | 39,557                                 | 10,454            | 227,057             | 107,954             |
| 2021        | 187,500                    | 90,000              | 40,399                                 | 9,612             | 227,899             | 99,612              |
| 2022        | 187,500                    | 82,500              | 41,261                                 | 8,750             | 228,761             | 91,250              |
| 2023        | 187,500                    | 75,000              | 42,139                                 | 7,872             | 229,639             | 82,872              |
| 2024        | 187,500                    | 67,500              | 43,037                                 | 6,974             | 230,537             | 74,474              |
| 2025        | 187,500                    | 60,000              | 43,954                                 | 6,058             | 231,454             | 66,058              |
| 2026        | 187,500                    | 52,500              | 44,891                                 | 5,120             | 232,391             | 57,620              |
| 2027        | 187,500                    | 45,000              | 45,847                                 | 4,164             | 233,347             | 49,164              |
| 2028        | 187,500                    | 37,500              | 46,824                                 | 3,187             | 234,324             | 40,687              |
| 2029        | 187,500                    | 30,000              | 47,821                                 | 2,190             | 235,321             | 32,190              |
| 2030        | 187,500                    | 22,500              | 48,840                                 | 1,171             | 236,340             | 23,671              |
| 2031        | 187,500                    | 15,000              | 28,964                                 | 204               | 216,464             | 15,204              |
| 2032        | 187,500                    | 7,500               | 0                                      | 0                 | 187,500             | 7,500               |
|             | <u>\$ 3,562,500</u>        | <u>\$ 1,425,000</u> | <u>\$ 734,135</u>                      | <u>\$ 145,223</u> | <u>\$ 4,296,635</u> | <u>\$ 1,570,223</u> |

(1) \$826,655 of loan proceeds have not been drawn down at June 30, 2013.

CITY OF CLEVELAND, TENNESSEE  
 NOTE PRINCIPAL AND INTEREST  
 REQUIREMENTS BY FISCAL YEAR FOR CLEVELAND MUNICIPAL AIRPORT  
 June 30, 2013

| Fiscal<br>Year | 2012 Series Public Building<br>Authority Clarksville, TN |                   |
|----------------|--|-------------------|
|                | Principal  | Interest (1)      |
| 2014           | \$ 78,000  | \$ 57,360         |
| 2015           | 82,000   | 54,240            |
| 2016           | 85,000   | 50,960            |
| 2017           | 88,000   | 47,560            |
| 2018           | 92,000   | 44,040            |
| 2019           | 95,000   | 40,360            |
| 2020           | 99,000   | 36,560            |
| 2021           | 103,000  | 32,600            |
| 2022           | 107,000  | 28,480            |
| 2023           | 112,000  | 24,200            |
| 2024           | 116,000  | 19,720            |
| 2025           | 121,000  | 15,080            |
| 2026           | 125,000  | 10,240            |
| 2027           | 131,000  | 5,240             |
|                | <u>\$ 1,434,000</u>                                      | <u>\$ 466,640</u> |

(1) Variable rates of 4% have been assumed on loans through Clarksville, TN.

CITY OF CLEVELAND, TENNESSEE  
 INVESTMENTS  
 June 30, 2013

Table 13

| Description                                     |       | Cost                       | Fair Value                 |
|---|-------|----------------------------|----------------------------|
| Investment in Certificates of Deposit:          |       |                            |                            |
| First Tennessee Bank                            | 1.00% | \$ 57,576                  | \$ 57,576                  |
| First Tennessee Bank                            | 0.10% | 50,000                     | 50,000                     |
| First Tennessee Bank                            | 0.55% | 40,528                     | 40,528                     |
| First Tennessee Bank                            | 1.00% | 37,953                     | 37,953                     |
| First Tennessee Bank                            | 0.55% | 33,663                     | 33,663                     |
| First Tennessee Bank                            | 0.55% | 30,328                     | 30,328                     |
| First Tennessee Bank                            | 0.40% | 25,000                     | 25,000                     |
| First Tennessee Bank                            | 0.80% | 20,000                     | 20,000                     |
| First Tennessee Bank                            | 0.80% | 5,990                      | 5,990                      |
| First Tennessee Bank                            | 0.15% | 13,699                     | 13,699                     |
| First Tennessee Bank                            | 0.55% | 29,987                     | 29,987                     |
| First Tennessee Bank                            | 0.55% | 14,993                     | 14,993                     |
| First Tennessee Bank                            | 0.80% | 5,127                      | 5,127                      |
| First Tennessee Bank                            | 1.20% | 454,985                    | 454,985                    |
| Total Certificates of Deposit                   |       | <u>\$ 819,829</u>          | <u>\$ 819,829</u>          |
| Investment in Local Government Investment Pool: |       |                            |                            |
| State of Tennessee                              |       | \$ 302                     | \$ 302                     |
| State of Tennessee                              |       | 43,727                     | 43,727                     |
| State of Tennessee                              |       | <u>332,940</u>             | <u>332,940</u>             |
| Total Local Government Investment Pool          |       | <u>\$ 376,969</u>          | <u>\$ 376,969</u>          |
| Total Investments                               |       | <u><u>\$ 1,196,798</u></u> | <u><u>\$ 1,196,798</u></u> |

## TRANSFERS

For the Fiscal Year Ended June 30, 2013

| <u>Transfers In:</u>                              | <u>Transfers Out:</u>                   | <u>Amount</u>        |
|---|---|----------------------|
| Capital Improvement Program                       | General Fund                            | \$ 809,069           |
| Cleveland Municipal Airport Authority Fund        | General Fund                            | 426,200              |
| Community Development Block Grant Fund            | General Fund                            | 17,000               |
| Community Development Block Grant Fund            | THDA Neighborhood Stabilization Program | 21,199               |
| Debt Service Fund                                 | General Fund                            | 3,997,700            |
| Debt Service Fund                                 | School Fund                             | 487,000              |
| Debt Service Fund                                 | State Street Aid Fund                   | 371,900              |
| General Fund                                      | Cleveland Utilities - Electric Division | 1,837,680            |
| General Fund                                      | Cleveland Utilities - Water Division    | 205,046              |
| Library Fund                                      | General Fund                            | 567,933              |
| Metropolitan Transportation Planning Organization | General Fund                            | 40,000               |
| Recycling Grant Fund                              | General Fund                            | 4,000                |
| School Fund                                       | General Fund                            | 5,120,000            |
| School Fund                                       | School Federal Projects Fund            | 11,845               |
| Solid Waste Management Fund                       | General Fund                            | <u>1,226,000</u>     |
|   | Total                                   | <u>\$ 15,142,572</u> |

AWWA WLCC Free Water Audit Software: Reporting Worksheet

Copyright © 2010, American Water Works Association. All Rights Reserved.

[Back to Instructions](#)

7 [Click to access definition](#)

Water Audit Report for: **CLEVELAND UTILITIES**  
 Reporting Year: **2013** | **7/2012 - 6/2013**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

WATER SUPPLIED

<< Enter grading in column 'E'

|   |   |   |                  |                                 |
|---|---|---|------------------|---------------------------------|
| Volume from own sources:                              | ? | 8 | 1,789.455        | Million gallons (US)/Yr (MG/Yr) |
| Master meter error adjustment (enter positive value): | ? |   |                  | MG/Yr                           |
| Water imported:                                       | ? | 8 | 1,759.640        | MG/Yr                           |
| Water exported:                                       | ? | 8 | 25.715           | MG/Yr                           |
| <b>WATER SUPPLIED:</b>                                |   |   | <b>3,523.410</b> | MG/Yr                           |

AUTHORIZED CONSUMPTION

|                                |   |     |                  |       |
|--------------------------------|---|-----|------------------|-------|
| Billed metered:                | ? | 9   | 2,710.236        | MG/Yr |
| Billed unmetered:              | ? | N/A |                  | MG/Yr |
| Unbilled metered:              | ? | 10  | 87.393           | MG/Yr |
| Unbilled unmetered:            | ? | 8   | 16.564           | MG/Yr |
| <b>AUTHORIZED CONSUMPTION:</b> | ? |     | <b>2,814.193</b> | MG/Yr |

Click here: [?](#) for help using option

Pcnt:  Value:

16.564  
24061

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

709.217 MG/Yr

Apparent Losses

Unauthorized consumption: ? 8.809 MG/Yr

Pcnt:  Value:

8.809

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

|                                  |   |   |        |       |
|----------------------------------|---|---|--------|-------|
| Customer metering inaccuracies:  | ? | 8 | 28.259 | MG/Yr |
| Systematic data handling errors: | ? | 7 | 14.870 | MG/Yr |

Pcnt:  Value:

1.000

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Apparent Losses: ? 51.137

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? 658.080 MG/Yr

**WATER LOSSES:** 709.217 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? 813.174 MG/Yr

- Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

|  |   |   |        |  |
|--|---|---|--------|--|
| Length of mains:                                   | ? | 9 | 741.0  | miles  |
| Number of active AND inactive service connections: | ? | 8 | 30,167 |  |
| Connection density:                                | ? |   | 41     | conn./mile main                                |
| Average length of customer service line:           | ? | 6 | 35.0   | ft (pipe length between curbstop and customer) |
| Average operating pressure:                        | ? | 6 | 90.0   | psi  |

COST DATA

|   |   |    |              |                      |
|---|---|----|--------------|----------------------|
| Total annual cost of operating water system:            | ? | 10 | \$12,909,422 | \$/Year              |
| Customer retail unit cost (applied to Apparent Losses): | ? | 8  | \$4.30       | \$/1000 gallons (US) |
| Variable production cost (applied to Real Losses):      | ? | 9  | \$1,040.00   | \$/Million gallons   |

PERFORMANCE INDICATORS

Financial Indicators

|   |           |
|---|-----------|
| Non-revenue water as percent by volume of Water Supplied: | 23.1%     |
| Non-revenue water as percent by cost of operating system: | 7.8%      |
| Annual cost of Apparent Losses:                           | \$219,891 |
| Annual cost of Real Losses:                               | \$684,403 |

Operational Efficiency Indicators

|  |        |                            |
|--|--------|----------------------------|
| Apparent Losses per service connection per day:              | 4.64   | gallons/connection/day     |
| Real Losses per service connection per day*:                 | 59.77  | gallons/connection/day     |
| Real Losses per length of main per day*:                     | N/A    |                            |
| Real Losses per service connection per day per psi pressure: | 0.66   | gallons/connection/day/psi |
| Unavoidable Annual Real Losses (UARL):                       | 329.61 | million gallons/year       |
| From Above, Real Losses - Current Annual Real Losses (CARL): | 658.08 | million gallons/year       |
| Infrastructure Leakage Index (ILI) [CARL/UARL]:              | 2.00   |                            |

\* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

\*\*\* YOUR SCORE IS: 82 out of 100 \*\*\*

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Water imported

[For more information, click here to see the Grading Matrix worksheet](#)

CITY OF CLEVELAND, TENNESSEE  
 SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS  
 For the Year Ended June 30, 2013

Table 16

| Name                | Office                 | Salary    | Amount<br>of Bond |
|---------------------|------------------------|-----------|-------------------|
| Tom Rowland         | Mayor                  | \$ 12,000 | \$ 600,000        |
| Avery Johnson, Sr.  | Vice Mayor             | 7,200     | 600,000           |
| Richard Banks       | Councilman             | 7,200     | 0                 |
| William Estes       | Councilman             | 7,200     | 0                 |
| Dale Hughes         | Councilman             | 7,200     | 0                 |
| David May, Jr.      | Councilman             | 7,200     | 0                 |
| Charles McKenzie    | Councilman             | 7,200     | 0                 |
| George Poe, Jr.     | Councilman             | 7,200     | 0                 |
| Janice S. Casteel   | City Manager           | 140,215   | 600,000           |
| Melinda Carroll     | Assistant City Manager | 80,198    | 150,000           |
| William Watson, CPA | City Clerk             | 74,072    | 1,150,000         |

This page left blank intentionally.

**SINGLE AUDIT SECTION**

CITY OF CLEVELAND, TENNESSEE  
 SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE ACTIVITY  
 For the Fiscal Year Ended June 30, 2013

| PROGRAM  | Grantor                 | CFDA<br>Number | State<br>Grant<br>Number |
|--|-------------------------|----------------|--------------------------|
| Federal Grants:  |                         |                |                          |
| School Breakfast Program                               | Dept of Agriculture     | 10.553 *       | N/A                      |
| School Lunch Program                                   | Dept of Agriculture     | 10.555 *       | N/A                      |
| USDA Fresh Fruits and Vegetables                       | Dept of Agriculture     | 10.582         | N/A                      |
| Comprehensive Economic Development Plan                | Dept of Commerce        | 11.306         | N/A                      |
| Community Development Block Grant                      | Dept of HUD             | 14.218 *       | N/A                      |
| Neighborhood Stabilization Program                     | Dept of HUD             | 14.228         | N/A                      |
| Emergency Shelter                                      | Dept of HUD             | 14.231         | ESG-09-24                |
| Protective vests                                       | Dept of Justice         | 16.607         | N/A                      |
| COPS Hiring Recovery Program - <b>ARRA</b>             | Dept of Justice         | 16.710         | N/A                      |
| Enforcing Underage Drinking Laws (EUDL)                | Dept of Justice         | 16.727         | N/A                      |
| Targeted Crime Reduction Grant                         | Dept of Justice         | 16.738 *       | N/A                      |
| Edward Byrne Memorial Justice Assistance - 2011        | Dept of Justice         | 16.738 *       | N/A                      |
| Edward Byrne Memorial Justice Assistance - 2012        | Dept of Justice         | 16.738 *       | N/A                      |
| Subtotal Program 16.738                                |                         |                |                          |
| Airport Construction of T-Hangars                      | Dept of Transportation  | 20.106 *       | AERO-13166               |
| Airport Construction Phase I                           | Dept of Transportation  | 20.106 *       | AERO-10108               |
| Airport Construction Phase II                          | Dept of Transportation  | 20.106 *       | AERO-11102               |
| Airport Land Acquisition Phase III                     | Dept of Transportation  | 20.106 *       | AERO-11160               |
| Airport Construction Phase III                         | Dept of Transportation  | 20.106 *       | N/A                      |
| Subtotal Program 20.106                                |                         |                |                          |
| Train Depot Restoration - <b>ARRA</b>                  | Dept. of Transportation | 20.205         | N/A                      |
| Transportation Planning                                | Dept of Transportation  | 20.205         | Z-07036293               |
| Cleveland Mouse Creek Greenway - Phase IV              | Dept of Transportation  | 20.205         | N/A                      |
| Subtotal Program 20.205                                |                         |                |                          |
| 2012 LSTA Technology Grant                             | Library & Archives      | 45.310         | N/A                      |
| Detention Ponds  | EPA                     | 66.202         | N/A                      |
| Title I Grant to Local Educational Agencies            | Dept of Education       | 84.010 *       | N/A                      |
| Special Education - Grants to States                   | Dept of Education       | 84.027 *       | N/A                      |
| Special Education - Grants to States                   | Dept of Education       | 84.027 *       | N/A                      |
| Subtotal Program 84.027                                |                         |                |                          |
| Vocational Improvement                                 | Dept of Education       | 84.048         | N/A                      |
| Special Education - Preschool Grants                   | Dept of Education       | 84.173 *       | N/A                      |
| Smaller Learning Communities Program                   | Dept of Education       | 84.215         | N/A                      |
| English Language Acquisition Enhancement Title III     | Dept of Education       | 84.365         | N/A                      |
| Teacher and Principal Training & Recruiting Title II-A | Dept of Education       | 84.367         | N/A                      |
| SFSF - Race to the Top - <b>ARRA</b>                   | Dept of Education       | 84.395 *       | N/A                      |
| Federal Disaster Relief - Utilities                    | FEMA                    | 97.036         | N/A                      |
| Federal Disaster Relief - Public Works                 | FEMA                    | 97.036         | N/A                      |
| Subtotal Program 97.036                                |                         |                |                          |
| Homeland Security Grant                                | Dept of Homeland Sec    | 97.067         | N/A                      |
| Total Federal Grants                                   |                         |                |                          |

(Continued)

| Balance<br>July 1, 2012 | Cash<br>Receipts | Other<br>Additions | Expend-<br>itures | Paid To<br>Grantor | Transfers<br>Out | Balance<br>June 30,<br>2013 |
|-------------------------|------------------|--------------------|-------------------|--------------------|------------------|-----------------------------|
| \$ (50,188)             | \$ 518,744       | \$ 0               | \$ 516,141        | \$ 0               | \$ 0             | \$ (47,585)                 |
| (127,140)               | 1,410,266        | 0                  | 1,400,677         | 0                  | 0                | (117,551)                   |
| (3,685)                 | 47,856           | 0                  | 48,806            | 0                  | 0                | (4,635)                     |
| (71,575)                | 71,575           | 0                  | 42,774            | 0                  | 0                | (42,774)                    |
| (2,216)                 | 342,717          | 0                  | 340,689           | 0                  | 0                | (188)                       |
| 0                       | 21,228           | 0                  | 21,228            | 0                  | 0                | 0                           |
| (9,416)                 | 74,581           | 0                  | 104,996           | 0                  | 0                | (39,831)                    |
| (13,962)                | 13,962           | 0                  | 2,926             | 0                  | 0                | (2,926)                     |
| (29,528)                | 178,943          | 0                  | 149,415           | 0                  | 0                | 0                           |
| (9,454)                 | 9,454            | 0                  | 0                 | 0                  | 0                | 0                           |
| \$ (48,935)             | \$ 276,837       | \$ 0               | \$ 304,703        | \$ 0               | \$ 0             | \$ (76,801)                 |
| 3,729                   | 0                | 0                  | 3,729             | 0                  | 0                | 0                           |
| 0                       | 28,237           | 0                  | 28,237            | 0                  | 0                | 0                           |
| \$ (45,206)             | \$ 305,074       | \$ 0               | \$ 336,669        | \$ 0               | \$ 0             | \$ (76,801)                 |
| \$ 0                    | \$ 53,865        | \$ 0               | \$ 59,772         | \$ 0               | \$ 0             | \$ (5,907)                  |
| 0                       | 72,788           | 0                  | 72,788            | 0                  | 0                | 0                           |
| 0                       | 104,745          | 0                  | 170,952           | 0                  | 0                | (66,207)                    |
| 0                       | 0                | 0                  | 158,793           | 0                  | 0                | (158,793)                   |
| (1,509,073)             | 5,000,000        | 0                  | 3,490,927         | 0                  | 0                | 0                           |
| \$ (1,509,073)          | \$ 5,231,398     | \$ 0               | \$ 3,953,232      | \$ 0               | \$ 0             | \$ (230,907)                |
| \$ (129,246)            | \$ 129,246       | \$ 0               | \$ 0              | \$ 0               | \$ 0             | \$ 0                        |
| (20,974)                | 94,889           | 0                  | 94,372            | 0                  | 0                | (20,457)                    |
| (274,857)               | 288,443          | 0                  | 13,586            | 0                  | 0                | 0                           |
| \$ (425,077)            | \$ 512,578       | \$ 0               | \$ 107,958        | \$ 0               | \$ 0             | \$ (20,457)                 |
| \$ 0                    | \$ 2,576         | \$ 0               | \$ 2,576          | \$ 0               | \$ 0             | \$ 0                        |
| (525,600)               | 525,600          | 0                  | 0                 | 0                  | 0                | 0                           |
| (4,831)                 | 1,735,080        | 0                  | 1,700,214         | 0                  | 0                | 30,035                      |
| \$ 12,975               | \$ 1,132,381     | \$ 0               | \$ 1,155,103      | \$ 0               | \$ 0             | \$ (9,747)                  |
| 0                       | 51,759           | 0                  | 51,759            | 0                  | 0                | 0                           |
| \$ 12,975               | \$ 1,184,140     | \$ 0               | \$ 1,206,862      | \$ 0               | \$ 0             | \$ (9,747)                  |
| \$ 0                    | \$ 93,516        | \$ 0               | \$ 102,596        | \$ 0               | \$ 0             | \$ (9,080)                  |
| 0                       | 55,345           | 0                  | 55,345            | 0                  | 0                | 0                           |
| (55,827)                | 216,652          | 0                  | 160,826           | 0                  | 0                | (1)                         |
| 0                       | 36,007           | 0                  | 44,828            | 0                  | 0                | (8,821)                     |
| (2,003)                 | 257,041          | 0                  | 270,187           | 0                  | 0                | (15,149)                    |
| (35,667)                | 365,853          | 0                  | 366,539           | 0                  | 0                | (36,353)                    |
| \$ (401,838)            | \$ 0             | \$ 0               | \$ 0              | \$ 0               | \$ 0             | \$ (401,838)                |
| (189,447)               | 0                | 0                  | 0                 | 0                  | 0                | (189,447)                   |
| \$ (591,285)            | \$ 0             | \$ 0               | \$ 0              | \$ 0               | \$ 0             | \$ (591,285)                |
| \$ (28,925)             | \$ 28,925        | \$ 0               | \$ 0              | \$ 0               | \$ 0             | \$ 0                        |
| \$ (3,527,683)          | \$ 13,239,111    | \$ 0               | \$ 10,935,484     | \$ 0               | \$ 0             | \$ (1,224,056)              |

CITY OF CLEVELAND, TENNESSEE  
 SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE ACTIVITY  
 For the Fiscal Year Ended June 30, 2013

| PROGRAM   | Grantor                | CFDA<br>Number          | State<br>Grant<br>Number |
|---|------------------------|-------------------------|--------------------------|
| State Grants:   |                        |                         |                          |
| Safe Schools Act                                      | Dept of Education      | N/A                     | N/A                      |
| Coordinated School Health                             | Dept of Education      | N/A                     | N/A                      |
| Lottery for Education - Afterschool Programs          | Dept of Education      | N/A                     | N/A                      |
| Disaster Relief - Utilities                           | TEMA                   | N/A                     | N/A                      |
| Disaster Relief - Public Works                        | TEMA                   | N/A                     | N/A                      |
| Archives Development                                  | Library and Archives   | N/A                     | N/A                      |
| Airport Maintenance                                   | Dept of Transportation | N/A                     | N/A                      |
| Airport Mitigation                                    | Dept of Transportation | N/A                     | AERO-12117               |
| Airport Phase III Design                              | Dept of Transportation | N/A                     | AERO-12118               |
| Airport Maintenance                                   | Dept of Transportation | N/A                     | AERO-12167               |
| Airport Terminal Building                             | Dept of Transportation | N/A                     | AERO-12173               |
| Airport Hangar Grant                                  | Dept of Transportation | N/A                     | AERO-12214               |
| Airport Site Improvement                              | Dept of Transportation | N/A                     | AERO-12215               |
| Airport Lighting Grant                                | Dept of Transportation | N/A                     | AERO-12216               |
| Airport Design/Construction of Refueling System       | Dept of Transportation | N/A                     | AERO-12217               |
| Airport Security Enhancements                         | Dept of Transportation | N/A                     | AERO-13118               |
| Airport Engineering/Construction T-Hangars            | Dept of Transportation | N/A                     | AERO-13166               |
| Airport Taxilanes                                     | Dept of Transportation | N/A                     | AERO-13213               |
| Airport Grounds Maintenance                           | Dept of Transportation | N/A                     | AERO-13238               |
| Airport Approach Clearing                             | Dept of Transportation | N/A                     | AERO-13240               |
| Airport Construction Phase III                        | Dept of Transportation | N/A                     | GG1237936                |
| Community Based Special Litter Grant                  | Dept of Transportation | N/A                     | N/A                      |
| Local Interstate Connector, Stone Lake Rd             | Dept of Transportation | N/A                     | 113131                   |
| Tinsley park playground                               | Environment & Conserv. | N/A                     | GG1135120                |
| Total State Grants                                    |                        |                         |                          |
| Total Federal and State Financial Assistance Activity |                        | *Denotes major programs |                          |

(Continued)

| Balance<br>July 1, 2012 | Cash<br>Receipts     | Other<br>Additions | Expend-<br>itures    | Paid To<br>Grantor | Transfers<br>Out | Balance<br>June 30,<br>2013 |
|-------------------------|----------------------|--------------------|----------------------|--------------------|------------------|-----------------------------|
| \$ (8,783)              | \$ 32,683            | \$ 0               | \$ 23,900            | \$ 0               | \$ 0             | \$ 0                        |
| (51,682)                | 132,740              | 0                  | 125,000              | 0                  | 0                | (43,942)                    |
| (21,081)                | 171,823              | 0                  | 162,000              | 0                  | 0                | (11,258)                    |
| (280,694)               | 0                    | 0                  | 0                    | 0                  | 0                | (280,694)                   |
| (6,209)                 | 0                    | 0                  | 0                    | 0                  | 0                | (6,209)                     |
| 0                       | 435                  | 0                  | 435                  | 0                  | 0                | 0                           |
| 0                       | 8,183                | 0                  | 12,443               | 0                  | 0                | (4,260)                     |
| 0                       | 261,064              | 0                  | 266,346              | 0                  | 0                | (5,282)                     |
| 0                       | 79,354               | 0                  | 79,354               | 0                  | 0                | 0                           |
| (4,604)                 | 4,604                | 0                  | 0                    | 0                  | 0                | 0                           |
| (60,678)                | 350,000              | 0                  | 289,322              | 0                  | 0                | 0                           |
| (51,000)                | 303,187              | 0                  | 344,392              | 0                  | 0                | (92,205)                    |
| (6,198)                 | 211,797              | 0                  | 246,054              | 0                  | 0                | (40,455)                    |
| (9,000)                 | 614,328              | 0                  | 605,328              | 0                  | 0                | 0                           |
| 0                       | 103,399              | 0                  | 171,256              | 0                  | 0                | (67,857)                    |
| 0                       | 131,234              | 0                  | 148,324              | 0                  | 0                | (17,090)                    |
| 0                       | 2,993                | 0                  | 3,321                | 0                  | 0                | (328)                       |
| 0                       | 33,874               | 0                  | 63,924               | 0                  | 0                | (30,050)                    |
| 0                       | 0                    | 0                  | 60,000               | 0                  | 0                | (60,000)                    |
| 0                       | 0                    | 0                  | 16,625               | 0                  | 0                | (16,625)                    |
| 0                       | 2,689,161            | 0                  | 2,795,015            | 0                  | 0                | (105,854)                   |
| 0                       | 0                    | 0                  | 926                  | 0                  | 0                | (926)                       |
| (882,713)               | 2,147,490            | 0                  | 1,380,200            | 0                  | 0                | (115,423)                   |
| (110,000)               | 110,000              | 0                  | 0                    | 0                  | 0                | 0                           |
| <u>\$ (1,492,642)</u>   | <u>\$ 7,388,349</u>  | <u>\$ 0</u>        | <u>\$ 6,794,165</u>  | <u>\$ 0</u>        | <u>\$ 0</u>      | <u>\$ (898,458)</u>         |
| <u>\$ (5,020,325)</u>   | <u>\$ 20,627,460</u> | <u>\$ 0</u>        | <u>\$ 17,729,649</u> | <u>\$ 0</u>        | <u>\$ 0</u>      | <u>\$ (2,122,514)</u>       |

CITY OF CLEVELAND, TENNESSEE  
 SCHEDULE OF NON-CASH ASSISTANCE

For the Year Ended June 30, 2013

| <u>CFDA</u> | <u>Program Name</u>  | <u>Grantor Agency</u>             | <u>Balance<br/>July 1,<br/>2012</u> | <u>Receipts</u>   | <u>Expend-<br/>itures/<br/>Issues</u> | <u>Balance<br/>June 30,<br/>2013</u> |
|-------------|----------------------|-----------------------------------|-------------------------------------|-------------------|---------------------------------------|--------------------------------------|
| 10.569      | Commodity Assistance | U.S. Department<br>of Agriculture | <u>\$ 0</u>                         | <u>\$ 155,430</u> | <u>\$ 155,430</u>                     | <u>\$ 0</u>                          |

**ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & HALL, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

RONALD E. ARNETT, CPA/PFS, CVA  
WILLIAM B. KIRKSEY, CPA  
BUDDY E. KIMSEY, CPA/PFS  
VICKI PIERCE SULLIVAN, CPA  
MARK A. LAY, CPA  
SCOTT D. HALL, CPA

WEDGEWOOD OFFICE PARK  
4395 N. OCOEE STREET  
CLEVELAND, TENNESSEE 37312

TELEPHONE: (423) 476-5581  
FACSIMILE: (423) 472-9893  
EMAIL: cpa@akkslh.com

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS  
NATIONAL ASSOCIATION OF  
CERTIFIED VALUATION ANALYSTS

INDEPENDENT AUDITORS' 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 Honorable Mayor and Council  
of the City of Cleveland  
Cleveland, Tennessee

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, Tennessee as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Cleveland, Tennessee's basic financial statements and have issued our report thereon dated December 16, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Cleveland Tennessee'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cleveland, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cleveland, Tennessee'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 and deficiencies that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: 2013-1.

### *Compliance and Other Matters*

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

### *The City of Cleveland, Tennessee's Response to Findings*

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

### *Purpose of this Report*

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

*Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall*  
ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & HALL, PLLC  
Certified Public Accountants

December 16, 2013

**ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & HALL, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

WEDGEWOOD OFFICE PARK  
4395 N. OCOEE STREET  
CLEVELAND, TENNESSEE 37312

TELEPHONE: (423) 476-5581  
FACSIMILE: (423) 472-9893  
EMAIL: cpa@akkslh.com

RONALD E. ARNETT, CPA/PFS, CVA  
WILLIAM B. KIRKSEY, CPA  
BUDDY E. KIMSEY, CPA/PFS  
VICKI PIERCE SULLIVAN, CPA  
MARK A. LAY, CPA  
SCOTT D. HALL, CPA

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS  
NATIONAL ASSOCIATION OF  
CERTIFIED VALUATION ANALYSTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Council  
of the City of Cleveland  
Cleveland, Tennessee

***Report on Compliance for Each Major Federal Program***

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

***Management's Responsibility***

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

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

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

### *Opinion on Each Major Federal Program*

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

### *Internal Control Over Compliance*

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

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

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

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

*Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall*  
ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & HALL, PLLC  
Certified Public Accountants

December 16, 2013

CITY OF CLEVELAND, TENNESSEE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Cleveland, Tennessee.
2. The audit of the financial statements of the City of Cleveland, Tennessee, disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements.
4. No significant deficiencies relating to the audit of the major federal award programs were reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that were required to be reported under Section 510(a) of OMB Circular A-133.

7. The programs tested as major programs included:

|  | CFDA#  |
|--|--------|
| Title I Grants to Local Educational Agencies | 84.010 |
| Race to the Top - Recovery                   | 84.395 |
| <b>(Cluster)</b>                             |        |
| Special Education - Grants to States         | 84.027 |
| Special Education - Preschool Grants         | 84.173 |
| <b>(Cluster)</b>                             |        |
| School Breakfast Program                     | 10.553 |
| School Lunch Program                         | 10.555 |
| Airport Improvement Program                  | 20.106 |
| Edward Byrne Memorial Justice Assistance     | 20.205 |
| Targeted Crime Reduction Grant               | 20.205 |
| Community Development Block Grant            | 14.218 |

7. The threshold for distinguishing Types A and B programs was \$332,727.
8. The City of Cleveland, Tennessee, was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2013-1 Procurement Cards

Condition: Aggregate purchases over \$499 were made using procurement cards in four instances during the fiscal year.

Criteria: The City has a limit for individual purchases with procurement cards of \$499.

Effect: Purchases were made in violation of City policy.

Recommendation: The current policy regarding purchases with procurement cards should be reiterated to all employees.

Response: Management agrees with the finding and will encourage the proper use of procurement cards.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

**U.S. Department of Education:**

|  |        |
|--|--------|
| Title I Grants to Local Educational Agencies | 84.010 |
| Race to the Top - Recovery                   | 84.395 |
| Special Education - Grants to States         | 84.027 |
| Special Education - Preschool Grants         | 84.173 |

NONE

**U.S. Department of Agriculture:**

|                          |        |
|--------------------------|--------|
| School Breakfast Program | 10.553 |
| School Lunch Program     | 10.555 |

NONE

**U.S. Department of Transportation:**

|                             |        |
|-----------------------------|--------|
| Airport Improvement Program | 20.106 |
|-----------------------------|--------|

NONE

**U.S. Department of Justice:**

|  |        |
|--|--------|
| Edward Byrne Memorial Justice Assistance | 20.205 |
| Targeted Crime Reduction Grant           | 20.205 |

NONE

**U.S. Department of Housing and Urban Development**

|                                   |        |
|-----------------------------------|--------|
| Community Development Block Grant | 14.218 |
|-----------------------------------|--------|

NONE

CITY OF CLEVELAND, TENNESSEE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2013

A. FINANCIAL STATEMENT AUDIT

Compliance Finding 2012-1 as restated below was corrected during the current year.

2012-1 Invoices

Condition: Invoices related to airport construction are being received in the public works office instead of accounts payable.

Criteria: All invoices should be received in accounts payable.

Effect: Invoices are not being received in the required centralized location being made.

Recommendation: Efforts should be made to have invoices directed to the accounts payable office by all vendors.

Response: Management agrees with the finding and will direct all departments to have invoices sent to accounts payable.

Compliance Finding 2012-2 as restated below was repeated during the current year as compliance finding 2013-1.

2012-2 Procurement Cards

Condition: Aggregate purchases over \$499 were made using procurement cards in four instances during the fiscal year.

Criteria: The City has a limit for individual purchases with procurement cards of \$499.

Effect: Purchases were made in violation of City policy.

Recommendation: The current policy regarding purchases with procurement cards should be reiterated to all employees.

Response: Management agrees with the finding and will encourage the proper use of procurement cards.

B. MAJOR FEDERAL AWARD PROGRAMS AUDIT

None from prior year

This page left blank intentionally.

# City of Cleveland

Janice S. Casteel  
City Manager  
(423) 472-4551  
(423) 559-3337 Fax  
jcasteel@clevelandtn.gov

CLEVELAND, TENNESSEE  
Office of the City Manager

Cleveland Municipal Building  
190 Church Street, N.E.  
P.O. Box 1519  
Cleveland, TN 37364-1519



December 16, 2013

U.S. Department of Education

The City of Cleveland, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2013.

Name and address of independent public accounting firm: Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall, PLLC, Certified Public Accountants, 4395 North Ocoee Street, Cleveland, Tennessee, 37312.

Audit Period: July 1, 2012 to June 30, 2013

## SIGNIFICANT DEFICIENCIES

### 2013-1 Procurement Cards

Condition: Aggregate purchases over \$499 were made using procurement cards in four instances during the fiscal year.

Criteria: The City has a limit for individual purchases with procurement cards of \$499.

Effect: Purchases were made in violation of City policy.

Recommendation: The current policy regarding purchases with procurement cards should be reiterated to all employees.

Response: Management agrees with the finding and will encourage the proper use of procurement cards.

## FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

### U.S. Department of Education:

|  |        |
|--|--------|
| Title I Grants to Local Educational Agencies | 84.010 |
| Race to the Top - Recovery                   | 84.395 |
| Special Education - Grants to States         | 84.027 |
| Special Education - Preschool Grants         | 84.173 |

NONE

### U.S. Department of Agriculture:

|                          |        |
|--------------------------|--------|
| School Breakfast Program | 10.553 |
| School Lunch Program     | 10.555 |

NONE

### U.S. Department of Transportation:

|                             |        |
|-----------------------------|--------|
| Airport Improvement Program | 20.106 |
|-----------------------------|--------|

NONE

**U.S. Department of Justice:**

|  |        |
|--|--------|
| Edward Byrne Memorial Justice Assistance | 20.205 |
| Targeted Crime Reduction Grant           | 20.205 |

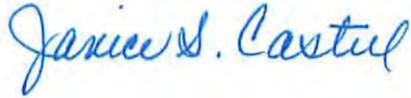
NONE

**U.S. Department of Housing and Urban Development**

|                                   |        |
|-----------------------------------|--------|
| Community Development Block Grant | 14.218 |
|-----------------------------------|--------|

NONE

Respectfully submitted,



Janice S. Casteel, City Manager  
City of Cleveland, Tennessee